

# AVANCO RESOURCES LIMITED

## ABN 86 106 293 190

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### ENTITLEMENT ISSUE PROSPECTUS

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For a pro-rata non-renounceable entitlement issue of approximately 204,492,948 new Shares on the basis of two (2) new Shares for every three (3) Shares held at an issue price of 2.5 cents per Share to raise approximately \$5,112,324 together with one (1) free attaching Option for every five (5) Shares allotted (**Entitlement Issue**).

The Entitlement Issue is underwritten by CPS Securities. Refer to Section 8.2 for details regarding the terms of the Underwriting Agreement.

#### IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

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## TABLE OF CONTENTS

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1.	SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES.....	2
2.	CORPORATE DIRECTORY .....	4
3.	CHAIRMAN'S LETTER .....	5
4.	DETAILS OF THE OFFER .....	6
5.	PURPOSE AND EFFECT OF THE OFFER.....	11
6.	RIGHTS AND LIABILITIES ATTACHING TO THE SHARES .....	14
7.	RISK FACTORS .....	17
8.	ADDITIONAL INFORMATION.....	21
9.	AUTHORITY OF DIRECTORS.....	29
10.	DEFINITIONS .....	30

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## 1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

### TIMETABLE AND IMPORTANT DATES\*

Lodgement of Prospectus with ASIC	9 March 2010
Notice sent to Shareholders	11 March 2010
Ex Date	12 March 2010
Record Date for determining Shareholder entitlements	18 March 2010
Prospectus despatched to Shareholders	19 March 2010
Closing Date of Offer	6 April 2010
Despatch date/Securities entered into shareholders security holdings	14 April 2010

\* These dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act, the ASX Listing Rules and other applicable laws, to vary the dates of the Offer, including extending the Closing Date or accepting late applications, either generally or in particular cases, without notifying you. You are encouraged to submit your application as soon as possible. Any extension of the Closing Date will have a consequential effect on the date of the issue of the Securities. The Offer does not require the approval of Shareholders.

### IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 9 March 2010 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of this Prospectus 8 April 2011 (**Expiry Date**). No Securities will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been given to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations 2001. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

The Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act sets out how the Offer must be made.

There are differences in how securities are regulated under Australian law.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

As noted in the Prospectus at Section 4.8, the Company will apply to the ASX for quotation of the Securities offered under this Prospectus. If quotation is granted, the Shares offered under this Prospectus will be able to be traded on the ASX. If you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. As the ASX does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

## **ELECTRONIC PROSPECTUS**

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Entitlement and Acceptance Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

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## 2. CORPORATE DIRECTORY

### Directors

Mr Matthew Wood  
*Chairman*

Mr Anthony Polglase  
*Executive Director*

Mr Scott Funston  
*Executive Director*

### Company Secretary

Mr Scott Funston

### Registered Office

Level 1  
33 Richardson Street  
WEST PERTH WA 6005

### Share Registry\*

Computershare Investor Services Pty  
Limited  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
PERTH WA 6000

Telephone: 1300 787 272

### Underwriter

CPS Securities  
Level 34, 2 The Esplanade  
PERTH WA 6000

### Solicitors

Steinepreis Paganin  
Lawyers and Consultants  
Level 4, The Read Buildings  
16 Milligan Street  
PERTH WA 6000

### Auditor\*

Ernst & Young  
11 Mounts Bay Road  
PERTH WA 6000

\*These parties have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

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### 3. CHAIRMAN'S LETTER

Dear Shareholder

The Board is pleased to offer Shareholders the opportunity to participate in a pro-rata non-renounceable entitlement issue of approximately 204,492,948 new Shares on the basis of two (2) Shares for every three (3) Shares held at an issue price of 2.5 cents per Share to raise approximately \$5,112,324 together with one (1) free attaching Option for every five (5) Shares allotted, exercisable at 1.5 cents on or before 30 April 2012 (**Entitlement Issue**).

All Shareholders registered as at 5.00pm (WST) on 18 March 2010 will be entitled to participate the Offer.

The Closing Date for acceptances is 5.00pm WST on 6 April 2010.

The Entitlement Issue is fully underwritten by CPS Securities and any Shares and Options not taken up by Shareholders pursuant to the Entitlement Issue will be allocated to the Underwriter (to a maximum of 204,492,948 Shares). The underwriting of the Entitlement Issue is on standard terms and conditions. A summary of the material terms of the underwriting agreement are set out in Section 8.2 of this Prospectus.

The table set out in Section 8.4 summarises the Directors' interests in Securities at the date of this Prospectus.

Key details in respect of the Offer are as follows:

- Funds raised will ensure that the Carajas Copper Project is advanced to a production decision later in 2010, allow for the immediate drill testing of the Touro Nickel Sulphide Project and allow for the evaluation and acquisition of additional copper and nickel projects in Brazil.
- Shareholders will be able to maintain exposure to the Company's highly prospective properties in the World Class Carajas Province of Brazil.
- The Company will have a strong cash position.
- The attaching Options will be listed on ASX (ASX Code: AVBOB).

The Board takes this opportunity to thank all Shareholders for their past support and looks forward to their continued support in the future.

Yours faithfully

**Matthew Wood**  
Chairman

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## 4. DETAILS OF THE OFFER

### 4.1 Offer

By this Prospectus, the Company offers a non-renounceable entitlement issue of two (2) new Shares for every three (3) Shares held by Shareholders registered at 5.00pm (WST) on 18 March 2010 at an issue price of 2.5 cents per Share, together with one (1) free attaching Option for every five (5) Shares allotted. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company (and assuming no existing Options are exercised prior to the Record Date), the maximum number of Shares to be issued pursuant to the Offer is approximately 204,492,948. The Offer will raise approximately \$5,112,324 before costs. The purpose of the Offer and the use of funds raised are set out in Section 5 of this Prospectus.

Holders of existing Options will not be entitled to participate in the Offer. The Company currently has 232,909,386 Options on issue as at the date of this Prospectus, which Options may be exercised by the Option holder prior to the Record Date in order to participate in the Offer.

### 4.2 How to Accept the Offer

Your acceptance of the Entitlement Issue must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement. Applications for the Shortfall should be made on the Shortfall Application Form (refer to Section 4.5 below for further information on the Shortfall Offer).

You may participate in the Entitlement Issue as follows:

- (a) if you wish to accept your Entitlement in full:
  - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
  - (ii) attach your cheque for the amount indicated on the Entitlement and Acceptance Form or pay via Bpay by following the instructions set out on the Entitlement and Acceptance Form; or
- (b) if you only wish to accept part of your Entitlement:
  - (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
  - (ii) attach your cheque for the appropriate application monies (at 1 cent per Share) or pay via Bpay by following the instructions set out on the Entitlement and Acceptance Form; or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "**Avanco Resources Limited – Entitlement Offer Account**" and crossed "**Not Negotiable**".

Your completed Entitlement and Acceptance Form and cheque must reach the Share Registry no later than 5.00pm WST on the Closing Date. Alternatively, Applicants may pay via BPAY by following the instructions set out on the Entitlement and Acceptance Form (Applicants should ensure they include their reference number if paying by BPAY).

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

#### **4.3 Minimum Subscription**

The minimum subscription in respect of the Offer is \$5,112,324 (being the full subscription).

#### **4.4 Underwriting**

The Offer is fully underwritten by CPS Securities.

Refer to Section 8.2 of this Prospectus for further details of the terms of the underwriting. The potential effect of the underwriting on the Company is set out in Section 8.3 of this Prospectus.

#### **4.5 Shortfall Offer**

Any Entitlement not taken up pursuant to the Offer will form the Shortfall and will be dealt with in accordance with the Underwriting Agreement. Accordingly, Shareholders should not apply for the Shortfall unless directed to do so by the Underwriter.

The offer of any Shortfall Shares is a separate offer made pursuant to this Prospectus and will remain open after the Closing Date. The issue price of any Shortfall Shares shall be 2.5 cents being the price and terms at which the Entitlement has been offered to Shareholders pursuant to this Prospectus and will include one (1) free attaching Options for every five (5) Shares allotted.

#### **4.6 Entitlement and Acceptance Form and Shortfall Application Forms are binding**

A completed and lodged Entitlement and Acceptance Form or Shortfall Application Form, together with the application monies for the number of Securities applied for, cannot be withdrawn and constitutes a binding application for the number of Securities specified in the Entitlement and Acceptance Form or Shortfall Application Form on the terms set out in this Prospectus. The Entitlement and Acceptance Form and Shortfall Application Form do not need to be signed to be binding.

If the Entitlement and Acceptance or Shortfall Application Form is not completed correctly, the Company, in its absolute discretion, can reject it or treat it as valid. The Company's decision as to whether to accept or reject an Entitlement and Acceptance Form or Shortfall Application Form or how to construe, amend or complete it is final.

#### **4.7 Rights and liabilities attaching to Shares issued under the Offers**

All Shares issued pursuant to the Offer will, from the time they are issued, rank pari passu with all the Company's existing Shares. The rights and liabilities attaching to Shares issued under the Offer are set out in Section 6 of this Prospectus.

#### **4.8 ASX Listing**

Application for official quotation by ASX of the Shares and Options offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of this Prospectus, (or such period as modified by the ASIC), the Company will not issue any Shares and Options and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Shares and Options is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

#### **4.9 Allotment of Shares and Options**

Shares and Options issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. The Company will allot the Shares and Options on the basis of a Shareholder's Entitlement. Where the number of Shares and Options issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Shares and Options or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

#### **4.10 Overseas Shareholders**

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Securities these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Securities will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

Shareholders resident in New Zealand should consult their professional advisors as to whether any government or other consents are required, or other formalities need to be observed, to enable them to exercise their Entitlements under the Offer.

#### **4.11 Taxation Implications**

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Securities under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional

tax adviser in connection with the taxation implications of the Securities offered pursuant to this Prospectus.

#### **4.12 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship**

The Company will not be issuing share certificates. The Company will apply to ASX to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Securities allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

#### **4.13 Privacy Act**

If you complete an application for Securities, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

#### **4.14 Withdrawal of Offer**

The Company, in consultation with the Underwriter, reserves the right not to proceed with the Offer at any time before the issue of the Securities to Qualifying Shareholders. If the Offer does not proceed, the Company will return all application monies, without interest, as soon as practicable after giving notice of its withdrawal.

#### **4.15 Enquiries**

Shareholders with queries in relation to the Offer may contact the Company Secretary, Mr Scott Funston, on +61 8 9321 6600.

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## 5. PURPOSE AND EFFECT OF THE OFFER

### 5.1 Purpose of the Offer

The purpose of the Offer is to raise approximately \$5,112,324 (before expenses). The proceeds of the Offer are planned to be used in accordance with the table set out below:

<b>Proceeds of the Offer</b>	<b>\$</b>
Exploration at the Carajas Copper Project	1,600,000
Exploration at the Touro Nickel Project	1,500,000
Metallurgical Testing at the Carajas Copper Project	75,000
Feasibility studies and mine permitting at the Carajas Copper Project	250,000
Evaluation and acquisition of new projects	550,000
Working capital	797,324
Expenses of the Offer <sup>1</sup>	340,000
<b>Total</b>	<b>\$5,112,324</b>

#### Notes:

1. Refer to Section 8.7 of this Prospectus for further details relating to the estimated expenses of the Offer.

### 5.2 Effect of the Offer and Pro Forma Consolidated Statement of Financial Position

The principal effect of the Offer will be to:

- (a) increase the cash reserves by approximately \$4,772,324 immediately after completion of the Offer after deducting the estimated expenses of the Offer; and
- (b) increase the number of Shares on issue from 306,739,422, to approximately 511,232,370 Shares following completion of the Offer.

### 5.3 Consolidated Statement of Financial Position

The unaudited Statement of Financial Position as at 31 December 2009 and the unaudited Pro Forma Statement of Financial Position as at 31 December 2009 shown on the following page have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption that all Securities pursuant to the Offer in this Prospectus are issued.

The unaudited Statement of Financial Positions have been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

**Consolidated Statement of Financial Position and Pro Forma Statement of Financial Position as at 31 December 2009**

		Unaudited pro forma
	As at 31 December 09	As at 31 December 09
<b>Current Assets</b>		
Cash	789,177	5,561,501
Receivables	30,716	30,716
<b>Non Current Assets</b>		
Plant & equipment	102,338	102,338
Exploration properties	3,644,683	3,644,683
<b>TOTAL ASSETS</b>	<b>4,566,914</b>	<b>9,339,238</b>
<b>Current Liabilities</b>		
Creditors & borrowings	84,520	84,520
<b>TOTAL LIABILITIES</b>	<b>84,520</b>	<b>84,520</b>
<b>NET ASSETS</b>	<b>4,482,394</b>	<b>9,254,718</b>
Share Capital	6,933,420	11,705,744
Reserves	1,336,304	1,336,304
Retained Loss	(3,787,330)	(3,787,330)
<b>TOTAL SHAREHOLDER EQUITY</b>	<b>4,482,394</b>	<b>9,254,718</b>

## Effect on Capital Structure

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed.

### Shares

	<b>Number</b>
Shares on issue at date of Prospectus	306,739,422
Shares offered pursuant to the Offer	204,492,948
<b>Total Shares on issue after completion of the Offer <sup>1</sup></b>	<b>511,232,370</b>

### Options

	<b>Number</b>
Options exercisable at \$0.20 on or before 30 June 2010	74,418,189
Options exercisable at \$0.015 on or before 30 April 2012	156,446,197
Options exercisable at \$0.20 on or before 14 April 2012	1,500,000
Options exercisable at \$0.35 on or before 12 May 2013	545,000
Options issued pursuant to this Offer <sup>1</sup>	40,898,590
Options to be issued to the Underwriter (or its nominees) <sup>2</sup>	10,000,000
<b>Total Options on issue after completion of the Offer <sup>1</sup></b>	<b>283,807,976</b>

### Notes:

1. Assumes the Offer is fully subscribed and no Options currently on issue are exercised prior to the Record Date.
2. The Company has agreed to issue Options to the Underwriter (or its nominees) under the terms of the Underwriting Agreement. Refer to Section 8.2 for further details.

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## 6. RIGHTS AND LIABILITIES ATTACHING TO THE SHARES

### 6.1 Rights Attaching to Shares

The rights attaching to Shares in the Company are set out in the Constitution of the Company, a copy of which is available for inspection during normal business hours at the registered business office of the Company.

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

#### (a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

#### (b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

#### (c) Dividend Rights

Subject to the rights of persons (if any) entitled to shares with special rights to dividend, the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to dividend all dividends are to be declared and paid according to the proportions that the amounts paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of the shares

in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(d) **Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other shares.

(e) **Transfer of Shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) **Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

## 6.2 Terms of Options

The Options offered pursuant to this Prospectus are Options in an existing class of Options quoted on ASX (ASX: AVBOB).

The material terms and conditions of the Options offered pursuant to this Prospectus are set out below:

- (a) The options have an expiry date of 5.00pm (WST) on 30 April 2012 (**Expiry Date**). Any option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

- (b) Each option gives the optionholder the right to subscribe for one Share. To obtain the right given by each option, the optionholder must exercise the options in accordance with the terms and conditions of the options.
- (c) The exercise price payable upon exercise of each option will be 1.5 cents (**Exercise Price**).
- (d) All or part of the options may be exercised at any time prior to the Expiry Date, from time to time.
- (e) An optionholder may exercise their options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of options specifying the number of options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of options being exercised,

**(Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 5 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of options specified in the Exercise Notice.
- (h) All Shares allotted upon the exercise of options will upon allotment rank pari passu in all respects with other Shares.
- (i) The Company will apply for quotation of the options on ASX.
- (j) The Company will also apply for quotation by ASX of all Shares allotted pursuant to the exercise of options within 10 Business Days after the date of allotment of those Shares.
- (k) In the event of any reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company before the expiry of any options, the number of options to which an optionholder is entitled or the Exercise Price of the options or both will be reconstructed (as appropriate) in accordance with the Listing Rules.
- (l) An option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the option can be exercised.
- (m) There are no participating rights or entitlements inherent in the options and optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the options. However, the Company will ensure that for the purposes of the proposed issue notice of the new issue will be given to optionholders at least seven (7) business days before the record date. This will give optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.

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## **7. RISK FACTORS**

### **7.1 Introduction**

Set out below is a list of some of the risk factors which should be considered before subscribing for Securities under this Prospectus. Some of these risk factors can be mitigated by the use of safeguards and appropriate systems and actions, but many are outside the control of the Company and cannot be mitigated. The Directors are of the view that the Securities offered under this Prospectus should be considered speculative because of the nature of the Company's business and the Company's history. This list is not exhaustive and potential Applicants should examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Securities.

### **7.2 Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general political and economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital;
- (f) industrial and landowner issues and disputes; and
- (g) terrorism or other hostilities.

### **7.3 Market Conditions**

The market price of quoted securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

### **7.4 Additional Requirements for Capital**

The Company's activities require ongoing expenditure. There can be no guarantees that the funds raised through the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund its operations after the application of the net proceeds of the Offer there can be no

assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional capital on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

## **7.5 Title Risk**

Minerals licences are granted subject to various conditions (including, without limitation, minimum work requirements). Failure to comply with conditions may lead to forfeiture.

All of the Mineral Properties in which the Company has or may, upon grant, have an interest in will be subject to renewal. If any of the Mineral Properties is not renewed for any reason the Company may suffer damage through loss of opportunity to develop. The Directors are not aware of any reason why renewal (or grant) of any Mineral Properties will not occur.

## **7.6 Exploration Success**

The Mineral Properties are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of the Mineral Properties, or any other mineral properties that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Company.

The success of the Company will also depend upon the Company having access to sufficient development capital, being able to maintain title to its Mineral Properties and obtaining all required approvals for its activities. In the event that exploration programs prove to be unsuccessful this could lead to a diminution in the value of the Mineral Properties, a reduction in the cash reserves of the Company and possible relinquishment of the Mineral Properties.

## **7.7 Operating Risks**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its Mineral Properties. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

## **7.8 Resource Estimates**

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

There can be no guarantee that the Company will be able to convert the results from previous exploration into classification under the JORC code.

## **7.9 Commodity Price Volatility and Exchange Rate Risks**

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company will be taken into account in Brazilian and Australian currencies, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar and the Brazilian real as determined in international markets.

## **7.10 Environmental Risks**

The operations and proposed activities of the Company are likely to be subject to national & local regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to a high standard of environmental obligation, including compliance with the prevailing environmental legislation.

In this regard, the regulatory authorities may from time to time, review the environmental conditions associated with Company's projects. The Directors are not in a position to state whether a review is imminent or whether the outcome of such a review would be detrimental to the funding needs of the Company.

## **7.11 Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no

detrimental impact on the Company if one or more of these employees cease their employment.

#### **7.12 Sovereign Risk**

As the Company's projects are located in Brazil, a less-developed country than Australia with associated political, economic, legal and social risks. There is no assurance that the systems of government and the political system will remain stable and that government regulations relating to the foreign investment, repatriation of foreign currency, taxation and the mining industry in Brazil will not be amended or replaced in the future to the detriment of the Company's business. Outcomes before courts in Brazil may be less predictable than in Australia, which could affect the enforceability of contracts entered into by the Company in Brazil. The Company has made investment and strategic decisions based on information currently available to the Directors. Should there be any material change in the political, economic, legal and social environments in Brazil, the Directors may reassess investment decisions and commitments to assets in Brazil.

#### **7.13 Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

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## 8. ADDITIONAL INFORMATION

### 8.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
  - (i) the financial statements of the Company for the financial year ended 30 June 2009 being the last financial statements for a financial year of the Company lodged with the ASIC before the issue of this Prospectus; and
  - (ii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial

statements referred to in paragraph (i) above until the issue of this Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2009 audited financial statements:

<b>Date</b>	<b>Description of Announcement</b>
08/03/2010	Appendix 3B
08/03/2010	Reinstatement to Official Quotation
08/03/2010	Non Renounceable Entitlements Issue
03/03/2010	Suspension from Official Quotation
01/03/2010	Trading Halt
19/02/2010	Boardroom Radio Interview
19/02/2010	Section 708A Notice
19/02/2010	Appendix 3B
08/02/2010	Positive Results for Rio Verde Copper Project Feasibility
29/01/2010	Quarterly Activities Report
29/01/2010	Quarterly Cashflow Report
21/01/2010	Section 708A Notice
20/01/2010	Appendix 3B
18/01/2010	High Priority Drill Targets Identified Touro Nickel Project
14/01/2010	High Grade Copper Project Metallurgical Results
07/12/2009	Appendix 3B
27/11/2009	Restricted Securities to be Released from Escrow
23/11/2009	Results of Annual General Meeting
18/11/2009	Touro Nickel Project
26/10/2009	Quarterly Activities Report
26/10/2009	Quarterly Cashflow Report
19/10/2009	Notice of Annual General Meeting
12/10/2009	Nickel Sulphide Drilling Commences

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

## 8.2 Underwriting Agreement

Pursuant to an agreement between CPS Securities (**Underwriter**) and the Company (**Underwriting Agreement**), the Underwriter agreed to fully underwrite the Offer for 204,492,948 Shares and 40,898,590 Options (**Underwritten Securities**).

Pursuant to the Underwriting Agreement, the Company has agreed to:

- (a) pay the Underwriter an underwriting fee of 5% (plus GST) of the amount raised pursuant to the Offer;

- (b) pay the Underwriter a management fee of 1% (plus GST) of the amount raised pursuant to the Offer;
- (c) issue to any sub-underwriter of the Offer 6 Options for each dollar sub-underwritten; and
- (d) issue to the Underwriter (or its nominees) 10,000,000 Options.

CPS Securities will be liable to pay all other AFSL holders or brokers a fee of 5% (plus GST) for any amounts placed or for any sub-underwriting positions entered into.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement:

- (a) by fourteen (14) days notice in writing to that effect:
  - (i) if the Company commits or allows to be committed a material breach of any of the terms or conditions of the Underwriting Agreement; or
  - (ii) if any warranty or representation given or made by the Company is not complied with or proves to be untrue in any respect; or
- (b) immediately by notice in writing to that effect:
  - (i) if the Company becomes insolvent, has a receiver, administrative receiver or manager or administrator appointed over the whole or any of its assets, enters into any composition with creditors generally or has an order made or resolution passed for its to be wound up; or
  - (ii) if a court makes an administration order with respect to the Company or any composition in satisfaction of its debts of or a scheme of arrangement of the affairs of the Company.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

### **8.3 Disclosure of Underwriting on Voting Power**

As set out above, the Offer is fully underwritten by CPS Securities.

To comply with the requirement to fully disclose the Underwriter's potential voting power in the Company and the effect of the underwriting by the Underwriter, the table below sets out various scenarios to indicate the effect on the Company's shareholding depending on the Shortfall (if any). The potential maximum increase in the voting power of the Underwriter is set out below (100% Shortfall) and will only occur if no Shareholders take up their Entitlement under the Offer.

The potential maximum increase in the voting power of the Underwriter is set out below (100% Shortfall) and will only occur if no Shareholders take up their Entitlement under the Offer.

Event	No. of Shares held by the Underwriter <sup>1</sup>	Voting power of the Underwriter in the Company (Undiluted)	Voting power (Fully Diluted) assuming that all Options are exercised <sup>2</sup>	Voting power (Fully diluted) assuming that no Options are exercised other than held by Underwriter <sup>3</sup>
After issue of Securities to the Underwriter assuming 100% Shortfall	204,492,948	40%	32.12%	45.43%
After issue of Securities to the Underwriter assuming 75% Shortfall	153,369,711	33.33%	26.45%	38.75%
After issue of Securities to the Underwriter assuming 50% Shortfall	102,246,474	25%	19.74%	30.20%
After issue of Securities to the Underwriter assuming 25% Shortfall	51,123,237	14.29%	11.68%	18.87%

Notes:

1. The Underwriter does not have a relevant interest in any Securities as at the date of this Prospectus.
2. Assumes that all Options issued pursuant to the Prospectus and currently on issue are exercised (including 10,000,000 Options issued under the Underwriting Agreement).
3. Assumes that no Options issued pursuant to the Prospectus or currently on issue are exercised except for those issued to the Underwriter (including 10,000,000 Options issued under the Underwriting Agreement).

The number of Shares held by the Underwriter and its voting power in the table above show the potential effect of the underwriting of the Offer. However, it is highly unlikely that no Shareholders will take up their Entitlement under this Offer. The underwriting obligation of the Underwriter, and therefore voting power of the Underwriter, will reduce by a corresponding amount for the amount of Entitlements taken up by other Shareholders. In addition, the future pattern of shareholding of the Company will change depending on the take up of Entitlements of the other Shareholders and the extent to which Shareholders trade their Rights.

Notwithstanding the potential effect of the underwriting detailed in the table above, the Underwriter has advised the Company that it has entered into arrangements with sub-underwriters in relation to the Shortfall such that neither the Underwriter nor any sub-underwriter will individually have a voting power in the Company in excess of 20% after the issue of the Shortfall. Therefore, although the information detailed in this Section 8.3, sets out the hypothetical position of the Underwriter, if it is required to subscribe for the Shortfall under the Offer, in practical terms, neither the Underwriter nor any sub-underwriter will obtain control of the Company as a result of the Underwriter underwriting the Offer.

The Underwriter has consented to the inclusion of the statement above in this Supplementary Prospectus in the form and context in which it has been included.

## 8.4 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Offer pursuant to this Prospectus.

Directors' interests in securities of the Company at the date of this Prospectus are<sup>1</sup>:

Name	Shares	Options <sup>2</sup>	Entitlement
Anthony Polglase	4,600,000	4,690,000	3,066,667
Matthew Wood	19,895,000	14,850,000	13,263,334
Scott Funston	1,580,000	1,240,000	1,053,334

### Notes:

1. The Directors have indicated that it is their present intention to subscribe for part of their Entitlement under the Offer.
2. Assumes that none of the Options held by the Directors as at the date of this Prospectus are exercised prior to the Record Date.

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal shares. Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

If any of the Directors are called upon to perform extra services or make any special exertions on behalf of the Company or its business, the Directors may remunerate this Director in accordance with such services or exertions, and this remuneration may be either in addition to or in substitution for the remuneration provided in the form of directors' fees.

The table below sets out the expected annual remuneration payable to the Directors for the current financial year, inclusive of directors' fees and consultancy fees.

Director	Current Financial Year
Tony Polglase	\$120,000
Matthew Wood	\$120,000
Scott Funston	\$90,000

The Company paid to the Directors a total of \$252,050 for the year ended 30 June 2009. The Directors have been paid fees totalling \$220,000 from the end of the previous financial year until the date of this Prospectus.

## 8.5 Interests and Consents of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of securities pursuant to this Prospectus; or
- (c) the Offer of securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Pursuant to Section 716 of the Corporations Act, CPS Securities has given and has not withdrawn its consent to being named as Underwriter to the Offer in the Corporate Directory of this Prospectus in the form and context in which it is named. CPS Securities has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

CPS will be paid an underwriting fee of approximately \$255,616 and a management fee of \$51,124 in consideration for services provided in respect of this Offer. In the past two years, CPS has not been paid any fees by the Company.

Pursuant to Section 716 of the Corporations Act, Steinepreis Paganin has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is

named. Steinepreis Paganin has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

The Company estimates that it will pay Steinepreis Paganin approximately \$12,500 for services in relation to this Prospectus. Since the incorporation of the Company, Steinepreis Paganin has been paid fees totalling approximately \$91,098 (excl GST and disbursements) for services provided to the Company in relation to legal matters.

## 8.6 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

## 8.7 Estimated Expenses of Offer

In the event that the Offer is fully subscribed, the estimated expenses of the Offer are as follows:

	\$
ASIC fees	2,010
ASX fees	12,000
Underwriting fees	255,616
Management fee	51,124
Legal expenses	12,500
Printing and other expenses	6,750
<b>Total</b>	<b>340,000</b>

## 8.8 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: 4.1 cents on 18 January 2010

Lowest: 2.1 cents on 9 December 2009

Last: 2.7 cents on 8 March 2010

## 8.9 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the application form. If you have not, please phone the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus, or both.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

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**9. AUTHORITY OF DIRECTORS**

**9.1 Directors' Consent**

Each of the Directors of Avanco Resources Limited has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act

Dated 9<sup>th</sup> day of March 2010

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**Scott Funston**  
**Director**  
**For and on behalf of**  
**AVANCO RESOURCES LIMITED**

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10. **DEFINITIONS**

**Applicant** means a Shareholder who applies for Securities pursuant to the Offer.

**ASIC** means Australian Securities and Investments Commission.

**ASTC Settlement Rules** means the settlement rules of the securities clearing house which operates CHESS.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires).

**Board** means the board of Directors unless the context indicates otherwise.

**Business Day** means a day on which trading takes place on the stock market of ASX.

**Closing Date** means the closing date of the Offer, being 5.00pm (WST) on 6 April 2010 (unless extended).

**Company** means Avanco Resources Limited (ABN 86 106 293 190).

**Constitution** means the Company's Constitution as at the date of this Prospectus.

**Corporations Act** means the *Corporations Act 2001*(Cth).

**Directors** means the directors of the Company at the date of this Prospectus.

**Dollar** or "\$" means Australian dollars.

**Entitlement** means the entitlement of a Shareholder who is eligible to participate in the Offer.

**Entitlement Issue** means the issue of Shares and Options offered by this Prospectus.

**Entitlement and Acceptance Form** means the entitlement and acceptance form either attached to or accompanying this Prospectus.

**Listing Rules** or **ASX Listing Rules** means the Listing Rules of the ASX.

**Offer** means the non-renounceable entitlement offer pursuant to this Prospectus of two (2) new Shares for every three (3) Shares held by a Shareholder on the Record Date to raise \$5,112,324.

**Official List** means the official list of ASX.

**Option** means an option to acquire a Share.

**Prospectus** means this prospectus.

**Qualifying Shareholders** means all Shareholders at 5.00pm (WST) on the Record Date whose registered addresses are in Australia and New Zealand.

**Quotation** and **Official Quotation** means official quotation on ASX.

**Record Date** means 5.00pm (WST) on 18 March 2010.

**Related Corporation** has the meaning given to that term in the Corporations Act.

**Securities** means Shares and/or Options.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**Share Registry** means Advanced Share Registry Services.

**Shortfall** means those Securities under the Offer not applied for by Shareholders under their Entitlement.

**Shortfall Application Form** means the shortfall application form attached to or accompanying this Prospectus.

**Shortfall Offer** means the offer as described in Section 4.5.

**Underwriter** or **CPS Securities** means Cunningham Peterson Sharbanee Securities Pty Ltd trading as "CPS Securities" (ABN 73 088 055 636).

**WST** means Western Standard Time.