

28 October 2015

ASX ANNOUNCEMENT



NON-RENOUNCEABLE RIGHTS ISSUE OFFER DOCUMENT

Avalon Minerals Ltd (ASX: AVI; "Avalon") advises that the attached Offer Document has been dispatched to eligible shareholders today, together with a personalised Entitlement and Acceptance Form.

The current 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 securities 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.*

If you have any questions concerning your Entitlement, please contact your professional advisor or the Company's share registry, Computershare Investor Services Pty Limited on phone: 1300 850 505 (within Australia); +61 3 9415 4000 (outside Australia).

ASX: AVI

REGISTERED OFFICE

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ABOUT AVALON

Avalon is an ASX listed mineral exploration company with high quality assets in Sweden, one of the leading metal producing countries in the European Union.

Avalon's flagship asset is the Viscaria Copper Project located 1,200km north of Stockholm where the Company has delineated a global resource of 54 million tonnes of copper mineralisation at 1.1% Cu, containing 604,000 tonnes of copper.

The Viscaria Project is surrounded by established infrastructure, lying immediately adjacent to LKAB's Kirunavaara Iron Ore operation and in close proximity to high-capacity rail and ports.

ABOUT SWEDEN

Sweden has a 1,000 year mining history, is the largest producer of iron ore in the European Union and is a leading producer of base metals (copper, zinc, lead) and precious metals (gold and silver).

There are excellent discovery opportunities, with much of the country underexplored by modern standards. Furthermore, Sweden possesses a world-class geological database and favourable minerals legislation, is politically and economically stable and has mining know-how, highly trained personnel and excellent infrastructure.

For further information please visit www.avalonminerals.com.au or contact:

Mr Malcolm Norris
Managing Director
Avalon Minerals Ltd
Tel: 07 3368 9888

Email: malcolm.norris@avalonminerals.com.au

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OFFER DOCUMENT

NON-UNDERWRITTEN, NON-RENOUNCEABLE PRO-RATA RIGHTS ISSUE

For a non-renounceable, pro rata Rights Issue of New Shares at an issue price of \$0.027 per New Share on the basis of one (1) New Share for every two (2) Existing Shares held at the Record Date to raise approximately \$3,444,813 before the costs of the issue.

Important Notice

This Offer Document is not a prospectus and it does not contain all of the information an investor would find in a prospectus, or which may be required to make an informed decision regarding or about the rights attaching to, the New Shares offered by this Offer Document.

This Offer Document is important and should be read in its entirety. If you do not understand the contents of this Offer Document you should obtain professional investment advice before deciding whether to apply for New Shares.

Any investment in the Company should be considered as speculative.

THIS RIGHTS ISSUE OPENS ON 28 OCTOBER 2015 AND CLOSES AT 5:00PM AEDT ON 9 NOVEMBER 2015.

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IMPORTANT INFORMATION

This Offer Document is dated 28 October 2015.

Capitalised terms in this Offer Document are defined in Section 6 (Definitions).

This Offer Document has been prepared in accordance with section 708AA of the Corporations Act which relates to rights issues by certain entities that do not require the provision of a prospectus or other disclosure document.

Eligible Shareholders should rely on their own knowledge of the Company, refer to disclosures made by the Company to the ASX and consult their professional advisers before deciding whether to apply for New Shares. Announcements made by the Company to the ASX are available from the ASX website asx.com.au or from the Company's website www.avalonminerals.com.au.

The information in this Offer Document does not constitute a securities recommendation or financial product advice.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Rights Issue or Offer described in this Offer Document, which is not contained in this Offer Document.

Any information or representation not contained in this Offer Document may not be relied on as having been authorised by the Company in connection with the Rights Issue.

ASX and ASIC do not take any responsibility for the contents of this Offer Document.

Entire Agreement

The terms contained in this Offer Document and the accompanying Entitlement and Acceptance Form constitute the entire agreement between the Company and you as to the Offer and your participation in the Offer to the exclusion of all prior representations, understandings and agreements between the Company and you.

Governing Law

This Offer Document, and the contracts formed on acceptance of the Applications are governed by the laws applicable in Queensland, Australia. Each Applicant for New Shares submits to the non-exclusive jurisdiction of the Courts of Queensland, Australia.

Privacy

If you complete an Application for New Shares, you will be providing personal information to the Company (directly or via the Share Registry). The Company will collect, hold 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 the Share Registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules and Procedures.

You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application.

LETTER FROM THE CHAIRMAN

28 October 2015

Dear Shareholder

On behalf of the Directors of Avalon, I am pleased to invite you to participate in this Rights Issue. This Rights Issue provides you with the opportunity to maintain your equity interest in the Company and to participate in the continued growth of the Company.

As set out in this Offer Document, under the Rights Issue the Company is offering up to 127,585,665 New Shares at an issue price of \$0.027 per share to all Eligible Shareholders, on the basis that all Eligible Shareholders are invited to apply for one (1) fully paid ordinary share in the Company for every two (2) fully paid ordinary shares in the Company already held at the Record Date.

Eligible Shareholders are also invited to apply for additional New Shares which will be allocated from any Shortfall.

The maximum amount that the Company will raise under this Rights Issue is \$3,444,813 (before the costs of the issue). The Rights Issue is not underwritten.

The money raised under this Rights Issue will be used 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 ("ESIA");
- b) fund corporate running costs and replenish working capital; and
- c) investigate and advance business development opportunities for the Company to deliver shareholder growth.

The Board's key objective is to advance the Viscaria Copper Project in Sweden and deliver on project development goals as the Company looks to create value for our shareholders over the long term.

I am pleased to inform you that as a shareholder in the Company, I intend to participate in and take up all of my entitlements under the Rights Issue, as do my fellow Directors.

The details of the Offer are set out in this Offer Document and I encourage you to read the Offer Document in its entirety before making your investment decision. A summary of risk factors that you should consider is set out in Section 4.

Finally, on behalf of the Board I thank you for your continued support in the Company and encourage you to take up your Entitlements under the Rights Issue.

Yours faithfully

Graham Ascough
Chairman, Avalon Minerals Limited

SECTION 1 - KEY INFORMATION

1.1 Summary of the Offer

<i>Issue Price per New Share</i>	\$0.027
<i>Maximum number of New Shares to be issued under the Offer</i>	127,585,665
<i>Total number of Shares on issue immediately after completion of the Offer</i>	382,756,995
<i>Entitlement</i>	1 New Share for every 2 Existing Share held as at the Record Date
<i>Maximum amount to be raised</i>	\$3,444,813 (before the costs of the issue)^

[^]Assuming the Offer is fully subscribed.

1.2 Indicative Timetable

The following are key dates relating to the Offer that you need to be aware of.

Activity	Business Day	Date
Announcement of Offer, Lodge Appendix 3B, Offer Document 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
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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 the Listing Rules), to extend the Closing Date to accept late Entitlement and Acceptance Forms either generally or in particular cases, to close the Offer early or to cancel the Rights Issue without prior notice in its absolute discretion. The commencement of quotation of new securities 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.*

SECTION 2 – DETAILS OF THE RIGHTS ISSUE

2.1 Offer

The Company is making a non-renounceable, pro-rata rights issue offer of New Shares at an issue price of \$0.027 per New Share to Eligible Shareholders on the basis of one (1) New Share for every two (2) Existing Shares held on the Record Date.

As at the Record Date, the Company has on issue 255,171,330 Existing Shares.

Assuming that the Offer is fully subscribed, the Company will:

- issue 127,585,665 New Shares;
- raise \$3,444,813 (before the costs of the issue).

The Rights Issue is not underwritten.

Where the determination of an Entitlement results in a fraction of a New Share, such a fraction will be rounded down to the nearest whole New Share.

2.2 Purpose of the Offer

Avalon's unaudited cash position at the end of September 2015 was approximately \$1.25M. Since then, Avalon has arranged a placement of Shares with new sophisticated investors to raise approximately \$0.4M, as well as incurring normal operational expenditure relating to the progression of the scoping study, ESIA and drilling and corporate running costs. If fully subscribed, the Rights Issue will provide the Company with additional funds of \$3,444,813 (before the costs of the issue). On this basis, on completion of the Rights Issue the Company will have approximately \$4.5M cash at bank (before the costs of the issue).

2.3 Capital Structure

The capital structure of the Company on completion of the Offer will be as follows (assuming that it is fully subscribed and that none of the Options currently on issue are exercised and none of the Performance Rights on issue will vest before the closing of the Rights Issue):

Shares currently on issue	255,171,330
Options currently on issue*	10,800,000
Performance Rights on issue**	200,000
New Shares offered under the Offer	127,585,665
Total Shares on issue on completion of the Offer	382,756,995

*The Options have exercise prices of \$0.06 and \$0.08. The Board considers it reasonable to assume that none of the Options will be exercised before the closing of the Rights Issue given the Company's share price as at close of trading on 15 October 2015 of \$0.028.

** The Performance Rights on issue are subject to share price target vesting conditions of \$1.20 and \$3 per share. The Board considers it reasonable to assume that none of the Performance Rights will vest before the closing of the Rights Issue.

2.4 Use of funds

The Company is undertaking the Rights Issue for the purpose of:

- 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 ESIA;
- b) fund corporate running costs and replenish working capital; and
- c) investigate and advance business development opportunities for the Company to deliver shareholder growth.

2.5 Minimum Subscription

There is no minimum subscription.

2.6 New Shares

The New Shares will be fully paid ordinary shares and will rank equally in all respects from the date of allotment with the Existing Shares.

The Issue Price is payable in full by Eligible Shareholders on acceptance of the Offer.

The Directors may at any time decide to withdraw this Offer Document and the Offer made under this Offer Document, in which case the Company will return all Application Monies (without interest) as soon as practicable.

2.7 Eligible Shareholders and Entitlements

To be eligible to participate in the Rights Issue, a Shareholder must be registered as a Shareholder at the close of business on the Record Date.

The number of New Shares to which Eligible Shareholders are entitled is shown on the Entitlement and Acceptance Form accompanying this Offer Document.

Eligible Shareholders may accept all, part or none of their Entitlement. Eligible Shareholders will also be able to apply for additional Shares over and above their Entitlement pursuant to the Shortfall Offer detailed in Section 2.10.

Detailed instructions on how to accept all or part of your Entitlement are set out in Section 3.

If Eligible Shareholders choose not to accept their Entitlements, then they are not required to do anything and their shareholdings in the Company will be diluted.

2.8 Opening and Closing dates

The Rights Issue will open for receipt of acceptances on 28 October 2015.

The Closing Date and time for acceptances and payments under the Offer is 5:00pm AEDT, 9 November 2015, subject to the Directors extending the Closing Date (subject to the Corporations Act and the ASX Listing Rules). The Company must receive your Entitlement and Acceptance Form and payment before the Closing Date otherwise the Offer as it applies to you as an Eligible Shareholder will lapse. Further details on the timetable for the Offer are set out in Section 1 of this Offer Document.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY® are received by 5:00pm AEDT on 9 November 2015.

2.9 No rights trading

This Offer is made on a non-renounceable basis. Eligible Shareholders who are registered as at the Record Date may not renounce, sell, transfer or deal with all or any part of their Entitlement to the New Shares which they do not wish to accept.

If you do not take up your Entitlement by the Closing Date, the Offer will lapse, your shareholding in the Company will be diluted and any Shortfall will be dealt with in accordance with Sections 2.10 of this Offer Document.

2.10 Shortfall Offer

The Company will also allow Eligible Shareholders (other than Directors or their associated entities) to apply for additional shares if they wish to do so on the following basis.

If all Eligible Shareholders do not take up their Entitlement in full, the Shortfall will be allocated to those Eligible Shareholders who apply for additional shares (in addition to their Entitlement).

If Applications under the Shortfall Offer exceed the Shortfall, the Shortfall will be allocated on a proportionate basis having regard to the relative registered holdings on the Record Date of all Eligible Shareholders who have applied for Shortfall Shares under the Shortfall Offer.

The Directors have the discretion to determine any final allocations under the Shortfall Offer, having regard to the allocation principles set out above, the requirements of the Corporations Act, the ASX Listing Rules and other applicable laws.

You are referred to Section 3 for further information.

2.11 Underwriting

The Rights Issue offer is not underwritten.

2.12 Issue of New Shares

New Shares taken up under the Rights Issue are expected to be issued by 13 November 2015 (subject to any changes in the timetable set out in Section 1, at the discretion of the Directors having regard to the Corporations Act and the Listing Rules).

It is the responsibility of Applicants to determine their allocation prior to trading in New Shares. Applicants who sell New Shares before they receive their new holding statements following the issue of New Shares to them will do so at their own risk.

2.13 Market Prices for Shares on ASX

The highest and lowest market prices of the Shares of the Company on ASX during the 90 trading days immediately preceding the date of this Offer Document were \$0.035 on 23 June 2015 and \$0.016 on 7 October 2015 respectively.

The issue price of \$0.027 per New Share represents a 3.7% discount to the last closing price of the Company's shares prior to the announcement of the Rights Issue.

The volume weighted average price for Shares on the ASX over the 90 trading days preceding 16 October 2015 (the date the Rights Issue was first announced) was \$0.029.

The Issue Price therefore represents a discount of approximately 6% to the 90 day volume weighted average price for Shares prior to the date the Rights Issue was first announced.

2.14 ASX quotation of New Shares

The Company has applied to ASX for official quotation of the New Shares. If ASX does not grant permission for official quotation of the New Shares, all Application Monies will be returned, without interest, as soon as practicable.

2.15 Foreign Shareholders

The Offer is being made to all shareholders to whom the Company may lawfully extend the offer. Shareholders outside Australia and New Zealand should ensure they comply with any applicable securities laws in their own country in relation to participation in the Rights Issue.

2.16 Risk Factors

An investment in New Shares should be regarded as highly speculative. There are general risks applicable to all investments in listed securities, however there are also specific risks associated with an investment in the Company. A summary of some of these specific risks are outlined in Section 4.

2.17 Taxation Implications

Shareholders should be aware that there may be taxation implications in participating in the Offer and subscribing for New Shares. The taxation consequences of participating in the Offer and/or acquiring New Shares may vary depending on the individual circumstances of each Shareholder. Before making a decision on whether or not to participate in this Rights Issue, Shareholders should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable to their personal circumstances.

2.18 Regular Reporting and Disclosure

The Company is a disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the market.

In particular, the Company has an obligation (subject to certain limited exceptions) to notify ASX once it is, or becomes, aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company's securities. All announcements made by the Company are available from the ASX website asx.com.au or the Company's website www.avalonminerals.com.au.

2.19 CHESS

The Company participates in the CHESS operated by the ASX Settlement Corporation, a wholly owned subsidiary of the ASX, in accordance with the Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, the Company will not issue certificates to Applicants. Instead, Applicants will receive a statement of their holdings in the Company of New Shares. If the Applicant is broker sponsored, ASX Settlement Corporation will send them a CHESS statement.

The CHESS statement will set out the number of New Shares issued under this Offer Document, provide the details of a Shareholder's holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the New Shares.

If you are registered on the issuer sponsored sub-register, your statement will be dispatched by the Share Registry and will contain the number of New Shares issued to you under this Offer Document and your security reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time; however a charge may apply for additional statements.

2.20 Enquiries

If you have any questions concerning your Entitlement, please contact the Company's share registry, Computershare Investor Services Pty Limited on phone: 1300 850 505 (within Australia); +61 3 9415 4000 (outside Australia).

General enquires in relation to the Company or the Offer can be made to the Company Secretary at 9 Gardner Close, Milton, Queensland 4064, Australia or by telephone on +61 7 3368 9888 or by facsimile on +61 7 3368 9899 or by email to infor@avalonminerals.com.au. Information may also be obtained by visiting the Company's website: www.avalonminerals.com.au.

If you are beneficially entitled to Shares and those Shares are held on your behalf by a nominee or custodian you should direct any enquiries to your nominee or custodian.

SECTION 3 – ACTIONS REQUIRED BY ELIGIBLE SHAREHOLDERS

3.1 Eligible Shareholders

If you are an Eligible Shareholder you may:

- take up all or part of your Entitlement in accordance with this Offer Document;
- if you take up all of your Entitlement, apply for Shortfall Shares in accordance with this Offer Document;
- do nothing.

3.2 Acceptance

If you decide to take up all or part of your Entitlement, please complete and return the Entitlement and Acceptance Form with the requisite Application Monies or pay your Application Monies via BPAY® by following the instructions set out in Sections 3.4-3.6 and on the Entitlement and Acceptance Form.

The Company will treat you as applying for as many New Shares as your payment will pay for in full having regard to your Entitlement.

No interest will be paid on any Application Monies received or refunded. Any Application Monies refunded will be returned by cheque using regular mail to the address noted on the register of members. Ultimately, any refund method will be at the discretion of the Company.

This Offer may be accepted in whole or in part or not at all. Applications and full payment of AU\$0.027 per New Share that you wish to apply for must be received before 5:00pm AEDT on 9 November 2015.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.

If you have more than one shareholding and consequently receive more than one Entitlement and Acceptance Form, when taking up your entitlement in respect of one of those shareholdings only use the personalised Customer Reference Number (CRN) specific to that shareholding as set out in the applicable Entitlement and Acceptance Form. DO NOT use the same Customer Reference Number (CRN) for more than one of your shareholdings as this can result in your Application Monies being applied to your Entitlement in respect of only one of your shareholdings (with the result that any Application in respect of your remaining shareholdings will not be recognised as valid).

An Application may still be treated as a valid Application for New Shares (and if applicable, Shortfall Shares) even if it is not completed or submitted correctly. The Company's decision whether to treat an Application as valid and how to construe, amend, complete or submit the Application is final.

Further instructions for completion and lodgment of Applications are set out on the back of the enclosed Entitlement and Acceptance Form and in this Section 3.

3.3 Declarations and certifications

By completing and returning your Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY®, you will be deemed to have acknowledged, represented and warranted that you are an Eligible Shareholder and understood this Offer Document and the personalised Entitlement and Acceptance Form and that you acknowledge the matters, and make the warranties and representations and agreements, contained in this Offer Document and the personalised Entitlement and Acceptance Form.

By completing and returning your Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY®, you will also be deemed to have acknowledged, represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence or where you have been given the Offer Document and Entitlement and Acceptance Form, does not prohibit you from being given the Offer Document and Entitlement and Acceptance Form and that you:

- agree to be bound by the terms of the Rights Issue and the Shortfall Offer;
- authorise the Company to register you as the holder of the New Shares allotted to you;
- declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;

- declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- acknowledge that once the Company receives the completed Entitlement and Acceptance Form, you may not withdraw it;
- agree to apply for the number of New Shares that the payment you provide will pay for in full, at the Issue Price;
- agree to be issued the number of New Shares that you apply for;
- authorise the Company and its respective officers or agents, to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of Computershare, upon using the contact details set out in the Entitlement and Acceptance Form;
- acknowledge that the information contained in, or accompanying, the Offer Document is not investment or financial product advice or a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs; and
- agree to provide (and direct your nominee or custodian to provide) substantiation of your eligibility or of your holding of Existing Shares upon request.

3.4 If you wish to take up all of your Entitlement

If you wish to take up **all** of your Entitlement, use the BPAY® facility as outlined in the accompanying Entitlement and Acceptance Form so that your proceeds are received by no later than 5.00pm AEDT on 9 November 2015.

If you elect to pay via BPAY® then you will not need to return the Entitlement and Acceptance Form.

Alternatively **if you elect to pay by cheque, bank draft or money order** then you must deliver your completed Entitlement and Acceptance Form, together with a cheque, bank draft or money order, by post to the Share Registry, to be received by no later than 5:00pm AEDT on 9 November 2015 at the following addresses:

Computershare Investor Services Pty Limited,
GPO Box 505
Melbourne VIC 3001
Australia

Please also refer to Section 3.8 below.

3.5 If you wish to take up only part of your Entitlement

If you wish to take up only **part** of your Entitlement, use the BPAY® facility as outlined in the accompanying Entitlement and Acceptance Form so that your proceeds are received by no later than 5.00pm AEDT on 9 November 2015.

If you elect to pay via BPAY® then you will not need to return the Entitlement and Acceptance Form.

Alternatively **if you elect to pay by cheque, bank draft or money order** then you must deliver your completed Entitlement and Acceptance Form, together with a cheque, bank draft or money order, by post to the Share Registry, so that it reaches the Share Registry by no later than 5:00pm AEDT on 9 November 2015. Please also refer to Section 3.8 below.

3.6 Shortfall

Eligible Shareholders who take up their full Entitlements under the Entitlement Offer may also apply for additional Shortfall Shares. Shortfall Shares will only be available to the extent of the shortfall between Applications received from Eligible Shareholders for their Entitlement and the number of New Shares proposed to be issued under the Offer.

Should you wish to apply for Shortfall Shares, Application must be made in accordance with the instructions referred to in this Offer Document and on the Entitlement and Acceptance Form.

If you wish to apply for Shortfall Shares, use the BPAY® facility as outlined in the accompanying Entitlement and Acceptance Form so that your proceeds are received by no later than 5.00pm AEDT on 9 November 2015.

If you elect to pay via BPAY® then you will not need to return the Entitlement and Acceptance Form. By paying for more shares than your Entitlement, you will be making an Application for the excess shares as Shortfall Shares.

Alternatively **if you elect to pay by cheque, bank draft or money order** then you must deliver your completed Entitlement and Acceptance Form, together with a cheque, bank draft or money order, by post to the Share Registry, so that it reaches the Share Registry by no later than 5:00pm AEDT on 9 November 2015. Please also refer to Section 3.8 below.

3.7 None of your Entitlement

If you do not wish to take up any of your Entitlement, you do not need to take any action and:

- your Entitlement to the Shares will lapse on the Closing Date; and
- the relevant number of New Shares with respect to your Entitlement will form part of the Shortfall which will be allocated as part of the Shortfall Offer.

3.8 Payment

No cash payments will be accepted. If you pay by cheque, bank draft or money order, it must be made payable to 'Avalon Minerals Limited' in Australian currency and crossed 'Not Negotiable'. It must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

3.9 Closing Date

The Closing Date for the Offer is 5:00pm AEDT on 9 November 2015, unless extended, at the discretion of the Directors in accordance with the Corporations Act, and the Listing Rules.

SECTION 4 – RISK FACTORS

4.1 Risks

Prior to deciding whether to apply for New Shares under the Offer, Eligible Shareholders should read this Offer Document in its entirety and review all announcements made by the Company to the ASX in order to gain an understanding of the Company, its activities, operations, financial position and prospects.

The risks included in this Section are key risks identified by the Board as being specific to the Company and its operations as at the date of this Offer Document and reasonably anticipated by the Board. It is important to note that the risks listed in this Section are not an exhaustive list of the risks relevant to the Company.

Shareholders are strongly encouraged to:

- (a) rely on their own knowledge of the Company;
- (b) refer to disclosures made by the Company to ASX; and
- (c) consult their professional advisers,

before deciding whether to apply for New Shares.

Announcements made by the Company to ASX are available from the ASX website asx.com.au or from the Company's website www.avalonminerals.com.au.

As the risks described in this section may impact upon the Company's future performance, the Company and its Directors have endeavoured (and will continue to do so) to take steps to safeguard the Company from, and to mitigate the Company's exposure to, these risks.

4.2 Speculative investment

The Company is involved in mineral exploration which is highly speculative in nature. Accordingly, there are significant risks that Eligible Shareholders should consider before deciding whether or not to subscribe for New Shares under the Offer. You should regard an investment in the New Shares offered under this Offer Document as a highly speculative investment.

4.3 Cash position

Avalon's unaudited cash position at the end of September 2015 was approximately \$1.25M. Since then, Avalon has arranged a placement of Shares with new sophisticated investors to raise approximately \$0.4M, as well as incurring normal operational expenditure relating to the progression of the scoping study, ESIA and drilling and corporate running costs. If fully subscribed, the Rights Issue will provide the Company with additional funds of \$3,444,813 (before the costs of the issue). On this basis, on completion of the Rights Issue the Company will have approximately \$4.5M cash at bank (before the costs of the issue).

However, given the Company is an exploration and mineral project development entity, it will need to raise substantial additional funds in the future to continue progressing and developing its projects. There is a risk that the Company will be unable to raise such funds when needed or on reasonable terms.

It is important for potential investors in the Company to note and understand that unless the Company is able to continue to raise funds as required, that failure could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

4.4 Viscaria Project

(a) **Drilling programs**

Additional drilling programs at A Zone and D Zone of the Viscaria Project are required to increase the confidence in the Mineral Resource by converting more of the Inferred Resources to a Measured and Indicated category.

Some funds raised under this Rights Issue will be used to undertake drilling on A Zone and D Zone of the Viscaria Project, for the purposes of an updated Mineral Resource Estimate, however given the Company's financial position, further drilling at A Zone, B Zone and D Zone, as well as exploration drilling on exploration targets within the Viscaria project tenements, cannot proceed until the Company raises additional funds, over and above the funds raised by this Rights Issue.

(b) **Mining**

Further work, in particular on the metallurgical recovery, geotechnical estimates and mining and processing cost estimates are required to complete the Scoping Study.

Further Mineral Resources, in addition to those already defined, would be required to extend the projected life of the operations to 10 years which is presently considered the minimum requirement for an operation of this type. There is a risk that such Mineral Resources are never defined or not defined to a level great enough to increase the mine life to that required to commence operations based solely on the Viscaria Project.

(c) **Mining Exploitation Concessions (MEC)**

The MECs for Viscaria K3, Viscaria K4 and Viscaria K7 covering A Zone, B Zone and D Zone of the Viscaria Project have been approved and granted

The granting of the MECs for Viscaria are subject to several conditions including:

- i. consultation with the local Sami reindeer herding groups and protection of reindeer during the annual migration;
- ii. cooperation with neighbouring mining companies, principally LKAB, on land use;
- iii. payment of performance bonds totalling 600,000 SEK (approximately A\$83,427) prior to mining commencement; and
- iv. protection of infrastructure (principally the E10 highway and railway) which are adjacent to the granted MECs.

However, the granting of the MEC for Viscaria K7 is currently the subject of an appeal by the Laevas Sami. MEC Viscaria K7 affects the northern parts of A Zone and B Zone.

The granting of the MEC is a precursor to consideration by the regulator of the Environmental and Social Impact Assessment (**ESIA**) and permits access to the historical underground mining openings to check present day geotechnical conditions and groundwater levels.

The granting of the MEC is also a precursor to approval by the Environmental Court of Sweden of the Licence to Operate at Viscaria.

Until the appeal process is finalised, there is a risk that the MEC for Viscaria K7 will be rejected or that it will be granted on conditions unacceptable to the Company.

(d) **Environmental and Social Impact Assessment (ESIA)**

In the event the Company wishes to undertake a mining operation at Viscaria, it will need to submit a Viscaria ESIA for consideration and pay the appropriate application fee. The Company has appointed a consultant to manage the ESIA process. There is a risk that if insufficient funding is available, the ESIA process may be slowed or stopped which may ultimately delay the commencement of any mining operation at Viscaria.

4.5 Discovery Zone Project

The Company entered into a legally binding Heads of Agreement in May 2013 to acquire assets comprising the Discovery Zone Prospect located in Sweden from another ASX listed company, Hannans Reward Limited ("Hannans"), for \$4 million.

In October 2013 the first \$1 million was paid, with a second payment of \$3 million due after ongoing environmental assessments and approval by the Swedish Mines Inspectorate of an exploitation concession.

Under the agreement, if the exploitation concession is not granted within 2 years of the first payment date (i.e. by 8 October 2015) or a later date agreed by the parties, the second payment of \$3 million is no longer payable by Avalon, and Hannans is required to refund the \$1 million already paid by the Company.

In an announcement dated 9 October 2015, Avalon advised that it had issued a Refund Notice for the \$1 million to Hannans, who has 90 days to make the payment.

4.6 Offer not underwritten

There is a risk that the Company will be unable to raise the full amount of \$3,444,813 (before the costs of the issue) it is seeking to raise under the Rights Issue, as the offer is not underwritten.

4.7 Environmental Risks

The Company's projects are subject to Swedish laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, these projects would be expected to have a variety of environmental impacts, should advanced exploration or development proceed.

In this regard, the Viscaria Project is close to the city of Kiruna and there is some infrastructure that may be affected if mining is carried out. Whilst the community of Kiruna is largely dependent on mining, particularly the large Kirunavarra magnetite mine, social as well as pure environmental considerations need to be taken into account when planning exploration, mine dewatering and development.

4.8 Sami

In addition to being close to the city of Kiruna, the Sami people also have communities nearby and use areas near the Viscaria Project for herding their reindeer. Exploration and development needs to be undertaken in a manner that minimises interference with the Sami's way of life and could be a factor in obtaining approvals and more likely the conditions attached to future approvals.

4.9 Resource estimations

Resource estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate.

Furthermore, resource estimates may change over time as new information becomes available. Should the Company encounter mineralisation or geological formation different from those predicated by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

4.10 Operating risks

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors not limited to but including:

- (a) adverse geological conditions;
- (b) limitations on activities due to seasonal weather patterns; and
- (c) inability or delay in obtaining necessary consents or approvals.

SECTION 5 – CORPORATE DIRECTORY

DIRECTORS

Graham Ascough	Chairman
Malcolm Norris	Managing Director
Crispin Henderson	Non-Executive Director
Don Hyma	Non-Executive Director

COMPANY SECRETARY

Gavin Leicht

REGISTERED OFFICE

9 Gardner Close
Milton Qld 4064
Australia

SOLICITORS TO THE RIGHTS ISSUE

O'Loughlins Lawyers
Level 2, 99 Frome Street
Adelaide SA 5000
Australia

SHARE REGISTRY

Computershare Investor Services Pty Limited
117 Victoria Street
West End QLD 4101
Australia

CONTACT DETAILS

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Email: info@avalonminerals.com.au
Telephone: +61 7 3368 9888
Facsimile: +61 7 3368 9899

ASX CODE: AVI

SECTION 6 – DEFINITIONS

AEDT means Australian Eastern Daylight Time

Applicant means a person who submits an Application.

Application means a validly completed Entitlement and Acceptance Form.

Application Monies means monies paid by Eligible Shareholders in respect of New Shares applied for.

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian Securities Exchange or ASX Limited ACN 008 624 691.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESSE.

Board means the board of Directors of the Company.

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

CHESSE means Clearing House Electronic Subregister System.

Closing Date means the date on which the Offer closes, being 5:00pm AEDT on 9 November 2015, which may be extended by the Directors in accordance with the Listing Rules.

Company or Avalon means Avalon Minerals Ltd ACN 123 184 412.

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

Directors means the directors of the Company from time to time.

Dollars or \$ means Australian dollars unless otherwise stated.

ESIA means Environmental and Social Impact Assessment.

Eligible Shareholder means a Shareholder on the Record Date.

Entitlement means the number of New Shares an Eligible Shareholder is entitled to under the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form accompanying this Offer Document.

Existing Shares means Shares of the Company on issue as at the Record Date.

Issue Price means \$0.027 per New Share.

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

Material Adverse Effect means a material adverse effect on the outcome of the Offer or on the subsequent market for the New Shares or a material adverse effect on the condition, trading or financial position and performance, profit and losses, results, prospects, business or operations of the Company and its subsidiaries taken as a whole.

New Share means a Share offered and issued under this Offer Document, the terms and conditions of which are set out at Section 2 of this Offer Document.

Offer or Rights Issue means a non-renounceable, pro-rata entitlement issue to Eligible Shareholders on the basis of 1 New Share for every 2 Existing Shares held by Eligible Shareholders on the Record Date.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Offer Document means this document.

Official List means the Official List of ASX.

Opening Date means the date on which the Offer opens, being 28 October 2015.

Option means an option to acquire a Share.

Performance Right means a performance right to acquire a Share.

Quotation and Official Quotation means official quotation on ASX.

Record Date means 5:00pm AEDT on 26 October 2015.

Rights Issue means the entitlement to New Shares available for issue under this Offer Document.

Share means a fully paid ordinary share in the Company.

Share Register means the register of Shareholders maintained by Computershare Investor Services Pty Limited ABN 48 078 279 277.

Share Registry or **Computershare** means Computershare Investor Services Pty Limited ABN 48 078 279 277.

Shareholder means a holder of Shares in the Company.

Shortfall or **Shortfall Shares** means the Entitlement Offer Shares not applied for by an Eligible Shareholder under their Entitlement to participate in the Entitlement Offer.

Shortfall Offer means the offer of Shortfall Shares made in accordance with this Offer Document.

Viscaria Project means the Viscaria Copper Project located in Sweden.