

16 October 2015

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Dear Shareholder

## **NON-RENOUNCEABLE PRO-RATA RIGHTS ISSUE**

### **Rights Issue**

Avalon Minerals Ltd (**Avalon** or **Company**) announced a share placement and a non-renounceable pro-rata rights issue on 16 October 2015 and is pleased to provide further detailed information on the non-renounceable pro-rata rights issue it will be undertaking (**Rights Issue**).

The Rights Issue will be an offer of new fully paid ordinary shares (**Rights Issue Shares**) on the basis of one (1) Rights Issue Share for every two (2) shares held (**Entitlement**) by Eligible Shareholders (defined below) on the Record Date (defined below) (**Existing Shares**), at a price of \$0.027 per Rights Issue Share (**Issue Price**). Based on the current shares on issue (assuming the completion of the share placement prior to the Record Date), a total of 127,585,665 Rights Issue Shares will be offered to raise up to \$3.4 million (before the costs of the Rights Issue).

The Issue Price represents a discount of 3.7% to the last closing price of Avalon's shares prior to the announcement of the Rights Issue. The volume weighted average price for the Company's shares on the ASX over the 90 trading days preceding the date of this announcement was \$0.029.

The Rights Issue is non-renounceable, meaning that Eligible Shareholders who do not take up their Entitlement will not be able to transfer or receive any value for those Entitlements, and their equity interest in the Company will be diluted.

### **Eligibility and Record Date**

Holders of shares in the Company as at 5pm (AEDT) on 26 October 2015 (**Record Date**) will be eligible to participate in the Rights Issue (**Eligible Shareholders**).

Eligible Shareholders will also be entitled to subscribe for additional shares from any shortfall pursuant to a shortfall facility (**Shortfall Facility**).

### **Offer Document**

The Rights Issue is being conducted in accordance with section 708AA of the *Corporations Act 2001* (Cth) (**Act**). Accordingly, the Company is not required to lodge a prospectus with ASX or ASIC or provide one to shareholders. The Company has prepared a document explaining the Rights Issue in more detail (**Offer Document**).

The Offer Document will be lodged with the ASX on or before 28 October 2015 and will be sent to Eligible Shareholders on that date, together with a personalised Entitlement and Acceptance Form.

A Cleansing Notice and Appendix 3B were also lodged with the ASX on 16 October 2015.

All documents are available for inspection on the ASX website at [www.asx.com.au](http://www.asx.com.au) and the Company's website at [www.avalonminerals.com.au](http://www.avalonminerals.com.au).

## Timetable

The current proposed timetable for the Rights Issue is set out below.

Activity	Business Day	Date
Announcement of Offer, Lodge Appendix 3B and Section 708AA Cleansing Notice	0	Fri, 16 Oct 2015
Dispatch of notices to Shareholders and Option holders informing them of Rights Issue	1	Mon, 19 Oct 2015
Shares trade on an "ex" Entitlement basis*	4	Thu, 22 Oct 2015
Record Date for Entitlement to participate in the Rights Issue (5.00pm AEDT)	6	Mon, 26 Oct 2015
Rights Issue Offer Document and Entitlement and Acceptance Form dispatched to Shareholders and lodged with ASX	8	Wed, 28 Oct 2015
Closing Date for the Rights Issue (5.00pm AEDT)	16	Mon, 9 Nov 2015
Securities quoted on deferred settlement basis	17	Tue, 10 Nov 2015
ASX notified of under subscriptions	19	Thu, 12 Nov 2015
Issue of New Shares under the Rights Issue	20	Fri, 13 Nov 2015
Holding statements are dispatched to Shareholders	21	Mon, 16 Nov 2015

*The above dates are indicative only and may change without notice. The Directors reserve the right to amend this indicative timetable at any time (subject to the Corporations Act and ASX Listing Rules), to extend the Closing Date or to cancel the Rights Issue without prior notice in its absolute discretion. The commencement of quotation of New Shares is subject to confirmation from the ASX.*

*\*Shareholders should consult their professional advisors in regards to the definition of "Ex" Date and Record Date to ensure that their entitlement to participate in the Rights Issue is assured. Where fractions arise in the calculation of Entitlements, they will be rounded down to the nearest whole number.*

## Use of proceeds from the Rights Issue

The Company will use the proceeds raised under the Rights Issue to:

- (a) fund ongoing work required for completion of the scoping study on the Company's Viscaria Copper Project in Sweden, including drilling costs to update the Mineral Resource Estimate, and progressing the Environmental and Social Impact Assessment;
- (b) fund corporate running costs and replenish working capital; and
- (c) investigate and advance business development opportunities for the Company to deliver shareholder growth.

## Capital Structure

The effect of the Rights Issue on the capital structure of the Company based on the current shares on issue is as follows:

- The maximum number of Rights Issue Shares that may be issued under the Rights Issue is 127,585,665 raising a maximum of \$3,444,813;
- After completion of the Rights Issue, the maximum number of issued shares in the Company will be 382,756,995.

This assumes that the placement of 14,851,852 shares is completed prior to the Record Date and that no options are exercised or performance rights vest and no other shares are issued prior to the completion of the Rights Issue.

## Participating in the Rights Issue

The Board recommends the Rights Issue to shareholders.

However, before making a decision whether to apply for Rights Issue Shares, Eligible Shareholders should read the Offer Document carefully and in its entirety when they receive it.

Yours sincerely

**AVALON MINERALS LIMITED**



**Graham Ascough**  
Chairman