

AVALON MINERALS LTD

ACN 123 184 412

PROSPECTUS

For the offer of:

- (a) 130,775,000 Quoted Options (exercisable at \$0.03 each on or before 31 August 2019) to participants in the Placement (**Placement Offer**);
- (b) 10,000,000 Quoted Options (exercisable at \$0.03 each on or before 31 August 2019) to the Lead Manager of the Placement (**Lead Manager Offer**); and
- (c) 1,562,500 Quoted Options (exercisable at \$0.03 each on or before 31 August 2019) to two Directors of the Company (**Director Offer**),

(together, the **Offers**).

IMPORTANT NOTICE

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

The Quoted Options offered under this Prospectus should be considered speculative.

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1. CORPORATE DIRECTORY

Directors

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

Company Secretary

Gavin Leicht

Securities Exchange Listing

Avalon Minerals Limited shares are listed on the Australian Securities Exchange
Ordinary fully paid shares (ASX Code: AVI)

Share Registry*

Computershare Investor Services Pty Ltd
117 Victoria Street
West End Qld 4101
Telephone: +61 7 3237 2100
Facsimile: +61 7 9473 2555
Website: www.computershare.com.au
Investor Enquiries: 1300 850 505

Registered Office and principal place of business

Australia

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Telephone: 07 3368 9888
Facsimile: 07 3368 9899
Web site: www.avalonminerals.com.au
Email: info@avalonminerals.com.au

Solicitors

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

Auditor*

BDO Audit Pty Ltd
Level 10/12 Creek Street
Brisbane Qld 4000

Sweden

Fasadvagen 43
981 41 Kiruna
Sweden
Telephone: +46 920 52 00 00

* These entities have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus. Their names are included for information purposes only.

2. TIMETABLE AND IMPORTANT NOTES

2.1 Timetable

Action	Date
Lodgement of Prospectus with the ASIC and ASX	24 August 2016
Opening Date	24 August 2016
Closing Date*	12:00pm AEST on 29 August 2016
Expected date of Official Quotation of the Quoted Options	29 August 2016

* The Directors reserve the right to extend the Closing Date at any time without notice. As such, the date the Quoted Options are expected to commence trading on ASX may vary with any change in the ClosingDate.

2.2 Important Notes

This Prospectus is dated 24 August 2016 and was lodged with ASIC on that date. ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Quoted Options may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Each of the Offers is only available to those persons who are personally invited to participate in the Offers. Applications for Quoted Options offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus. The Company will provide an Application Form to the designated persons who may participate in the Offers. The Offers are not made available to the general public.

This Prospectus is a transaction specific prospectus for an offer of options to acquire continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had 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.

2.3 Web Site – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.avalonminerals.com.au. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you 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 Application 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.

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.

2.4 Risk Factors

Potential investors should be aware that subscribing for Quoted Options in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 6 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Quoted Options in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Quoted Options pursuant to this Prospectus.

2.5 Overseas Investors

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer of Quoted Options in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

2.6 Disclaimer

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

3. DETAILS OF THE OFFER

3.1 The Placement Offer

On 6 July 2016, the Company completed a placement of 94,525,000 Shares at \$0.016 per Share to raise \$1,512,400 (before costs), issued within the Company's available capacity under ASX Listing Rules 7.1 and 7.1A (the **Tranche 1 Placement**).

A further placement of 36,250,000 Shares on the same terms was subject to shareholder approval to issue additional shares, which was obtained at a General Meeting of the Company held on 23 August 2016 (the **Tranche 2 Placement**). The Company also obtained Shareholder approval for the ratification of previously issued Shares at the General Meeting of the Company held on 23 August 2016, which will enable the Company to issue further securities under ASX Listing Rules 7.1 and 7.1A.

Investors who subscribed to Shares pursuant to the Tranche 1 Placement and Tranche 2 Placement (together **Placement**) were offered one (1) attaching Quoted Option for each Share subscribed in the Placement, with these Quoted Options being subject to Shareholder approval, which was obtained at the General Meeting of the Company held on 23 August 2016.

The Company is required to issue this Prospectus to allow for secondary trading on the ASX of the Quoted Options and resultant Shares that may be issued in the future if any of these Quoted Options are exercised.

The Company is now inviting investors in the Placement to submit applications under the Placement Offer for 130,775,000 Quoted Options for nil cash consideration.

The Placement Offer is open only to persons who participated in the Placement. Application Forms under the Placement Offer will only be provided by the Company to these persons.

The terms of the Quoted Options are set out in Section 5.1 of this Prospectus.

3.2 The Lead Manager Offer

The Company is inviting applications under the Lead Manager Offer for 10,000,000 Quoted Options for nil cash consideration.

The Lead Manager Offer is open only to the Lead Manager (or its nominee) in consideration for professional services provided to the Company. An Application Form under the Lead Manager Offer will only be provided by the Company to the Lead Manager (or its nominee).

The terms of the Quoted Options are set out in Section 5.1 of this Prospectus.

3.3 The Director Offer

The Company is inviting applications under the Director Offer for 1,562,500 Quoted Options for nil cash consideration.

Shareholder approval for director participation in the Placement was obtained at the General Meeting of the Company held on 23 August 2016.

The Director Offer is open only to Mr Malcolm Norris (or his nominee) and Mr Graham Ascough (or his nominee). Application Forms under the Director Offer will only be provided by the Company to Messrs Norris and Ascough (or their respective nominee).

The terms of the Quoted Options are set out in Section 5.1 of this Prospectus.

3.4 Objective

(a) Making of the Offers

The primary purpose of this Prospectus is to make the Offers with the information and disclosure required for an offer of securities under Chapter 6D of the Corporations Act.

(b) Removal of secondary trading restrictions

By offering the Quoted Options under this Prospectus, the secondary trading restrictions that would otherwise be applicable in respect of the Quoted Options will be removed. Specifically, the offer of the Quoted Options under this Prospectus will have the following effects:

- (i) the on-sale of the Quoted Options within 12 months of their issue will not require disclosure under Part 6D.2 of the Corporations Act; and
- (ii) the on-sale of any Shares issued on the exercise of the Quoted Options within 12 months of their issue will likewise not require disclosure under Part 6D.2 of the Corporations Act, by virtue of the relief provided by ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80.

While the issue of the Quoted Options and any Shares issued pursuant to the exercise of any Quoted Options is not being undertaken by the Company for the purpose of any Quoted Optionholders selling or transferring the Quoted Options or underlying Shares, the Directors consider that the persons who are issued the Quoted Options and underlying Shares should be entitled, if they wish, to on-sell their securities prior to the expiry of 12 months after their issue without the need for disclosure under Part 6D.2 of the Corporations Act.

The Shares issued under the Placement were or will be issued without disclosure in reliance on exceptions from disclosure in section 708 of the Corporations Act. The issue of cleansing notices under section 708A(5) of the Corporations Act will allow the on-sale of the Shares issued under the Placement without disclosure.

3.5 Application for Quoted Options

Applications for Quoted Options under the Offers must only be made by investors designated by the Company and must be made using the Application Form accompanying this Prospectus.

By completing an Application Form, you will be taken to have declared that all details and statements made by you are complete and accurate and that you have received personally the Application Form together with a complete and unaltered copy of the Prospectus.

Completed Application Forms must be mailed or delivered to the Company as follows:

Delivery by hand	Delivery by post
9 Gardner Close, Milton, QLD 4064	PO Box 1565, Milton, QLD 4064

Completed Application Forms must reach the address set out above by no later than the Closing Date.

3.6 Defects in Applications

If an Application Form is not completed correctly, the Company may, in its discretion, still treat the Application Form to be valid. The Company's decision to treat an application as valid, or how to construe, amend or complete it, will be final.

3.7 Minimum subscription

There is no minimum subscription.

3.8 Oversubscriptions

No oversubscriptions will be accepted by the Company under the Offers.

3.9 Not underwritten

The Offers are not underwritten.

3.10 Issue of Quoted Options

The issue of Quoted Options under the Offers will take place as soon as practicable after the Closing Date.

The Directors will determine the recipients of all the Quoted Options. The Directors reserve the right to reject any application or to allocate any Applicant fewer Quoted Options than the number applied for.

3.11 ASX listing

Application for Official Quotation of the Quoted Options offered pursuant to this Prospectus will be made within 7 days of the date of this Prospectus. If ASX does not grant Official Quotation of the Quoted Options offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of this Prospectus, (or such period as varied by ASIC), the Company will not issue any Quoted Options under this Prospectus.

The fact that ASX may grant Official Quotation to the Quoted Options is not to be taken in any way as an indication of the merits of the Company or the Quoted Options now offered for subscription.

3.12 No exposure period

No exposure period applies to the Quoted Options offered under this Prospectus due to the relief granted by ASIC Corporations (Exposure Period) Instrument 2016/74.

3.13 Restrictions on the distribution of the Prospectus

The distribution of this Prospectus outside the Commonwealth of Australia may be restricted by law.

The Offers do not, and are 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.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Quoted Options on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

3.14 Enquiries

Any questions concerning the Offers should be directed to Gavin Leicht, Company Secretary, on 07 3368 9888.

4. PURPOSE AND EFFECT OF THE OFFERS

4.1 Purpose of the Offers

(a) Making of the Offers

The primary purpose of this Prospectus is to make the Offers with the information and disclosure required for an offer of securities under Chapter 6D of the Corporations Act.

(b) Removal of secondary trading restrictions

By offering the Quoted Options under this Prospectus, the secondary trading restrictions that would otherwise be applicable in respect of the Quoted Options will be removed. Specifically, the offer of the Quoted Options under this Prospectus will have the following effects:

- (i) the on-sale of the Quoted Options within 12 months of their issue will not require disclosure under Part 6D.2 of the Corporations Act; and
- (ii) the on-sale of any Shares issued on the exercise of the Quoted Options within 12 months of their issue will likewise not require disclosure under Part 6D.2 of the Corporations Act, by virtue of the relief provided by ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80.

As the Quoted Options are issued for nil cash consideration, no funds will be raised by the issue of the Quoted Options.

4.2 Effect of the Offers on capital structure

The effect of the Offers on the Company's capital structure is set out below.

Shares ^{1, 2}	Number
Shares currently on issue	477,626,936
Shares to be issued as approved at the General Meeting of the Company on 23 August 2016	42,812,500
Total Shares on issue on completion of the Offers	520,439,436

Notes:

- 1. The rights and liabilities attaching to the Shares are summarised in Section 5.2 of this Prospectus.
- 2. This assumes the Offers are fully subscribed and no Options are exercised.

Options¹	Number
Unlisted Options on issue as at the date of this Prospectus exercisable at between \$0.06 and \$0.08 each on or before between 3 November 2017 and 29 May 2020	10,800,000
Total unlisted Options	10,800,000
Options offered under this Prospectus	142,337,500
Total Quoted Options on issue on completion of the Offers	142,337,500
Total Options on issue on completion of the Offers	153,137,500

Notes:

1. The terms of the Quoted Options are set out in Section 5.1 of this Prospectus.

Performance Rights	Number
Unlisted Performance Rights on issue as at the date of this Prospectus with vesting subject to TSR hurdles and share price hurdles between \$0.08 and \$0.12 each on or before 14 December 2018	6,804,000
Performance Rights to be issued to Managing Director as approved at the General Meeting of the Company on 23 August 2016	2,089,000
Unlisted Performance Rights to be issued to other employees under the same terms and conditions as those to be issued to the Managing Director above, with vesting subject to TSR hurdles and share price hurdles between \$0.045 and \$0.07 each on or before 30 June 2019	6,431,000
Total unlisted Performance Rights	15,324,000

4.3 Financial effect of the Offers

The Quoted Options will be issued for nil cash consideration and accordingly no funds will be raised by the issue of the Quoted Options. However, as announced on ASX on 6 July 2016, the Company did raise approximately \$1.9 million after fees from the Placement pursuant to which these Quoted Options are being offered.

The expenses of the Offers (of approximately \$21,505) will be met from the Company's existing cash reserves.

As such, the Offers will have a negative effect on the Company's cash reserves of approximately \$21,505.

4.4 Statement of Financial Position

Set out below is the Consolidated Statement of Financial Position of the Company as at 31 July 2016 (unaudited) and the Consolidated Pro-Forma Statement of Financial Position following completion of the Offers on the basis of the assumptions detailed further below. The significant accounting policies upon which the Statement of Financial Position and the Pro-Forma Statement of Financial Position are based are contained in the audited Annual Report for the 12 month period ended 30 June 2016 as announced on ASX.

	Consolidated Management Accounts 31 July 2016 (unaudited) \$	Consolidated Pro-Forma Management Accounts 31 July 2016 (unaudited) \$
Current Assets		
Cash and cash equivalents	1,951,901	1,930,396
Trade and other receivables	54,225	54,225
Total current assets	2,006,126	1,984,621
Non-Current Assets		
Exploration and evaluation expenditure	38,348,656	38,348,656
Plant & equipment	137,687	137,687
Total non-current assets	38,485,343	38,485,343
Total Assets	40,491,469	40,469,964
Current Liabilities		
Trade and other payables	207,802	207,802
Employee provisions	87,547	87,547
Total current liabilities	295,349	295,349
Total Liabilities	295,349	295,349
Net Assets	40,196,120	40,174,615
Equity		
Issued capital	66,563,291	66,451,786
Reserves	2,510,425	2,510,425
Retained losses	(28,877,596)	(28,877,596)
Total Equity	40,196,120	40,174,615

Assumptions for Unaudited Pro forma Statement of Financial Position

The pro forma Statement of Financial Position has been prepared on the basis that there have been no material movements in the assets and liabilities of the Company between the unaudited management accounts as at 31 July 2016 and the close of the Offers other than cash of approximately \$21,505 in costs associated with the Offers.

5. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

The following sets out the terms of the Quoted Options to be issued under this Prospectus and a summary of the more significant rights and liabilities attaching to Shares to be issued on exercise of the Quoted Options.

This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

5.1 Terms and conditions of the Quoted Options

The following are the terms and conditions of the Quoted Options being offered pursuant to this Prospectus.

- (a) Each Option entitles the holder to one ordinary share in the Company.
- (b) Each Option exercisable at \$0.03 (3 cents) per option, expiry 3 years after issue.
- (c) Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price per Option in cleared funds.
- (d) The Company will apply to ASX for official quotation of the Options.
- (e) The Company will make application for official quotation on ASX of new shares allotted on exercise of the Options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the Options will qualify for dividends declared after the date of their allotment.
- (f) An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the Option has been exercised and shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
- (g) If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

- (h) If the Company makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

- A = the new exercise price of the Option;
- O = the old exercise price of the Option;
- E = the number of underlying ordinary shares into which one Option is exercisable;
- P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stock market of ASX during the five trading days immediately preceding the ex-rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded Option exercises);
- S = the subscription price for a security under the pro rata issue;
- D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

- (i) If, during the currency of the Options the issued capital of the Company is reorganised, those Options will be reorganised to the extent necessary to comply with ASX Listing Rules.

5.2 Rights attaching to Shares

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

(a) Voting Rights

Subject to the Constitution of the Company and any rights or restrictions at the time being attached to a class of Shares, at a general meeting of the Company every Shareholder present in person, or by proxy, attorney or representative has one vote on a show of hands, and upon a poll, one vote for each Share held by the Shareholder. In the case of an equality of votes, the chairperson has a casting vote.

(b) Dividends

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of Shares, the Company may pay dividends as the Directors resolve but only out of profits of the Company. The Directors may determine the method and time for payment of the dividend.

(c) **Winding up**

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of Shares, on a winding up of the Company any surplus may be divided among the shareholders of the Company.

(d) **Transfer of Shares**

Generally, Shares are freely transferable, subject to satisfying the requirements of the ASX Listing Rules, ASX Settlement Operating Rules and the Corporations Act. The Directors may decline to register any transfer of Shares but only where permitted to do so by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules, or under the Company's Constitution.

(e) **Further Increases in Capital**

Subject to the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and any rights attached to a class of Shares, the Company (under the control of the Directors) may allot and issue Shares and grant options over Shares, on any terms, at any time and for any consideration, as the Directors resolve.

(f) **Variation of Rights**

Subject to the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the terms of issue of Shares in a particular class, the Company may vary or cancel rights attached to Shares in that class by either special resolution passed at a general meeting of the holders of the Shares in that class, or with the written consent of the holders of at least 75% of the votes in that class.

(g) **Meetings and Notices**

Each Shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the ASX Listing Rules.

6. RISK FACTORS

An investment in the Company is not risk free and investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Quoted Options. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Quoted Options.

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 Prospectus 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.

6.1 Research and Development

In February 2016, Innovation Australia found that the Company's R&D activities for the years ended 30 June 2013 and 30 June 2014 were deemed to not be core or supporting activities under the *Industry Research and Development Act 1986 (Cth) (Act)*. The Company requested a review of this decision under Division 5 of the Act in March 2016, and hosted representatives of Innovation Australia to further discuss Avalon's R&D activities.

As at the date of this Prospectus the final results of this review are yet to be announced by Innovation Australia. It is the view of the Company that the review will recommend that the activities performed in those years are classified as supporting activities, and the claims are valid. The Company has received independent advice that supports this view.

A negative result in relation to the review by AusIndustry may result in some or all of the research and development tax offset (\$2,765,114 net of fees), and accrued interest if applicable, becoming repayable.

6.2 Avalon's Claim for \$1 million from Hannans Limited

The Company believes it is due a refund of \$1 million from Hannans Limited (**Hannans**) in respect of the Heads of Agreement between the Company and Hannans signed in May 2013, whereby the Company was to acquire certain permits and concessions from Hannans for an initial payment of \$1 million (which was paid by the Company in October 2013), and a second payment of \$3 million due after ongoing environmental assessments and approval by the Swedish Mines Inspectorate of an exploration concession.

Given the concession was not granted within 2 years of the first payment date (being 8 October 2015) or a later date agreed by the parties, it is the Company's view that Hannans is required to refund the \$1 million already paid by the Company.

The Company has filed proceedings in the WA Supreme Court seeking to recover all sums due under the Heads of Agreement.

Hannans have filed a defence and counterclaim. Hannans has also applied for summary judgment.

The Company will pursue its claim and vigorously defend the counterclaim.

It is uncertain whether the Company will recoup the \$1 million deposit it paid to Hannans.

6.3 Viscaria Project

(a) Drilling programs

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

Further funds will be required to undertake this additional drilling at the Viscaria Copper Project.

(b) Mining

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 700,000 SEK (approximately A\$107,000) 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 approved, but under appeal, K7 Exploitation Concession at Viscaria has been returned to the Swedish Mines Inspectorate for further review as part of an industry wide review of appealed exploitation concessions in Sweden. Approved Exploitation Concessions K3 and K4 which cover the main areas of Viscaria copper mineralisation remain in force and are not affected by this development.

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.

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.

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.

6.4 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 future production activities, as well as on its ability to fund those activities.

6.5 Market conditions

The market price of Quoted Options and Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities and in particular, resources stocks. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

6.6 Security Investments

Applicants should be aware that there are risks associated with any investment in securities. Securities listed on the stock market, and in particular securities of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the Company's securities regardless of the Company's performance.

Mineral exploration and mining are speculative operations that may be hampered by circumstances beyond the control of the Company. Profitability depends on successful exploration and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management and proficient financial management.

Exploration in itself is a speculative endeavour, while mining operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

6.7 Exploration and Evaluation Risks

The success of the Company depends on the delineation of economically minable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities.

Exploration on the Company's existing exploration and mining tenements may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of the Company and possible relinquishment of the exploration and mining tenements.

In the case of exploration targets, it should be noted that these are conceptual in nature, there has been insufficient exploration to define a mineral resource and that it is uncertain if further exploration will result in the determination of a mineral resource.

6.8 Commodity Price and Exchange Rate Risks

To the extent the Company is involved in mineral production the revenue derived through the sale of commodities may expose 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 are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

6.9 Environmental Risks

The operations and proposed activities of the Company are subject to relevant laws and regulation 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. The Company attempts to conduct its activities to the highest standard of environmental management, including compliance with all environmental laws.

6.10 Title Risks

Interests in tenements in Sweden and Finland are governed by the respective legislation and are evidenced by the granting of licences or concessions. Each licence or concession is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

6.11 Joint Venture Parties, Agents and Contractors

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

6.12 Future Capital Requirements

The Company's activities will require substantial expenditure. 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 resources on terms acceptable to the Company or at all. Any 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.

6.13 Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, companies, products, technologies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products, technologies or resource projects.

6.14 Legislative changes and Government policy risk

Changes in government regulations and policies may adversely affect the financial performance of the Company. The Company's capacity to explore and mine, in particular the Company's ability to explore and mine any reserves, may be affected by changes in government policy, which are beyond the control of the Company.

6.15 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 formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

6.16 Reliance on Key Personnel

The Company's success depends largely on the core competencies of its directors and management, and their familiarisation with, and ability to operate, in the metals and mining industry and the Company's ability to retain its key executives.

6.17 Speculative investment

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 Quoted Options offered under this Prospectus.

Therefore, the Quoted Options to be issued pursuant to this Prospectus, and the Shares to be issued upon their exercise, carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Quoted Options.

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

7. ADDITIONAL INFORMATION

7.1 Litigation

Other than the legal proceedings disclosed in Section 6.2 of this Prospectus, as at the date of this Prospectus the Company is not involved in any other legal proceedings, and the Directors are not aware of any other legal proceedings pending or threatened against the Company.

7.2 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 a 'transaction specific prospectus' is 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 3 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 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 annual financial report most recently lodged by the Company with ASIC;
- (ii) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with ASIC.

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

Details of documents lodged with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with ASIC are set out in the table below:

Date	Description of Announcement
23-Aug-16	Appendix 3B
23-Aug-16	Results of Meeting
17-Aug-16	Drilling Commenced at High Grade Kietyonmaki Lithium Project
16-Aug-16	Appendix 4G

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.

The announcements are also available through the Company's website at www.avalonminerals.com.au.

7.3 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, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with ASIC and the most recent dates of those sales were:

	Price	Date
Highest	\$0.057	12 August 2016
Lowest	\$0.015	8 June 2016 and 21 June 2016
Last	\$0.044	23 August 2016

7.4 Details of substantial holders

Based on publicly available information as at 23 August 2016, the following details the persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue:

Person	Shares	Interest
Valbonne II	64,739,601	12.44%
Tan Sri Abu Sahid Bin Mohamed ¹	43,446,047	8.35%
Marilei International	42,410,000	8.15%
Potezna Gromadka	37,040,000	7.12%

1. The shareholding of Tan Sri Abu Sahid Mohamed stands at 33,552,414 Shares (6.45%) and is combined with an associate Mr Lim Heng Suan 9,893,633 Shares.

7.5 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding 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 Offers pursuant to this Prospectus; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offers.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus is set out in the table below.

Director	Shares	Performance Rights	Options
Graham Ascough	6,131,313 ¹	NIL	937,500 ³
Malcolm Norris	7,500,872 ¹	4,083,000 ²	4,625,000 ^{3,4}
Crispin Henderson	2,199,969	NIL	NIL
Don Hyma	NIL	NIL	NIL

Notes:

1. Includes 937,500 Shares to be issued to Graham Ascough and 625,000 Shares to be issued to Malcolm Norris as approved at the General Meeting of the Company on 23 August 2016.
2. Includes 2,089,000 Performance Rights to be issued to Malcolm Norris as approved at the General Meeting of the Company on 23 August 2016.
3. Includes 937,500 Quoted Options to be issued to Graham Ascough and 625,000 Quoted Options to be issued to Malcolm Norris as approved at the General Meeting of the Company on 23 August 2016.
4. Includes 1,500,000 Unlisted Options exercisable at \$0.06 each on or before 3 November 2017, and 2,500,000 Unlisted Options exercisable at \$0.08 each on or before 3 November 2019.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process.

Fees and payments to non-executive Directors are structured to reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The total maximum currently stands at \$300,000 per annum.

A Director may be paid fees or other amounts (ie non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Director.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors.

Director	2016/17	2015/16	2014/15
Graham Ascough	\$75,000	\$37,500	\$62,500
Malcolm Norris	\$295,650	\$238,619	\$295,650
Crispin Henderson	\$45,000	\$22,500	\$37,500
Don Hyma	\$45,000	\$22,500	\$37,500

Non-Executive Directors elected to voluntarily defer their fees from 1 January 2016, while the Managing Director took a voluntary 50% reduction in salary from 1 February 2016 until 30 June 2016.

7.6 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) 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;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offers; or
- (f) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offers.

O'Loughlins Lawyers has acted as the solicitors to the Company in relation to the Offers. The Company estimates it will pay O'Loughlins Lawyers \$5,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, O'Loughlins Lawyers has been paid fees totalling \$79,882 (excluding GST and disbursements) for legal services provided to the Company.

7.7 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

O'Loughlins Lawyers has given its written consent to being named as the solicitors to the Company in this Prospectus. O'Loughlins Lawyers has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

7.8 Estimated expenses of Offers

The total expenses of the Offers are estimated to be approximately \$21,505 as follows:

Expense	(\$)
ASIC Fees	2,350
ASX Fees	12,155
Legal Fees	5,000
Miscellaneous, printing and other expenses	2,000
Total	21,505

The estimated expenses will be paid out of the Company's existing cash reserves.

7.9 Electronic Prospectus

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 on 07 3368 9888 and the Company will send you, for free, either a hard copy or a further electronic copy of the 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 Prospectus or any of those documents were incomplete or altered.

7.10 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

7.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing Quoted Option certificates. The Company is a participant 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 Quoted Options issued 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.

7.12 Privacy Act

If you complete an application for Quoted Options, you will be providing personal information to the Company. 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 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 ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Quoted Options, the Company may not be able to accept or process your Application.

8. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.



Graham Ascough
Chairman
For and on behalf of
AVALON MINERALS LTD

9. DEFINITIONS

\$ means Australian dollars.

AEST means Australian Eastern Standard Time as observed in Queensland.

Applicant means an investor who applies for Quoted Options pursuant to any of the Offers.

Application Form means an application form either attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

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

ASX Listing Rules means the listing rules of the ASX.

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

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

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable in Section 2.1 of this Prospectus (unless extended or brought forward).

Company means Avalon Minerals Ltd (ACN 123 184 412).

Constitution means the constitution of the Company as at the date of this Prospectus.

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

Director Offer means the offer of Quoted Options described in Section 3.3 of this Prospectus.

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

Lead Manager means Hartleys Limited ABN 33 104 195 057 (Australian Financial Services Licence Number 230052).

Lead Manager Offer means the offer of Quoted Options described in Section 3.2 of this Prospectus.

Offers means the Placement Offer, the Lead Manager Offer, and the Director Offer.

Official Quotation means official quotation on ASX.

Opening Date means the opening date of the Offers as specified in the timetable set out in Section 2.1 of this Prospectus (unless varied).

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Placement Offer means the offer of Quoted Options described in Section 3.1 of this Prospectus.

Prospectus means this prospectus.

Quoted Option means an Option exercisable at \$0.03 and expiring 31 August 2019.

Section means a section of this Prospectus.

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

Share Registry means Computershare Investor Services Pty Ltd (ACN 078 279 277).

Shareholder means a shareholder of the Company.