

Dear Optionholder,

**PARTICIPATION IN PRO-RATA NON-RENOUCEABLE ENTITLEMENT ISSUE**

As announced to ASX on 22 April 2015, Avanco Resources Limited (**Avanco Resources**) is undertaking a pro-rata non-renounceable entitlement issue of approximately 545,979,209 Shares to its shareholders who are registered as shareholders at 5pm (WST) on 15 May 2015 (**Record Date**) to raise approximately \$43,678,337 (**Entitlement Issue**).

The Shares will be offered on the basis of two (2) new Shares for every seven (7) Shares held as at the Record Date.

The rights attaching to the Shares together with all other relevant information relating to the Entitlement Issue is set out in a prospectus which was lodged with the Australian Securities and Investments Commission and ASX on 8 May 2015 (**Prospectus**). A copy of the Prospectus, together with the Entitlement and Acceptance Form, will be sent to shareholders on or about 20 May 2015.

**Key Dates**

The proposed timetable for the Entitlement Issue is as follows:

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.

There is no inherent right in your Options to participate in the Entitlement Issue, unless you exercise your Options and are entered onto the register as a shareholder on or before the Record Date. The purpose of this letter is to give you notice prior to the Record Date in which you may exercise your Options should you wish to participate in the Entitlement Issue.

If you wish to participate in the Entitlement Issue you must exercise your Options in time for the new Shares to be allotted before the Record Date. To ensure that your new Shares are allotted before the Record Date your notice of exercise of Options together with your cheque for the necessary amount must be received by Automatic Registry Services **no later than 15 May 2015**. Any notice of exercise of Options received after this date cannot be assured of allotment before the Record Date.

If you do not wish to participate in the Entitlement Issue (in respect of your Options) you do not need to take any action.

Before deciding whether to exercise all or any of your Options, you should consider the terms of the Entitlement Issue carefully and if in any doubt, consult with your professional advisor.

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

Yours sincerely

Scott Funston  
**Company Secretary**  
**AVANCO RESOURCES LIMITED**