

Dear Shareholder

**Non-renounceable Entitlement Issue**

On 22 April 2015, Avanco Resources Limited (**Company**) announced to ASX Limited (**ASX**) the details of a non-renounceable entitlement issue of approximately 545,979,209 fully paid ordinary shares in the capital of the Company (**Shares**) at an issue price of 8 cents each, on the basis of two (2) Shares for every seven (7) Shares held by shareholders registered at 5pm (WST) on 15 May 2015, to raise approximately \$43,678,337 (**Offer**).

The Offer is being made to all shareholders of the Company named on its register of members at 5.00pm (WST) on 15 May 2015.

The Offer is not underwritten.

The prospectus relating to this Offer (**Prospectus**) has been lodged with the Australian Securities and Investments Commission and ASX and is available on the ASX website at [www.asx.com.au](http://www.asx.com.au) for inspection. A copy of the Prospectus is also available on the Company's website at [www.avancoresources.com](http://www.avancoresources.com) and will be sent to shareholders on or about 20 May 2015.

Lodgement of Prospectus with ASIC and Lodgement of Prospectus and Appendix 3B with ASX	8 May 2015
Notice sent to Shareholders and Optionholders	12 May 2015
Ex Date	13 May 2015
Record Date for determining Shareholder entitlements	15 May 2015
Prospectus dispatched to Shareholders	20 May 2015
Closing Date of Offer*	29 May 2015
Shares quoted on a deferred settlement basis	1 June 2015
ASX notified of under subscriptions	3 June 2015
Issue date/Shares entered into Shareholders' security holdings	5 June 2015
Quotation of Shares issued under the Offer*	9 June 2015

\*The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

**Use of Funds**

The Company intends to apply the funds raised from the Offer towards:

Item	Proceeds of the Offer	Minimum Subscription (\$)	%	Full Subscription (\$)	%
1.	Plant construction	6,000,000	41.43	17,600,000	40.29
2.	Mine infrastructure	4,000,000	27.62	5,200,000	11.91
3.	Open pit mine	2,000,000	13.81	3,500,000	8.01
4.	Construction of tailing management facility	1,000,000	6.90	2,400,000	5.49
5.	Engineering/owners costs	-	-	3,500,000	8.01
6.	Contingency	-	-	4,900,000	11.22
7.	Expenses of the Offer <sup>1</sup>	778,000	5.37	2,395,247	5.48
8.	Working capital	705,294	4.87	4,183,089	9.58
	<b>Total</b>	<b>14,483,294</b>	<b>100</b>	<b>43,678,337</b>	<b>100</b>

In the event the Company raises more than the minimum subscription of \$14,483,294 and less than the full subscription of \$43,678,337, the funds raised (net of offer expenses), will be first applied toward plant construction. Once plant construction is complete, additional funds raised will be allocated to mine infrastructure, open pit mine costs and the

construction of the tailings management facility on a proportional basis. Any remaining funds will then be used as a contingency and for general working capital purposes.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

The above table is a statement of current intentions as of the date of the Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

New Shares will rank equally with all fully paid ordinary shares in the capital of the Company (Shares) already on issue.

Following completion of the Offer, the Company will have issued approximately 545,979,209 New Shares resulting in total Shares on issue of approximately 2,456,906,442.

### **Actions required of Shareholders**

There are a number of actions shareholders may take:

- You may wish to accept all of your rights to subscribe for Shares pursuant to the Prospectus (**Entitlement**). To take up all or some of your Entitlements you will need to ensure your application money for the Entitlements you wish to take up is received by Automic Registry Services (**Share Registry**) by no later than 5.00pm (WST) on 29 May 2015, by completing and returning your Entitlement and Acceptance Form together with your cheque, drawn on an Australian bank, bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form or making a payment by BPAY in accordance with the instructions on your Entitlement and Acceptance Form.
- You may wish to accept your full Entitlement as well as additional Shares which form the shortfall under the Offer (**Shortfall Shares**). To take up your full Entitlement as well as additional Shortfall Shares:
  - complete the Entitlement and Acceptance Form including the shortfall section for the amount of Shortfall Shares you wish to apply for; and
  - attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form plus any additional amount payable in respect of Shortfall Shares applied for or make a payment by BPAY in accordance with the instructions on your Entitlement and Acceptance Form;
- You may wish to accept part of your Entitlement. To take up part of your Entitlement you will need to ensure your application money for the Entitlements you wish to take up is received by the Share Registry by no later than 5.00pm (WST) on 29 May 2015, by completing and returning your Entitlement and Acceptance Form by filling in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form together with your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies or making a payment by BPAY in accordance with the instructions on your Entitlement and Acceptance Form.
- You may do nothing. If you choose to do nothing with your Entitlements, while you will continue to hold the same number of Shares, your interest in the Company will be diluted and you will receive no value for your Entitlement.

Please call the Company Secretary on 9324 1865 if you have any questions.

Yours sincerely

**Scott Funston**  
**Director**  
**AVANCO RESOURCES LIMITED**