

28 October 2013

ASX ANNOUNCEMENT



**Avalon Minerals Limited (ASX:AVI)
("Avalon" or "Company")**

ASX: AVI

REOPENING OF NON-RENOUNCEABLE 1:1 RIGHTS ISSUE (PARTIALLY UNDERWRITTEN)

Avalon announces that, by order of the Takeovers Panel, the non-renounceable pro-rata 1:1 rights issue (announced on 9 August 2013) has been re-opened.

Re-opened Rights Issue Details

The Company initially offered up to 588,540,623 new fully paid ordinary shares (**New Shares**) on the basis of one (1) New Share for every one (1) fully paid ordinary share in the Company (**Entitlement**) held by a shareholder at 5pm (AEST) on 19 August 2013 (**Record Date**) at a price of \$0.01 per New Share.

Of the 588,540,623 New Shares offered, the Company has already issued (on 1 October 2013) 212,303,648 New Shares as permitted by the interim orders of the Takeovers Panel raising \$2,123,036.48 (which has already been received by the Company).

Holders of shares in the Company as at the Record Date (other than Tan Sri Abu, Dato Lim and Avalon directors (and their associated entities)) (**Eligible Shareholders**) are eligible to participate in the re-opened Rights Issue.

The re-opened Rights Issue is partially underwritten to the extent of a further \$2,100,000 by CPS Capital Group Pty Ltd who have, as announced by Phoenix Copper Limited (**Phoenix**) on 25 October 2013, appointed Phoenix as sub-underwriter for \$2,100,000 in relation to the underwriting. As stated on its website, the Phoenix is an ASX listed (ASX:PNX) minerals exploration company, with a primary focus on copper and gold.

The closing date for the re-opened Rights Issue is 5.00 pm (AEST) on Monday, 11 November 2013.

Your options

Eligible Shareholders are advised that:

- they may take up any of their Entitlement that they did not previously take up;
- they may apply for New Shares which will be allocated from any shortfall in addition to their Entitlement;
- if they had validly applied for New Shares under the Rights Issue prior to its re-opening, they have the right to withdraw their Application; and
- if they submitted a valid Application for some or all of their Entitlement and they wish to continue with that Application unchanged, no action is required.

REGISTERED OFFICE

Avalon Minerals Ltd
ABN 68 123 184 412
65 Park Road
Milton Qld 4064 Australia
P + 61 7 3368 9888
F + 61 7 3368 9899
info@avalonminerals.com.au
www.avalonminerals.com.au



ABN 68 123 184 412

www.avalonminerals.com.au



Letter to Shareholders and Updated Offer Document

The Company is today despatching to shareholders a letter in connection with the re-opened Rights Issue (enclosing an Entitlement and Acceptance Form and a Withdrawal Form) in the terms set out in **Annexure 1**.

The re-opened Rights Issue is being conducted in accordance with section 708AA of the Corporations Act. Accordingly, the Company is not required to lodge a prospectus with ASX or ASIC or provide one to shareholders. The Company has updated the Offer Document (**Updated Offer Document**) and a clean version (**Annexure 2**) and a marked-up version (**Annexure 3**) are attached.

All updated documents are available for inspection on the Company's website at www.avalonminerals.com.au and will be sent to Eligible Shareholders on request.

For further information please visit www.avalonminerals.com.au



ABN 68 123 184 412

www.avalonminerals.com.au



AVALON

MINERALS LTD

Annexure 1



28 October 2013

ABN 68 123 184 412
65 Park Road, PO Box 1565
Milton Qld 4064 Australia
P +61 7 3368 9888 F +61 7 3368 9899
info@avalonminerals.com.au
www.avalonminerals.com.au

Dear Shareholder

RE-OPENING OF PARTIALLY UNDERWRITTEN NON-RENOUNCEABLE PRO-RATA RIGHTS ISSUE

Avalon Minerals Limited (**Avalon** or **Company**) announced a fully underwritten, non-renounceable pro-rata rights issue on 9 August 2013 (**Rights Issue**). The Rights Issue was closed on 9 September 2013. Avalon advises that, by order of the Takeovers Panel, the Rights Issue has been re-opened (**re-opened Rights Issue**). Further detailed information on the Rights Issue and the re-opened Rights Issue is set out below.

Key Points:

- **The Company has, by order of the Panel, re-opened the Rights Issue to Eligible Shareholders.**
- **Eligible Shareholders may:**
 - **take up any of their Entitlement that they did not previously take up;**
 - **apply for the shortfall in addition to their Entitlement;**
 - **if they had validly applied for New Shares under the Rights Issue, withdraw their application; and**
 - **if they had validly applied for New Shares under the Rights Issue and they wish to continue with that application unchanged, do nothing.**
- **The re-opened Rights Issue is partially underwritten by CPS Capital Group Pty Ltd in accordance with the arrangements detailed in this letter.**
- **An Updated Offer Document will be available on ASX and on the Company's website on or before 28 October 2013.**
- **The closing date for the re-opened Rights Issue is 5pm (AEST) on Monday, 11 November 2013.**

1 Rights Issue

1.1 The offer

The Rights Issue was an offer of new fully paid ordinary shares (**New Shares**) on the basis of one (1) New Share for every one (1) fully paid ordinary share in the Company (**Entitlement**) held by a shareholder at 5pm (AEST) on 19 August 2013 (**Record Date**) at a price of \$0.01 per New Share. Holders of shares in the Company as at the Record Date were eligible to participate in the Rights Issue (**Initial Eligible Shareholders**).

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

The Rights Issue was fully underwritten by Tan Sri Abu Sahid Mohamed (**Previous Underwriter**). Accordingly, any New Shares not subscribed for by Initial Eligible Shareholders under the Rights Issue or the Shortfall Facility (**Shortfall Shares**) were to be dealt with by the Previous Underwriter in accordance with the underwriting arrangements agreed between the Company and the Previous Underwriter (**Previous Underwriting Agreement**).

As at the Record Date, the Company had on issue 588,540,623 fully paid ordinary shares (**Existing Shares**). Accordingly, when all the Entitlements were taken up under the Rights Issue, the Shortfall Facility and the Previous Underwriting Agreement, the Company was to issue 588,540,623 New Shares and raise \$5,885,406 (before costs).

The Rights Issue was conducted in accordance with section 708AA of the *Corporations Act 2001* (Cth) (**Act**) and a notice under section 708AA(2)(f) (**Cleansing Notice**) and Appendix 3B were lodged with ASX on 9 August 2013. The Company was not required to lodge a prospectus with ASX or ASIC or provide one to shareholders. Notwithstanding this, the Company did despatch an offer document to shareholders on 22 August 2013 (**Offer Document**).

1.2 Outcome of Rights Issue

The Rights Issue closed on 9 September 2013.

As at the close of the Rights Issue, 362,785,491 New Shares had been subscribed for and 225,755,132 rights had lapsed. The Company had received \$3,711,965.05 in respect of the New Shares that had been subscribed for (including \$84,110.14 which had been received for application to the Shortfall Facility).

However, as detailed in section 2 below, the Company was unable to issue any shares pursuant to the Rights Issue without the approval of the Takeovers Panel (**Panel**).

As permitted by the interim orders of the Panel, the Company proceeded with the completion of the Rights Issue in respect of shares subscribed for by Tan Sri Abu Sahid Mohamed (in his capacity as a shareholder of the Company) (**Tan Sri Abu**), Dato Lim Heng Suan (**Dato Lim**) and Dato Siew Mun Chuang (**Dato Siew**) and 212,303,648 New Shares were issued by the Company on 1 October 2013 raising \$2,123,036.

2 Takeovers Panel

2.1 Application

On 5 September 2013, Sidan Super Pty Ltd as trustee for the Sidan Superannuation Fund (**Sidan**) made an application to the Panel in relation to the Rights Issue (**Panel Application**).

Essentially, Sidan submitted that the Underwriter and his associates may obtain control of the Company to the detriment of Avalon shareholders and that the structure of, and disclosure in relation to, the Rights Issue were unacceptable.

2.2 Interim orders

On 9 September 2013, the Panel made interim orders which:

- (a) prohibited Avalon from issuing or allotting any New Shares under the Rights Issue without the prior approval of the Panel;
- (b) required Avalon to take all action necessary to postpone the commencement of deferred settlement trading of New Shares; and

- (c) required Avalon to hold all money received as subscriptions for New Shares separately from all other Company funds and on trust for the subscribers.

On 10 September 2013, the Panel varied the interim orders to include an order that the Previous Underwriter must not rely on any right that he may have to terminate the Previous Underwriting Agreement as a consequence of the Panel Application or the interim orders.

On 27 September 2013, the Panel further varied the interim orders to permit the Company to proceed with the Completion of the Rights Issue in respect of shares subscribed for by Tan Sri Abu (in his capacity as a shareholder of the Company), Dato Lim and Dato Siew. Tan Sri Abu, Dato Lim and Dato Siew were, however, prohibited from acquiring any shares in the Company (other than shares issued to them under the Rights Issue) or disposing, transferring or granting a security interest over any shares issued to them under the Rights Issue.

2.3 Panel decision

On 7 October 2013, the Panel made a declaration of unacceptable circumstances in relation to the Panel Application. The Panel considered that:

- (a) all reasonable steps to minimise the potential control impact of the Rights Issue were not taken;
- (b) there is inadequate disclosure concerning Tan Sri Abu, as underwriter of the Rights Issue, his intentions, association with Dato Lim and Avalon's need for and use of funds;
- (c) Tan Sri Abu and Dato Lim are associated under section 12(2)(b) of the Act for the purpose of controlling or influencing the conduct of Avalon's affairs and under section 12(2)(c) of the Act in relation to Avalon's affairs; and
- (d) through the placement to Dato Lim on 19 August 2013 (of 26,523,616 shares at \$0.013 per share which raised approximately \$344,807), Tan Sri Abu and Dato Lim increased their voting power in the Company otherwise than as permitted under Chapter 6 of the Act. Their interest would be further increased if the underwriting proceeds.

On 14 October 2013, the Panel made a number of orders which, relevantly to the re-opened Rights Issue, included the following:

- (a) Avalon must re-open the Rights Issue and offer Initial Eligible Shareholders (other than Tan Sri Abu, Dato Lim and Avalon directors (and their associated entities)) (**Eligible Shareholders**) the opportunity to take up their Entitlements and apply for shortfall shares or withdraw their original applications;
- (b) Avalon must make additional disclosure in relation to various matters (as set out in this letter);
- (c) the Previous Underwriter must not complete the underwriting of the Rights Issue;
- (d) after completion of the re-opened Rights Issue, any shares held by Tan Sri Abu or Dato Lim in excess of 19.9% and 8.22% respectively will be vested in the Commonwealth for sale by ASIC; and
- (e) For 18 months from the date the relevant order of the Panel comes into effect, Tan Sri Abu and Dato Lim's collective voting power is restricted to 20%. This limit:
 - (i) increases at a rate of 3% every six months; and
 - (ii) does not apply to any acquisition not prohibited by Chapter 6 (except that Tan Sri Abu and Dato Lim (and their associates) must not, while the voting

restriction is in place, make any acquisitions in reliance on the 'creep' exception in item 9 of section 611 of the Corporations Act).

3 Re-opened Rights Issue

3.1 Offer

The Company has re-opened the Rights Issue to the Eligible Shareholders. As noted in section 1.1 above, the re-opened Rights Issue is an offer of New Shares on the basis of one (1) New Share for every one (1) fully paid ordinary share in the Company held by a shareholder at the Record Date (5pm (AEST) on 19 August 2013) at a price of \$0.01 per New Share.

The Company advises Eligible Shareholders that:

- (a) they may take up any of their Entitlement that they did not previously take up;
- (b) they may apply for the shortfall (including New Shares available due to withdrawals under section 3.1(c) below) in addition to their Entitlement;
- (c) if they had validly applied for New Shares under the Rights Issue (i.e prior to its re-opening), they have the right to withdraw their application; or
- (d) if they had validly applied for New Shares under the Rights Issue (i.e prior to its re-opening) and they wish to continue with that application unchanged, do nothing.

Further detailed information on the re-opened Rights Issue is set out below.

3.2 Use of proceeds from the re-opened Rights Issue

The re-opened Rights Issue will provide the Company with a maximum of additional funds of \$5,885,406 (before costs). Of this amount, the Company has received \$2,123,036 as at, on 1 October 2013, issued 212,303,648 New Shares under the Rights Issue as permitted by the interim orders of the Panel.

The money raised under this Rights Issue (including the amount already received by the Company) will be used to:

- (a) fund short-term cash flow requirements to meet the Company's ongoing operating costs and the costs of advisers engaged by the Company in connection with its general corporate activities, the Panel proceedings and the re-opened Rights Issue; and
- (b) fund the Company's ongoing operating costs until the end of December 2013, during which the Company is actively seeking out, and investigating, opportunities to fund the next stage of development of the Company's Viscaria Copper-Iron Project in Sweden.

The position in relation to Avalon's need for, and use of, funds as described in this letter is materially different to that set out in the Offer Document dated 22 August 2013. Further details of this are set out in the Updated Offer Document (defined below), a copy of which is available for inspection on ASX's website at www.asx.com.au and the Company's website at www.avalonminerals.com.au.

More specifically, the Company intends to allocate the funds raised from the Rights Issue as set out below. However, in the event that circumstances change or other, better opportunities arise, the Directors reserve the right to vary the proposed use of funds to maximise the benefit to shareholders. To the extent that the Company does not raise the full amount of

funds it is seeking to raise under this re-opened Rights Issue, the Company will seek to reduce its expenditure as required.

	Amount (A\$)
Opening Position as per audited Financial Statements at 30 June 2013	
Cash at bank at 30 June 2013 as per audited Financial Statements	1,185,959
Trade and other payables as per audited Financial Statements:	
Hannans Reward Ltd liability under the Heads of Agreement dated May 2013	(2,000,000)*
Other creditors and payables	(574,883)
Reduction to payment required to be made to Hannans Reward Ltd as a result of the variation to the Heads of Agreement (as announced on 8 October 2013)	1,000,000
Adjusted opening position	(388,924)
Funds raised or underwritten	
Funds raised pursuant to the placements made by the Company on 19 August 2013 and 5 September 2013	689,614
Funds raised under the re-opened Rights Issue following the issue by the Company of 212,303,648 New Shares as permitted by the interim orders of the Panel	2,123,036
Additional underwritten funds to be received under re-opened Rights Issue	2,100,000
Total funds raised or underwritten	4,912,650
Net of funds raised or underwritten and adjusted opening position	4,523,726
Proposed Use of Funds	
Cost of fundraising activities conducted by the Company (including the placements and the Rights Issue)	185,000
Corporate operating costs including staff costs, rent, and other corporate compliance costs but excluding legal costs (July 2013 – September 2013)	554,624
Fixed project expenditure including fixed site costs, in-country staff costs and tenement renewal and license fees (July 2013 – September 2013)	364,707
Corporate operating costs including staff costs, rent, other corporate compliance costs and Ferrier Hodgson Fees for acting as interim manager but excluding legal costs (October 2013 – December 2013)	1,008,060
Fixed project expenditure including fixed site costs, in-country staff costs and tenement renewal and license fees (October 2013 – December 2013)	517,102

Costs associated with conduct of corporate activity including legal costs, costs associated with the Panel proceedings and other associated matters	1,005,887
Evaluation of funding proposals, joint venture arrangements and/or merger opportunities in order to fund completion of the Bankable Feasibility Study of the Viscaria Copper-Iron Project and the Discovery Zone Project.	220,000
Total proposed use of funds	3,855,380
Balance of funds raised following use of funds as proposed	668,346

** \$2,000,000 was recorded as a liability in the financial statements at 30 June 2013. However, this debt was not considered due and payable as at 30 June 2013. The timing of this payment was subject to a legal dispute that was subsequently settled through a variation to the Heads of Agreement (as announced on 8 October 2013). \$1,000,000 was then paid in October 2013. A further \$3,000,000 payment is due when the exploitation concession is granted. Additional mining, environmental and stakeholder information must be submitted to the regulator before the Discovery Zone exploitation concession application can be considered for grant. Only following the lodgement of that information and its acceptance by the regulator, will the concession be granted which is not expected to be prior to June 2014.*

As detailed in section 4.11 of the Updated Offer Document, on 12 October 2013, the Company announced that the Board resolved to terminate the employment contract of the Company's former Managing Director, Mr Jeremy Read. The Board also asked Mr Read to resign as Director. As at the date of this letter, Mr Read remains a Director of the Company and Ferrier Hodgson continues to provide interim advisory services to the Company. On 21 October 2013, Mr Read notified the Company that he disputed the grounds and validity of his termination and sought payment of alleged termination entitlements and bonuses to the tune of just over \$479,000. The Company is assessing the basis of Mr Read's claim and has not yet responded.

The table describes the allocation of the committed funds to be raised from the Rights Issue (being \$4,223,036). However, if all the Entitlements are taken up (whether under the re-opened Rights Issue, the Shortfall Facility and/or the substitute underwriting) the Company will raise \$5,885,406 (before costs).

Funds received in excess of the committed funds to be raised will be applied to:

- fixed project and corporate expenditure in 2014;
- undertaking studies into concentrate transport options and tailings and waste water disposal options; and
- progressing the Discovery Zone Exploitation Concession Application towards grant including social impact studies, updating environmental impact assessment and updating engineering designs.

To the extent that the Company does not raise the full amount of funds it is seeking to raise under this Rights Issue, the Company will seek to reduce its expenditure as required.

As announced on 24 October 2013, the Company has received non-binding, written approaches from more than one unrelated third party proposing discussions be commenced with a view to merger. The approaches are very preliminary and non-specific in most key respects, including as to the possible consideration to be offered, though each seeks the

opportunity to undertake due diligence on the Company (and offers the Company the opportunity to undertake reciprocal due diligence). The Company will keep the market updated with developments (if any) as they occur.

3.3 Further Requirements for Funding

The Company is actively seeking out, and investigating, opportunities to obtain finance to fund the next stage of development of the Company's Viscaria Copper-Iron Project and to fund the payment of \$3,000,000 to Hannans in connection with the Discovery Zone Project which will be due when the exploitation concession is granted. Additional mining, environmental and stakeholder information must be submitted to the regulator before the Discovery Zone exploitation concession application can be considered for grant. Only following the lodgement of that information and its acceptance by the regulator, will the concession be granted which is not expected to be prior to June 2014.

3.4 Replacement underwriting arrangements

Pursuant to the Panel's orders, the Previous Underwriter is not permitted to complete the underwriting of the Rights Issue. Accordingly, the Company has entered into alternative underwriting arrangements (**Substitute Underwriting Agreement**) with CPS Capital Group Pty Ltd (**Substitute Underwriter**).

The re-opened Rights Issue is partially underwritten by the Substitute Underwriter. The Substitute Underwriter has agreed to underwrite the subscription of 210,000,000 New Shares for \$2,100,000 in accordance with the terms of the Substitute Underwriting Agreement. The Substitute Underwriter may, in consultation with the Company, procure another person to sub-underwrite such portion of the underwritten shares as the Substitute Underwriter in its absolute discretion thinks fit.

As announced by Phoenix Copper Limited (**Sub-underwriter**) on 25 October 2013, the Substitute Underwriter has appointed Phoenix as sub-underwriter for \$2,100,000 in relation to the underwriting. As stated on its website, the Sub-underwriter is an ASX listed (ASX:PNX) minerals exploration company, with a primary focus on copper and gold. Avalon was not consulted in relation to the appointment of the Sub-underwriter.

Neither the Substitute Underwriter nor the Sub-underwriter is a shareholder or related party (as defined in the Corporations Act) of the Company. A summary of the substitute underwriting arrangements will be set out in the Updated Offer Document (as defined below).

3.5 Potential effect on control

The potential effect the re-opened Rights Issue will have on the control of the Company is detailed in this section 3.5.

Of the 588,540,623 New Shares offered, the Company has already issued (on 1 October 2013) 212,303,648 New Shares as permitted by the interim orders of the Takeovers Panel. As a result of the issue, the voting power of Dato Lim and Tan Sri Abu (the **Associated Shareholders**) increased to 44.61%.

If all Eligible Shareholders take up their Entitlements under the re-opened Rights Issue, then the voting power of the Associated Shareholders will decrease to 30.67%. If no Eligible Shareholders take up their Entitlements and only the Shortfall Shares to the extent of 210,000,000 are taken up by the Substitute Underwriter, the Sub-underwriter and/or any sub-underwriter, then the voting power of the Associated Shareholders will decrease to 35.33%.

The Panel has also ordered that, after completion of the re-opened Rights Issue, any shares held by Tan Sri Abu or Dato Lim in excess of 19.9% and 8.22% respectively will be vested in the Commonwealth for sale by ASIC.

Pursuant to the orders of the Panel, the collective voting power of the Associated Shareholders, for a period of 18 months from the date the relevant order of the Panel comes into effect, is restricted to 20%. This limit:

- (a) increases at a rate of 3% every six months; and
- (b) does not apply to any acquisition not prohibited by Chapter 6 of the Act (except that the Associated Shareholders (and their associates) must not, while the voting restriction is in place, make any acquisitions in reliance on the 'creep' exception in item 9 of section 611 of the Act).

If no Eligible Shareholders take up their Entitlements, the Shortfall Shares to the extent of 210,000,000 must be taken up by the Substitute Underwriter who has appointed the Sub-underwriter who must subscribe for up to 210,000,000 Shortfall Shares (or such lesser number such that its relevant interest does not exceed 19.9%) if called upon to do so by the Substitute Underwriter. The relevant interest of the Substitute Underwriter, the Sub-underwriter or any other sub-underwriter in Avalon shares following the allocation of Shortfall Shares may be as high as 19.9%. In accordance with the terms of the Substitute Underwriting Agreement, the relevant interest in Avalon shares held by the Substitute Underwriter, the Sub-underwriter or any other sub-underwriter cannot exceed 19.9%.

Avalon requested that the Sub-underwriter provide it with information as to its intentions were it to be allocated a substantial shareholding in Avalon. The Sub-underwriter, in response to Avalon's request, has confirmed the statement contained in its announcement dated 25 October 2013, that the Sub-underwriter views the potential acquisition of shares in Avalon to be a good opportunity to secure an investment in a company with a quality copper asset. The Company advises that in August 2013 it received a non-binding, indicative and conditional proposal from the Sub-underwriter to initiate discussions to determine the scope for the Sub-underwriter to make a bid for the acquisition of shares in Avalon. The proposal lapsed on 30 August 2013.

Pursuant to the terms of the Substitute Underwriting Agreement, the Substitute Underwriter may allocate the balance of the Shortfall Shares (which, if no Eligible Shareholders take up their Entitlements will be 159,036,975 New Shares) to clients of the Substitute Underwriter. If some or all of these New Shares are allocated, the interests in Avalon of the Eligible Shareholders will be diluted.

The options that the Company currently has on issue (**Options**) were not exercised prior to the Record Date as the exercise price for these Options exceeded the Issue Price and the last closing share price prior to the announcement in relation to the Rights Issue on 9 August 2013 of \$0.014 per share, therefore the Options are expected to have no effect on the Rights Issue or the control of the Company.

The Performance Rights (Tranche 1 and Tranche 3) that the Company currently has on issue (**PR's**) did not vest prior to the Record Date as the vesting conditions were not met by that time, therefore the PR's are expected to have no effect on the Rights Issue or the control of the Company.

3.6 Updated Offer Document

The Rights Issue is being conducted in accordance with section 708AA of the Act. Accordingly, the Company is not required to lodge a prospectus with ASX or ASIC or provide

one to shareholders. The Company has updated the Offer Document (**Updated Offer Document**) and a clean version and a marked-up version will be lodged with ASX on or before 28 October 2013.

An updated Cleansing Notice and updated Appendix 3B was also lodged with ASX on 28 October 2013.

All updated documents are available for inspection on ASX's website at www.asx.com.au and the Company's website at www.avalonminerals.com.au and will be sent to Eligible Shareholders on request.

3.7 Updated Timetable

The current proposed timetable for the re-opened Rights Issue (including relevant events that have already occurred) is set out below.

Activity	Date
Lodged Appendix 3B, Offer Document and Section 708AA Cleansing Notice	9 August 2013
Dispatched notices to shareholders and optionholders informing them of Rights Issue	9 and 12 August 2013
Shares trade on an "ex" Entitlement basis*	13 August 2013
Record Date for Entitlement to participate in the Rights Issue	5:00pm AEST 19 August 2013
Rights Issue closed	5.00pm AEST 9 September 2013
Panel ordered that Rights Issue be re-opened	14 October 2013
Lodge Updated Appendix 3B, Updated Offer Document and Updated Section 708AA Cleansing Notice with ASX in relation to the re-opened Rights Issue	28 October 2013
Dispatch of letters to Eligible Shareholders informing them of re-opened Rights Issue and enclosing Entitlement and Acceptance Form and Withdrawal Form	28 October 2013
Closing Date for the re-opened Rights Issue	5:00pm AEST 11 November 2013
Securities quoted on deferred settlement basis	12 November 2013
ASX notified of under subscriptions	14 November 2013
Issue of New Shares under the re-opened Rights Issue	18 November 2013
Issue of any refund due to a shareholder	18 November 2013
Holding statements are despatched to shareholders	18 November 2013
Normal ASX trading for New Shares commences	19 November 2013

The above dates are indicative only and may change without notice. The Directors, in conjunction with the Substitute Underwriter, reserve the right to extend the Closing Date 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 re-opened Rights Issue is assured. Where fractions arise in the calculation of entitlements, they will be rounded down to the nearest whole number.*

The Board recommends the re-opened Rights Issue to shareholders.

However, before making a decision whether to apply for New Shares, Eligible Shareholders should read the Updated Offer Document carefully and in its entirety.

For further information on your Entitlement, please contact your professional advisor or the Company's share registry, Computershare Investor Services Pty Limited by phone on 1300 850 505 (from within Australia) or +61 (03) 9415 4000 (from outside Australia).

Yours sincerely

AVALON MINERALS LIMITED

A handwritten signature in black ink, appearing to read "Crispin Henderson", with a long horizontal flourish underneath.

Crispin Henderson

Chairman



AVALON

MINERALS LTD
ABN 68 123 184 412

For all enquiries:

Phone:



(within Australia) 1300 850 505

(outside Australia) 61 3 9415 4000

┌ 000001 000 AVI

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Make your payment:



See over for details of the Offer and how to make your payment

Non-Renounceable Rights Issue — Entitlement and Acceptance Form

 **Your payment must be received by 5pm (AEST) 11 November 2013**

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

Step 1: Registration Name

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

Step 2: Make Your Payment

You can apply to accept either all or part of your Entitlement. Enter the number of new shares you wish to apply for and the amount of payment for those shares.

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Updated Offer Document dated 28 October 2013.

The Company will also allow you to apply for additional shares if you 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 facility exceed the shortfall, the shortfall will be allocated on a proportional basis having regard to the relative registered holdings on the Record Date of all Eligible Shareholders who have applied for additional shares under the shortfall facility.

Choose one of the payment methods shown below.

BPAY®: See overleaf. Do not return the slip with BPAY payment.

By Mail: Complete the reverse side of this payment slip and detach and return with your payment. Make your cheque or bank draft payable in Australian dollars to "Avalon Minerals-Rights Issue". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the slip below as indicated. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →

Avalon Minerals Ltd Non-Renounceable Rights Issue
Payment must be received by 5pm (AEST) 11 November 2013

© Registered to BPAY Pty Limited ABN 69 079 137 518

Entitlement and Acceptance Form with Additional Shares

X 9999999991

I ND

STEP 1 Registration Name & Offer Details

 For your security keep your SRN/
HIN confidential.

Registration Name: MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Entitlement No: 12345678

Offer Details: Existing shares entitled to participate as at
5.00 pm (AEST) Monday, 19 August 2013:

4,000

Entitlement to new shares
on a 1 for 1 basis:

1

Amount payable on acceptance
at 1 cent per share:

\$0.01

STEP 2 Make Your Payment

	Billers Code: 000000 Ref No: 1234 5678 9123 4567 89
--	--

Pay by Mail:



Make your cheque, money order or bank draft payable to "Avalon Minerals-Rights Issue".

Return your cheque with the below slip to:
Computershare Investor Services Pty Limited
GPO BOX 52 Melbourne Victoria 3001 Australia

Contact your financial institution to make your payment from your cheque or savings account.

Lodgement of Acceptance

If you are applying for shares and your payment is being made by BPAY®, you do not need to return the slip below. Your payment must be received by no later than 5:00pm (AEST) Monday 11 November 2013. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor Avalon Minerals Ltd accepts any responsibility for loss incurred through incorrectly completed BPAY® payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY® are received by this time.

If you are paying by cheque, bank draft or money order the slip below must be received by CIS by no later than 5:00pm (AEST) Monday, 11 November 2013. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Return the slip below with cheque attached. Neither CIS nor the Company accepts any responsibility if you lodge the slip below at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited (CIS) as registrar for the securities issuer (the issuer), for the purpose of maintaining registers of shareholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS using the details provided above or email privacy@computershare.com.au

Detach here -----

Acceptance Payment Details

Entitlement taken up:

Number of additional shares applied for:

Amount enclosed at 1 cent per new share: **A\$**



Entitlement No: 12345678

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Payment must be received by 5pm (AEST) 11 November 2013

Contact Details

Contact Name _____ **Daytime Telephone** _____

Cheque Details

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

123456789123456789+0000000001-3051+14

Rights Issue Offer Withdrawal Form

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000



X 9999999991 I N D

Offer Details:

Securityholding as at
5.00 pm (AEST) Monday, 19 August 2013:

Entitlement to new shares
on a 1 for 1 basis applied for:

Amount paid on acceptance
at 1 cent per share:

Withdraw your previously submitted Rights Issue Application

By marking the box and signing below, you will be deemed to have elected to withdraw your previously submitted Rights Issue application for the ENTIRE portion of your application. If you fail to return a validly completed form OR if you do not complete, or make an invalid election below you will be deemed to NOT have withdrawn your application from the Rights Issue Offer.

I/We elect to Withdraw my/our previously submitted application from the Avalon Minerals Limited 1:1 Rights Issue

Signature of Securityholder(s)

This section must be completed.

I/We elect to withdraw from the Rights Issue Offer made by Avalon Minerals Limited for New Shares in the Company and I/we agree to be bound by the terms and conditions of the Offer as per the above instruction.

Individual or Securityholder 1

Sole Director and Sole Company Secretary/
Sole Director (cross out titles as applicable)

Securityholder 2

Director

Securityholder 3

Director/Company Secretary
(cross out titles as applicable)

Contact
Name _____

Contact
Daytime
Telephone _____

Date ____ / ____ / ____

This form must be received at the address above by 5pm (AEST) 11 November 2013 to be effective

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS") for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act, you may be sent material (including marketing material) approved by in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au

ABN 68 123 184 412

www.avalonminerals.com.au



AVALON

MINERALS LTD

Annexure 2





UPDATED OFFER DOCUMENT

PARTIALLY UNDERWRITTEN, NON-RENOUNCEABLE PRO-RATA RIGHTS ISSUE

For a non-renounceable, pro rata Rights Issue of New Shares at an issue price of \$0.01 per New Share on the basis of one (1) New Share for every one (1) Existing Shares held at the Record Date to raise a maximum of \$5,885,406 before costs (in relation to which 212,303,648 New Shares have been issued pursuant to the interim orders of the Panel, raising \$2,123,036 which amount has been received by the Company).

Important Notice

This Updated 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 Updated Offer Document.

This Updated Offer Document is important and should be read in its entirety. If you do not understand the contents of this Updated 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 highly speculative.

THIS RIGHTS ISSUE OPENED ON 22 AUGUST 2013 AND CLOSED AT 5:00PM AEST ON 9 SEPTEMBER. THE RIGHTS ISSUE WAS RE-OPENED ON 28 OCTOBER 2013 AND CLOSSES AT 5:00PM AEST ON MONDAY, 11 NOVEMBER 2013.

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IMPORTANT INFORMATION

This Updated Offer Document is dated 28 October 2013.

Capitalised terms in this Updated Offer Document are defined in Section 7 (Definitions).

This Updated 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 Updated Offer Document does not constitute a securities recommendation or financial product advice.

Purpose of Updated Offer Document

Pursuant to an order of the Panel, the Company has re-opened the Rights Issue. This Updated Offer Document is an update to the Offer Document that was issued by the Company on 22 August 2013 in relation to the Rights Issue. The Updated Offer Document sets out further information in relation to the Panel decision (section 1A), the re-opened Rights Issue and operational developments.

Disclaimer

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

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

Privacy

If you complete an Application for New Shares or a Withdrawal Form, 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 or Withdrawal Form, 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 Updated 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 or the Withdrawal Form, the Company may not be able to accept or process your Application or Withdrawal.

LETTER FROM THE CHAIRMAN

28 October 2013

Dear Shareholder

On behalf of the Directors of Avalon, I am pleased to invite you to participate in this re-opened Rights Issue. This re-opened 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 Updated Offer Document, under the Rights Issue the Company is offering up to 588,540,623 New Shares at an issue price of \$0.01 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 one (1) fully paid ordinary shares in the Company already held at the Record Date.

Eligible Shareholders are advised that:

- a) they may take up any of their Entitlement that they did not previously take up;
- b) they may apply for the additional New Shares which will be allocated from any Shortfall;
- c) if they had validly applied for New Shares under the Rights Issue prior to its re-opening, they have the right to withdraw their Application; and
- d) if they submitted a valid Application for some or all of their Entitlement and they wish to continue with that Application unchanged, no action is required.

The maximum amount that the Company will raise under this Rights Issue is \$5,885,406 (before costs).

Of the 588,540,623 New Shares being offered under the Rights Issue, the Company has issued (on 1 October 2013) 212,303,648 New Shares as permitted by the interim orders of the Panel raising \$2,123,036 (which amount has been received by the Company).

The Rights Issue is partially underwritten, by CPS Capital Group Pty Ltd, a Perth based boutique corporate advisory and broking firm to the extent of 210,000,000 New Shares (\$2,100,000) which are sub-underwritten by Phoenix Copper Limited to 210,000,000 New Shares (\$2,100,000) (or such lesser number such that its relevant interest does not exceed 19.9%). As stated on its website, Phoenix Copper Limited is an ASX listed (ASX:PNX) minerals exploration company, with a primary focus on copper and gold. The relevant interest of the Substitute Underwriter, the Sub-underwriter or any other sub-underwriter in Avalon shares following the allocation of Shortfall Shares may be as high as 19.9%.

The money raised under this Rights Issue (including the amount already received by the Company) will be used to:

- a) fund short-term cash flow requirements to meet the Company's ongoing operating costs and the costs of advisers engaged by the Company in connection with its general corporate activities, the Panel proceedings and the re-opened Rights Issue; and
- b) fund the Company's ongoing operating costs until the end of December 2013, during which the Company is actively seeking out, and investigating, opportunities to fund the next stage of development of the Company's Viscaria Copper-Iron Project in Sweden.

Further details regarding the purpose of the Rights Issue and Avalon's need for, and use of, funds is set out in sections 2.2 and 2.4 of this Updated Offer Document. The position in relation to Avalon's need for, and use of, funds as described in this Updated Offer Document is materially different to that set out in the Offer Document dated 22 August 2013.

The Board's key objective is to advance the Viscaria Project in Northern 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 have subscribed for all of my entitlements under the Rights Issue.

The details of the re-opened Rights Issue are set out in this Updated Offer Document and I encourage you to read the Updated 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.

As announced on 24 October 2013, the Company has received non-binding, written approaches from more than one unrelated third party proposing discussions be commenced with a view to merger. The approaches are very preliminary and non-specific in most key respects, including as to the possible consideration to be offered, though each seeks the opportunity to undertake due diligence on the Company (and offers the Company the opportunity to undertake reciprocal due diligence). The Company will keep the market updated with developments (if any) as they occur.

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 re-opened Rights Issue.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Crispin Henderson', with a long horizontal flourish underneath.

Crispin Henderson
Chairman, Avalon Minerals Limited

SECTION 1 - KEY INFORMATION

1.1 Summary of the Offer

<i>Issue Price per New Share</i>	\$0.01
<i>Maximum number of New Shares to be issued under the Rights Issue</i>	588,540,623
<i>Total maximum number of Shares on issue immediately after completion of the Rights Issue (including those issued to the Substitute Underwriter)</i>	1,203,604,886
<i>Entitlement</i>	1 New Share for every 1 Existing Share held as at the Record Date
<i>Maximum amount to be raised</i>	\$5,885,406 (before costs)

1.2 Indicative Timetable

The following are key dates relating to the Offer (including relevant events that have already occurred) that you need to be aware of.

Activity	Date
Lodged Appendix 3B, Offer Document and Section 708AA Cleansing Notice	9 August 2013
Dispatched notices to Shareholders and Optionholders informing them of Rights Issue	9 and 12 August 2013
Shares trade on an "ex" Entitlement basis*	13 August 2013
Record Date for Entitlement to participate in the Rights Issue	5:00pm AEST 19 August 2013
Rights Issue Offer Document and Entitlement and Acceptance Form dispatched to Shareholders	22 August 2013
Rights Issue closed	5:00pm AEST 9 September 2013
Panel ordered that Rights Issue be re-opened	14 October 2013
Lodge Updated Appendix 3B, Updated Offer Document and Updated Section 708AA Cleansing Notice with ASX	28 October 2013
Dispatch of letters to Shareholders informing them of re-opened Rights Issue and enclosing Entitlement and Acceptance Form and Withdrawal Form	28 October 2013
Closing Date for the re-opened Rights Issue and the final date to withdraw Applications	5:00pm AEST 11 November 2013
Securities quoted on deferred settlement basis	12 November 2013
ASX notified of under subscriptions	14 November 2013
Issue of New Shares under the Rights Issue	18 November 2013
Holding statements are dispatched to Shareholders	18 November 2013

The above dates are indicative only and may change without notice. The Directors, in conjunction with the Substitute Underwriter, reserve the right to extend the Closing Date 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.*

1.3 Options available to Eligible Shareholders

Eligible Shareholders are advised that:

- a) they may take up any of their Entitlement that they did not previously take up;
- b) they may apply for the additional New Shares which will be allocated from any Shortfall;
- c) if they had validly applied for New Shares under the Rights Issue prior to its re-opening, they have the right to withdraw their Application; and
- d) if they submitted a valid Application for some or all of their Entitlement and they wish to continue with that Application unchanged, no action is required.

SECTION 1A – TAKEOVERS PANEL DECISION

1A.1 Application

On 5 September 2013, Sidan made an application to the Panel in relation to the Rights Issue. Essentially, Sidan submitted that the Previous Underwriter and his associates may obtain control of the Company to the detriment of Shareholders and that the structure of, and disclosure in relation to, the Rights Issue were unacceptable.

1A.2 Interim orders

On 9 September 2013, the Panel made interim orders which:

- prohibited Avalon from issuing or allotting any New Shares under the Rights Issue without the prior approval of the Panel;
- required Avalon to take all action necessary to postpone the commencement of deferred settlement trading of New Shares; and
- required Avalon to hold all money received as subscriptions for New Shares separately from all other Company funds and on trust for the subscribers.

On 10 September 2013, the Panel varied the interim orders to include an order that the Previous Underwriter must not rely on any right that he may have to terminate the Previous Underwriting Agreement as a consequence of the Panel Application or the interim orders.

On 27 September 2013, the Panel further varied the interim orders to permit the Company to proceed with the completion of the Rights Issue in respect of shares subscribed for by Tan Sri Abu, Dato Lim and Dato Siew.

Tan Sri Abu, Dato Lim and Dato Siew were, however, prohibited from acquiring any shares in the Company (other than shares issued to them under the Rights Issue) or disposing, transferring or granting a security interest over any shares issued to them under the Rights Issue.

1A.3 Panel decision

On 7 October 2013, the Panel made a declaration of unacceptable circumstances in relation to the Panel Application. The Panel considered that:

- all reasonable steps to minimise the potential control impact of the Rights Issue were not taken;
- there is inadequate disclosure concerning Tan Sri Abu, as underwriter of the Rights Issue, his intentions, association with Dato Lim and Avalon's need for and use of funds;

- Tan Sri Abu and Dato Lim are associated under section 12(2)(b) of the Corporations Act for the purpose of controlling or influencing the conduct of Avalon's affairs and under section 12(2)(c) of the Corporations Act in relation to Avalon's affairs; and
- through the placement to Dato Lim on 19 August 2013 (of 26,523,616 shares at \$0.013 per share which raised approximately \$344,807), Tan Sri Abu and Dato Lim increased their voting power in the Company otherwise than as permitted under Chapter 6 of the Corporations Act. Their interest would be further increased if the underwriting proceeds.

On 14 October 2013, the Panel made a number of orders which, relevantly, included the following:

- Avalon must re-open the Rights Issue and offer Eligible Shareholders (other than Tan Sri Abu, Dato Lim and Directors (and their associated entities) the opportunity to take up their Entitlements and apply for Shortfall Shares or withdraw their original Applications;
- Avalon must make additional disclosure in relation to various matters;
- the Previous Underwriter must not complete the underwriting of the Rights Issue;
- after completion of the re-opened Rights Issue, any shares held by Tan Sri Abu or Dato Lim in excess of 19.9% and 8.22% respectively will be vested in the Commonwealth for sale by ASIC; and
- For 18 months from the date the relevant order of the Panel comes into effect, Tan Sri Abu and Dato Lim's collective voting power is restricted to 20%. This limit:
 - increases at a rate of 3% every six months and
 - does not apply to any acquisition not prohibited by Chapter 6 (except that, Tan Sri Abu and Dato Lim (and their associates) must not, while the voting restriction is in place, make any acquisitions in reliance on the 'creep' exception in item 9 of section 611 of the Corporations Act).

SECTION 2 – DETAILS OF THE RE-OPENED RIGHTS ISSUE

2.1 Offer

The Company is making a partially underwritten non-renounceable, pro-rata rights issue offer of New Shares at an issue price of \$0.01 per New Share to Eligible Shareholders on the basis of one (1) New Share for every one (1) Existing Shares held on the Record Date.

As at the Record Date, the Company had on issue 588,540,623 Existing Shares. As at the date of this Updated Offer Document, the Company has 827,367,911 Shares on issue. This is because:

- on 5 September 2013, the Company issued 26,523,640 Shares at an issue price of \$0.013 per share by way of a placement to sophisticated and professional investors; and
- on 1 October 2013, as permitted by the interim orders of the Panel, the Company issued 212,303,648 New Shares under the Rights Issue at the Issue Price, raising \$2,123,036.

When all the Entitlements are taken up under the Offer, the Shortfall Offer and the underwriting, the Company will:

- issue a maximum of 588,540,623 New Shares;
- raise a maximum of \$5,885,406 (before costs).

Pursuant to the Panel's orders, the Previous Underwriter is not permitted to complete the underwriting of the Rights Issue. Accordingly, the Company has terminated the Previous Underwriting Agreement and has entered into alternative underwriting arrangements with the Substitute Underwriter.

The Rights Issue is partially underwritten, by CPS Capital Group Pty Ltd, a Perth based boutique corporate advisory and broking firm. The Substitute Underwriter has agreed to underwrite the subscription of 210,000,000 New Shares for \$2,100,000 in accordance with the terms of the Substitute Underwriting Agreement. The Substitute Underwriter may, in consultation with the Company, procure another person to sub-underwrite such portion of the underwritten shares as the Substitute Underwriter in its absolute discretion thinks fit.

As announced by Phoenix Copper Limited on 25 October 2013, the Substitute Underwriter appointed Phoenix Copper Limited as sub-underwriter for \$2,100,000 in relation to the underwriting. As stated on its website, Phoenix Copper Limited is an ASX listed (ASX:PNX) minerals exploration company, with a primary focus on copper and gold. Avalon was not consulted in relation to the appointment of the Sub-underwriter.

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 cash position at the end of June 2013 was approximately \$1.2M. Since 1 July 2013, Avalon has raised a further \$689,614 through two share placements, as well as incurred normal operational expenditure. The Rights Issue will provide the Company with a maximum of additional funds of \$5,885,406 (before costs). Of this amount, the Company has received \$2,123,036 as at, on 1 October 2013, issued 212,303,648 New Shares under the Rights Issue as permitted by the interim orders of the Panel.

The money raised under this Rights Issue (including the amount already received by the Company) will be used to:

- a) fund short-term cash flow requirements to meet the Company's ongoing operating costs and the costs of advisers engaged by the Company in connection with its general corporate activities, the Panel proceedings and the re-opened Rights Issue; and
- b) fund the Company's ongoing operating costs through the period in which the Company is actively seeking out, and investigating, opportunities to fund the next stage of development of the Company's Viscaria Copper-Iron Project in Sweden.

The position in relation to Avalon's need for, and use of, funds as described in this Updated Offer Document is materially different to that set out in the Offer Document dated 22 August 2013 (see section 2.4 of this Updated Offer Document for further information about how the funds raised will be used).

2.3 Capital Structure

The capital structure of the Company on completion of the Offer will be as follows (assuming none of the Options currently on issue are exercised):

Shares currently on issue	827,367,911
Options currently on issue*	27,800,000
Performance Rights on issue**	25,000,000
New Shares offered under the Offer (and not yet issued)	376,236,975
Maximum Total Shares on issue on completion of the Offer	1,203,604,886

**The Options have exercise prices of \$0.05, \$0.30 and \$0.40. The Options that the Company currently has on issue were not exercised prior to the Record Date as the exercise price for these Options exceeded the Issue Price and the last closing share price prior to the announcement in relation to the Rights Issue on 9 August 2013 of \$0.014 per share. 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 19 August 2013 of \$0.015.*

*** The Performance Rights on issue are subject to vesting conditions which were not satisfied before the Record Date.*

2.4 Use of funds

The Rights Issue will provide the Company with a maximum of additional funds of \$5,885,406 (before costs). Of this amount, the Company has received \$2,123,036 on 1 October 2013 following the issue of 212,303,648 New Shares under the Rights Issue as permitted by the interim orders of the Panel.

The money raised under this Rights Issue (including the amount already received by the Company) will be used to:

- a) fund short-term cash flow requirements to meet the Company's ongoing operating costs and the costs of advisers engaged by the Company in connection with its general corporate activities, the Panel proceedings and the re-opened Rights Issue; and

- b) fund the Company's ongoing operating costs until the end of December 2013, during which the Company is actively seeking out, and investigating, opportunities to fund the next stage of development of the Company's Viscaria Copper-Iron Project in Sweden.

The position in relation to Avalon's need for, and use of, funds as described in this Updated Offer Document is materially different to that set out in the Offer Document dated 22 August 2013.

More specifically, the Company intends to allocate the funds raised from the Rights Issue as set out below (which assumes only the Underwritten Amount is received). However, in the event that circumstances change or other, better opportunities arise, the Directors reserve the right to vary the proposed use of funds to maximise the benefit to Shareholders. To the extent that the Company does not raise the full amount of funds it is seeking to raise under this Rights Issue, the Company will seek to reduce its expenditure as required.

	Amount (A\$)
Opening Position as per audited Financial Statements at 30 June 2013	
Cash at bank at 30 June 2013 as per audited Financial Statements	1,185,959
Trade and other payables as per audited Financial Statements:	
Hannans Reward Ltd liability under the Heads of Agreement dated May 2013	(2,000,000)*
Other creditors and payables	(574,883)
Reduction to payment required to be made to Hannans Reward Ltd as a result of the variation to the Heads of Agreement (as announced on 8 October 2013)	1,000,000
Adjusted opening position	(388,924)
Funds raised or underwritten	
Funds raised pursuant to the placements made by the Company on 19 August 2013 and 5 September 2013	689,614
Funds raised under the re-opened Rights Issue following the issue by the Company of 212,303,648 New Shares as permitted by the interim orders of the Panel	2,123,036
Additional underwritten funds to be received under re-opened Rights Issue	2,100,000
Total funds raised or underwritten	4,912,650
Net of funds raised or underwritten and adjusted opening position	4,523,726
Proposed Use of Funds	
Cost of fundraising activities conducted by the Company (including the placements and the Rights Issue)	185,000
Corporate operating costs including staff costs, rent, and other corporate compliance costs but excluding legal costs (July 2013 – September 2013)	554,624
Fixed project expenditure including fixed site costs, in-country staff costs and tenement renewal and license fees (July 2013 –	364,707

September 2013)

Corporate operating costs including staff costs, rent, other corporate compliance costs and Ferrier Hodgson Fees for acting as interim manager but excluding legal costs (October 2013 – December 2013) 1,008,060

Fixed project expenditure including fixed site costs, in-country staff costs and tenement renewal and license fees (October 2013 – December 2013) 517,102

Costs associated with conduct of corporate activity including legal costs, costs associated with the Panel proceedings and other associated matters 1,005,887

Evaluation of funding proposals, joint venture arrangements and/or merger opportunities in order to fund completion of the Bankable Feasibility Study of the Viscaria Copper-Iron Project and the Discovery Zone Project. 220,000

Total proposed use of funds 3,855,380

Balance of funds raised following use of funds as proposed 668,346

** \$2,000,000 was recorded as a liability in the financial statements at 30 June 2013. However, this debt was not considered due and payable as at 30 June 2013. The timing of this payment was subject to a legal dispute that was subsequently settled through a variation to the Heads of Agreement (as announced on 8 October 2013). \$1,000,000 was then paid in October 2013. A further \$3,000,000 payment is due when the exploitation concession is granted. Additional mining, environmental and stakeholder information must be submitted to the regulator before the Discovery Zone exploitation concession application can be considered for grant. Only following the lodgement of that information and its acceptance by the regulator, will the concession be granted which is not expected to be prior to June 2014.*

As detailed in section 4.11, on 12 October 2013, the Company announced that the Board resolved to terminate the employment contract of the Company's former Managing Director, Mr Jeremy Read. The Board also asked Mr Read to resign as Director. As at the date of this Updated Offer Document, Mr Read remains a Director of the Company and Ferrier Hodgson continues to provide interim advisory services to the Company. On 21 October 2013, Mr Read notified the Company that he disputed the grounds and validity of his termination and sought payment of alleged termination entitlements and bonuses to the tune of just over \$479,000. The Company is assessing the basis of Mr Read's claim and has not yet responded.

The table describes the allocation of the committed funds to be raised from the Rights Issue (being \$4,223,036). However, if all the Entitlements are taken up (whether under the Offer, the Shortfall Offer and/or the underwriting) the Company will raise \$5,885,406 (before costs).

Funds received in excess of the committed funds to be raised will be applied to:

- fixed project and corporate expenditure in 2014;
- undertaking studies into concentrate transport options and tailings and waste water disposal options; and
- progressing the Discovery Zone Exploitation Concession Application towards grant including social impact studies, updating environmental impact assessment and updating engineering designs.

To the extent that the Company does not raise the full amount of funds it is seeking to raise under this Rights Issue, the Company will seek to reduce its expenditure as required.

As announced on 24 October 2013, the Company has received non-binding, written approaches from more than one unrelated third party proposing discussions be commenced with a view to merger. The approaches are very preliminary and non-specific in most key respects, including as to the possible consideration to be offered, though each seeks the opportunity to undertake due diligence

on the Company (and offers the Company the opportunity to undertake reciprocal due diligence). The Company will keep the market updated with developments (if any) as they occur.

2.5 Further requirement for Funding

The Company is actively seeking out, and investigating, opportunities to obtain finance to fund the next stage of development of the Company's Viscaria Copper-Iron Project and to fund the payment of \$3,000,000 to Hannans in connection with the Discovery Zone Project which will be due when the exploitation concession is granted. Additional mining, environmental and stakeholder information must be submitted to the regulator before the Discovery Zone exploitation concession application can be considered for grant. Only following the lodgement of that information and its acceptance by the regulator, will the concession be granted which is not expected to be prior to June 2014.

2.6 Minimum Subscription

There is no minimum subscription.

2.7 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.

2.8 Eligible Shareholders and Entitlements

To be eligible to participate in the Rights Issue, a Shareholder must have been 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 that has been sent to Shareholders on 28 October 2013.

Eligible Shareholders are advised that:

- a) they may take up any of their Entitlement that they did not previously take up;
- b) they may apply for the additional New Shares which will be allocated from any Shortfall;
- c) if they had validly applied for New Shares under the Rights Issue prior to its re-opening, they have the right to withdraw their Application; and
- d) if they submitted a valid Application for some or all of their Entitlement and they wish to continue with that Application unchanged, no action is required.

Eligible Shareholders will be able to apply for additional Shares over and above their Entitlement pursuant to the Shortfall Offer detailed in Section 2.12.

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.

2.9 Right to Withdraw Application

Eligible Shareholders that have validly applied for New Shares under the Rights Issue have the right to withdraw their Application.

Detailed instructions on how to withdraw your Application are set out in Section 3.

2.10 Opening and Closing dates

The Rights Issue opened for receipt of acceptances on 22 August 2013 and closed at 5:00pm AEST, 9 September 2013.

The Rights Issue re-opened for receipt of acceptances and withdrawals on 28 October 2013. The Closing Date and time for acceptances and payments under the re-opened Offer is 5:00pm AEST, 11

November 2013, subject to the Directors, in conjunction with the Substitute Underwriter, 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 or Withdrawal Form before the Closing Date otherwise the Offer and the right to withdraw an Application as they apply to Eligible Shareholders will lapse. Further details on the timetable for the Offer are set out in Section 1 of this Updated 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 AEST on 11 November 2013.

2.11 No rights trading

This Offer is made on a non-renounceable basis. 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 2.12 and 5 of this Updated Offer Document.

2.12 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) prior to any allocation to the Substitute Underwriter.

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, the requirements of the Corporations Act, the ASX Listing Rules and other applicable laws.

2.13 Underwriting

The Rights Issue is partially underwritten, by CPS Capital Group Pty Ltd, a Perth based boutique corporate advisory and broking firm. The Substitute Underwriter has agreed to underwrite the subscription of 210,000,000 New Shares for \$2,100,000 in accordance with the terms of the Substitute Underwriting Agreement. The Substitute Underwriter may, in consultation with the Company, procure another person to sub-underwrite such portion of the underwritten shares as the Substitute Underwriter in its absolute discretion thinks fit.

As announced by Phoenix Copper Limited on 25 October 2013, the Substitute Underwriter appointed Phoenix Copper Limited as sub-underwriter for \$2,100,000 in relation to the underwriting. Avalon was not consulted in relation to the appointment of the Sub-underwriter.

Details in relation to the Substitute Underwriting Agreement and the potential effect of the Substitute Underwriting Agreement on the control of the Company are set out in Section 5.

2.14 Issue of New Shares

New Shares taken up under the Rights Issue are expected to be issued by 18 November 2013 (subject to any changes in the timetable set out in Section 1, at the discretion of the Directors in consultation with the Substitute Underwriter).

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.

2.15 Potential Effect on Control

The potential effect the re-opened Rights Issue will have on the control of the Company is detailed in this section 2.15.

Of the 588,540,623 New Shares offered, the Company has already issued (on 1 October 2013) 212,303,648 New Shares as permitted by the interim orders of the Panel. As a result of the issue, the voting power of the Associated Shareholders increased to 44.61%.

If all Eligible Shareholders take up their Entitlements under the Offer, then the voting power of the Associated Shareholders will decrease to 30.67%. If no Eligible Shareholders take up their Entitlements and only the Shortfall Shares to the extent of 210,000,000 are taken up by the Substitute Underwriter, the Sub-underwriter and/or any sub-underwriter, then the voting power of the Associated Shareholders will decrease to 35.33%.

The Panel has also ordered that, after completion of the re-opened Rights Issue, any shares held by Tan Sri Abu or Dato Lim in excess of 19.9% and 8.22% respectively will be vested in the Commonwealth for sale by ASIC.

Pursuant to the orders of the Panel, the collective voting power of the Associated Shareholders, for a period of 18 months from the date the relevant order of the Panel comes into effect, is restricted to 20%. This limit:

- (a) increases at a rate of 3% every six months and
- (b) does not apply to any acquisition not prohibited by Chapter 6 of the Act (except that the Associated Shareholders (and their associates) must not, while the voting restriction is in place, make any acquisitions in reliance on the 'creep' exception in item 9 of section 611 of the Act).

If no Eligible Shareholders take up their Entitlements, the Shortfall Shares to the extent of 210,000,000 must be taken up by the Substitute Underwriter who has appointed the Sub-underwriter who must subscribe for up to 210,000,000 Shortfall Shares (or such lesser number such that its relevant interest does not exceed 19.9%) if called upon to do so by the Substitute Underwriter. The relevant interest of the Substitute Underwriter, the Sub-underwriter or any other sub-underwriter in Avalon shares following the allocation of shortfall shares may be as high as 19.9%. In accordance with the terms of the Substitute Underwriting Agreement, the relevant interest in Avalon shares held by the Substitute Underwriter, the Sub-underwriter or any other sub-underwriter cannot exceed 19.9%.

Avalon requested that the Sub-underwriter provide it with information as to its intentions were it to be allocated a substantial shareholding in Avalon. The Sub-underwriter, in response to Avalon's request, has confirmed the statement contained in its announcement dated 25 October 2013, that the Sub-underwriter views the potential acquisition of shares in Avalon to be a good opportunity to secure an investment in a company with a quality copper asset. The Company advises that in August 2013 it received a non-binding, indicative and conditional proposal from the Sub-underwriter to initiate discussions to determine the scope for the Sub-underwriter to make a bid for the acquisition of shares in Avalon. The proposal lapsed on 30 August 2013.

Pursuant to the terms of the Substitute Underwriting Agreement, the Substitute Underwriter may allocate the balance of the Shortfall Shares (which, if no Eligible Shareholders take up their Entitlements will be 159,036,975 New Shares) to clients of the Substitute Underwriter. If some or all of these New Shares are allocated, the interests in Avalon of the Eligible Shareholders will be diluted.

The Options that the Company currently has on issue were not exercised prior to the Record Date as the exercise price for these Options exceeded the Issue Price and the last closing share price prior to the announcement in relation to the Rights Issue on 9 August 2013 of \$0.014 per share, therefore the Options are expected to have no effect on the Rights Issue or the control of the Company.

The Performance Rights (Tranche 1 and Tranche 3) that the Company currently has on issue did not vest prior to the Record Date as the vesting conditions were not met by that time, therefore the Performance Rights are expected to have no effect on the Rights Issue or the control of the Company.

2.16 Market Prices for Shares on ASX

The highest and lowest market prices of the Shares of the Company on ASX during the 3 months immediately preceding the finalisation of this Updated Offer Document were \$0.01628 on 30 and 31 July 2013 and \$0.007 on 18 September 2013 respectively.

The issue price of \$0.01 per New Share represents a 29% discount to the last closing price of the Company's shares prior to the announcement of the Rights Issue on 9 August 2013.

The volume weighted average price for Shares on the ASX over the 30 trading days preceding 9 August 2013 (the date the Rights Issue was first announced) was \$0.0167.

The Issue Price therefore represents a discount of approximately 40% to the 30 day volume weighted average price for Shares prior to the date the Rights Issue was first announced.

2.17 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.

2.18 Foreign Shareholders

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.

2.19 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.

2.20 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.

2.21 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.

2.22 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 Updated 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 Updated 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.

2.23 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 Level 1, 65 Park Road, Milton, Queensland 4064, Australia or by telephone on +61 7 3368 9888 or by facsimile on +61 7 3368 9899 or by email to info@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 Updated Offer Document;
- if you take up all of your Entitlement, apply for Shortfall Shares in accordance with this Updated Offer Document;
- if you have validly applied for New Shares under the Rights Issue prior to its re-opening, withdraw your Application;
- if you submitted a valid Application for some or all of your Entitlement and you wish to continue with that Application unchanged, do nothing; or
- 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\$0.01 per New Share that you wish to apply for must be received before 5:00pm AEST on 11 November 2013.

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 specific reference number to that shareholding as set out in the applicable and Acceptance Form. DO NOT use the same reference number for more than one of your shareholdings. 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).

Further instructions for completion and lodgment of Applications are set out on the back of the 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 represented that you are an Eligible Shareholder.

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 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 Updated Offer Document and Entitlement and Acceptance Form, does not prohibit you from being given the Updated Offer Document and Entitlement and Acceptance Form and that you:

- agree to be bound by the terms of the re-opened Rights Issue;
- 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 (subject to section 3.8 below) 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 Updated 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 Entitlement and Acceptance Form so that your proceeds are received by no later than 5.00pm AEST on 11 November 2013.

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** then you must deliver your completed Entitlement and Acceptance Form, together with a cheque, bank cheque or bank draft, by post to the Share Registry, to be received by no later than 5:00pm AEST on 11 November 2013 at the following addresses:

Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 3001
Australia

Cheques and drafts should be made payable to "Avalon Minerals – Rights Issue" and crossed "Not Negotiable".

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 Entitlement and Acceptance Form so that your proceeds are received by no later than 5.00pm AEST on 11 November 2013.

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** then you must deliver your completed Entitlement and Acceptance Form, together with a cheque, bank cheque or bank draft, by post to the Share Registry, so that it reaches the Share Registry by no later than 5:00pm AEST on 11 November 2013.

3.6 Shortfall

Eligible Shareholders who take up their full Entitlements under the 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 Updated 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 AEST on 11 November 2013.

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** then you must deliver your completed Entitlement and Acceptance Form, together with a cheque, bank cheque or bank draft, by post to the Share Registry, so that it reaches the Share Registry by no later than 5:00pm AEST on 11 November 2013.

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 or in accordance with the Substitute Underwriting Agreement to the Substitute Underwriter or any sub-underwriter (if appointed) to the Rights Issue or any other parties selected by them.

3.8 Withdrawal of an Application

If you have validly applied for New Shares under the Rights Issue prior to its re-opening and you now wish to withdraw your Application, you must complete the Withdrawal Form by marking the relevant section and deliver the duly executed Withdrawal Form by post to the Share Registry, to be received by no later than 5:00pm AEST on 11 November 2013 at the following address:

Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 3001
Australia

3.9 Closing Date

The Closing Date for the Offer is 5:00pm AEST on 11 November 2013, unless extended, at the discretion of the Directors and the Substitute Underwriter in accordance with the Corporations Act, the Listing Rules and the Substitute Underwriting Agreement.

SECTION 4 – RISK FACTORS

4.1 Risks

Prior to deciding whether to apply for New Shares under the Offer, Eligible Shareholders should read this Updated Offer Document in its entirety and:

- (a) review the Company's Financial Report for the year ended 30 June 2013 filed on 1 October 2013; and
 - (b) 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 Updated 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 Highly 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 Updated Offer Document as a highly speculative investment.

4.3 Cash position

Avalon's cash position at the end of June 2013 was approximately \$1.2M. Since 1 July 2013, Avalon has raised a further \$689,614 through two share placements, as well as incurred normal operational expenditure. The Rights Issue will provide the Company with additional funds of a maximum of \$5,885,406 (before costs). In this regard, on 1 October 2013, as permitted by the interim orders of the Panel, the Company issued 212,303,648 New Shares under the Rights Issue at the Issue Price, raising \$2,123,036.

However, given the Company is an exploration and mineral project development entity, it will need to raise substantial additional funds of approximately \$25 million in order to complete a Bankable Feasibility Study of the Viscaria Copper Iron Project. 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.

This has already been demonstrated by the Company's cash flow difficulties and uncertainties over the last 12 months, which have led to a number of crucial aspects of the Company's business and strategic plans being put on hold or cancelled. The material ones of these are noted below in this Section.

4.4 Viscaria Project

(a) Drilling programs

The BFS remains suspended pending a further review and analysis of the project economics for the Viscaria Project.

Additional drilling programs at B Zone and D Zone of the Viscaria Project to increase the confidence in the Mineral Resources by converting more of the Inferred Resources to a Measured and Indicated category. These drilling programs have been designed and planned but currently remain inactive.

Given the Company's financial position, further drilling at A Zone, B Zone and D Zone 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 bring all elements of the Viscaria Project up to BFS standard.

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 and Viscaria K4 covering D Zone and part of A Zone and B Zone the Viscaria Project have been approved and granted

The granting of the MECs for Viscaria K3 and K4 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 MEC for Viscaria K7 is outstanding and remains under consideration by Bergsstaten (Swedish Mines Inspectorate) pending an amendment to the Kiruna town planning act to allow for the grant of a mining lease over land that is presently zoned for power generation windmills only. 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 Impact Assessment (EIA) 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.

Whilst the County Administration Board (which is the functional administrator of the land and zoning use around the city of Kiruna), has no objection to the rezoning of the land on which the windmills sit and therefore the grant of Viscaria K7, it is expected that an agreement between the windmill owners and the Company will need to be reached before the MEC for Viscaria K7 can be granted. This is expected to be available for some time. Until an MEC for

Viscaria K7 is actually granted, there is a risk that it will not be granted or that it will be granted on conditions unacceptable to the Company.

(d) **Environmental Impact Assessment (EIA)**

In the event the Company wishes to undertake a mining operation at Viscaria, it will need to submit a Viscaria EIA for consideration and pay the appropriate application fee. It is unlikely that the EIA will be re-submitted to the ECS until the Viscaria K7 MEC has been approved and the BFS is recommenced.

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.

A dispute had arisen in relation to the timing of the Company's obligations to pay the first \$2 million payable under the Heads of Agreement. As announced on 8 October 2013, the Company reached a settlement with Hannans regarding the payment terms under the Heads of Agreement. The settlement was agreed on the basis that:

- (a) Hannans withdraw its statutory demand for payment and consented to the discontinuance of related court proceedings (with no order as to costs);
- (b) the Company pay Hannans \$1M; and
- (c) to complete the acquisition of the Discovery Zone Prospect, the Company be required to pay Hannans a further \$3M within five business days of the exploitation concession being granted. Additional mining, environmental and stakeholder information must be submitted to the regulator before the Discovery Zone exploitation concession application can be considered for grant. Only following the lodgement of that information and its acceptance by the regulator, will the concession be granted which is not expected to be prior to June 2014.

As at the date of this Updated Offer Document, conditions (a) and (b) had been satisfied.

4.6 Termination of the Substitute Underwriting Agreement

As set out further under Section 5 of this Updated Offer Document, the Substitute Underwriter has agreed to partially underwrite the Rights Issue on the terms and conditions contained in the Substitute Underwriting Agreement.

If the Substitute Underwriting Agreement is terminated whether by the Company or the Substitute Underwriter for cause, the Company will be required to reimburse the Substitute Underwriter for reasonable expenses incurred or accrued up to the date of termination and all obligations of the Substitute Underwriter under the Substitute Underwriting Agreement will cease.

Further, under the Substitute Underwriting Agreement, the Substitute Underwriter may, without cost or liability to itself, terminate its obligations under the Substitute Underwriting Agreement on the happening of certain material events by notice in writing to the Company at any time prior to completion of its obligations under the Substitute Underwriting Agreement.

There is a risk that the Substitute Underwriting Agreement is terminated and subsequently all of the Substitute Underwriter's obligations in relation to the Offer cease. If the Substitute Underwriter terminates the Substitute Underwriting Agreement before the Rights Issue is completed, there is a risk that the Company will be unable to raise the minimum amount of funds which it is seeking to raise under the Rights Issue (being \$2,100,000).

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.

4.11 Potential claim

On 12 October 2013, the Company announced that the Board resolved to terminate the employment contract of the Company's former Managing Director, Mr Jeremy Read. The Board also asked Mr Read to resign as Director. As at the date of this Updated Offer Document, Mr Read remains a Director of the Company and Ferrier Hodgson continues to provide interim advisory services to the Company.

On 21 October 2013, Mr Read notified the Company that he disputed the grounds and validity of his termination and sought payment of alleged termination entitlements and bonuses amounting to \$479,000. The Company is assessing the basis of Mr Read's claim and has not yet responded.

4.12 Future Board and management

As announced on 25 October 2013, the Company has received two separate notices under section 203D and section 249 of the Corporations Act. The notice issued pursuant to section 203D seeks the removal of Crispin Henderson, Dato Siew Mun Chuang, Siew Mun Wai and Seng Han Goh as Directors at the Company's next general meeting. The Company intends to issue its notice of annual general meeting on or before 1 November 2013. The agenda for the business to be conducted at that meeting is expected to include the requisitioned resolutions. The notice issued pursuant to section 249D requests the Company move an ordinary resolution at the Company's next general meeting two months after the date of the notice (24 October 2013) that Mr Noel Mark O'Brien be

appointed as a director of the Company. The Company expects to move the requested resolution at its next general meeting two months after the date of the notice.

SECTION 5 – UNDERWRITING AND POTENTIAL EFFECT ON CONTROL

5.1 Underwriting

The Substitute Underwriter has agreed to partially underwrite the Offer pursuant to the Substitute Underwriting Agreement.

The Substitute Underwriter is a Perth based, boutique corporate advisory and broking firm. It ranks in the top 5 broking firms in Western Australia, by amount of capital raised and the top 3 in the number of deals executed.

Neither the Substitute Underwriter nor the Sub-underwriter is a shareholder or related party (as defined in the Corporations Act) of the Company

5.2 Potential Effect on Control

The Substitute Underwriting Agreement has the potential to affect the control of the Company as the Substitute Underwriter will subscribe for any New Shares that are not taken up by Eligible Shareholders pursuant to their Entitlement or the Shortfall Offer. The actual effect on control will depend on the level of subscription by Eligible Shareholders pursuant to the Offer and the Shortfall Offer, as well as the extent to which the Substitute Underwriter allocates the remaining New Shares to nominees not associated with the Substitute Underwriter.

If no Eligible Shareholders take up their Entitlements, the Shortfall Shares to the extent of 210,000,000 must be taken up by the Substitute Underwriter who has appointed the Sub-underwriter who must subscribe for up to 210,000,000 Shortfall Shares (or such lesser number such that its relevant interest does not exceed 19.9%) if called upon to do so by the Substitute Underwriter. The relevant interest of the Substitute Underwriter, the Sub-underwriter or any other sub-underwriter in Avalon shares following the allocation of shortfall shares may be as high as 19.9%. In accordance with the terms of the Substitute Underwriting Agreement, the relevant interest in Avalon shares held by the Substitute Underwriter, the Sub-underwriter or any other sub-underwriter cannot exceed 19.9%.

The Options the Company currently has on issue were not exercised prior to the Record Date as the exercise price for these Options exceeded the Issue Price and the last closing share price prior to the announcement in relation to the Rights Issue on 9 August 2013 of \$0.014 per share. Therefore, the Options are expected to have no effect on the Offer or the control of the Company.

The Performance Rights the Company currently has on issue did not vest prior to the Record Date as the vesting conditions were not met by that time. Therefore, the Performance Rights are expected to have no effect on the Offer or the control of the Company.

5.3 Substitute Underwriting Agreement

In accordance with the Substitute Underwriting Agreement, the Substitute Underwriter has agreed to partially underwrite the Rights Issue on the terms and conditions set out in that agreement.

The Company has given warranties, covenants and indemnities to the Substitute Underwriter, which are customary in an agreement of its nature. Some of the key terms and conditions of the Underwriting Agreement are set out below.

(a) Allocation of Shortfall Shares

If, as at the Closing Date, the Company has not received valid Applications pursuant to the Offer and the Shortfall Offer for all of the New Shares and the Company gives notice to the Substitute Underwriter within 2 Business Days stating the number of New Shares that valid Applications have not been received for, the Substitute Underwriter must subscribe or cause its nominees to subscribe for that number of New Shares equal to the Underwritten Shares within 2 Business Days of receiving the notice from the Company. The Substitute

Underwriter may at any time in consultation with the Company appoint sub-underwriters to sub-underwrite the Offer.

(b) **Fees**

Pursuant to the Substitute Underwriting Agreement, the Company has agreed to pay the Substitute Underwriter an underwriting fee of:

- (a) 2% of the gross amount that is raised by the issue of underwritten shares; and
- (b) 2% of the gross amount that is otherwise raised by the issue of Shortfall Shares to clients of the Substitute Underwriter arranged on a best endeavours basis.

All sub-underwriting and selling fees to third parties will be met by the Substitute Underwriter.

The Company has also agreed to reimburse the Substitute Underwriter for the Substitute Underwriter's reasonable out of pocket expenses (including legal expenses) incurred in connection with the Offer up to an amount of \$3,000.

(c) **Termination events**

The Substitute Underwriter may, without cost or liability to itself, terminate its obligations under the Substitute Underwriting Agreement on the happening of any of the following events by notice in writing to the Company at any time prior to the issue of Shares to the Substitute Underwriter:

- i. (Indices fall): the All Ordinaries Index, S&P ASX 300 Metals & Mining Index or the Small Ordinaries Index as published by ASX is at any time after the date of the Substitute Underwriting Agreement 10% or more below its level as at the close of business on the date of the Substitute Underwriting Agreement;
- ii. (No Quotation): Quotation has not been granted by the date of issue of the New Shares or having been granted, is subsequently withdrawn, withheld or qualified;
- iii. (Non compliance with disclosure requirements): it transpires that the Company has not complied with its continuous disclosure obligations pursuant to Chapter 6CA of the Corporations Act;
- iv. (ASIC application): an application is made by ASIC for an order under section 1324B of the Corporations Act; or
- v. (Takeovers Panel): the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act (not including the declaration made by the Panel on 7 October 2013);
- vi. (Authorisation): any authorisation which is material to the Company is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Substitute Underwriter; or
- vii. (Termination Events): any of the following events occur and in the Substitute Underwriter's reasonable opinion reached in good faith, that or those occurrences have, or are likely to have, a material adverse effect, or could give rise to a liability of the Substitute Underwriter under the Corporations Act or otherwise:
 - a. (Default): default by the Company of any of their obligations under the Substitute Underwriting Agreement;
 - b. (Incorrect or untrue representation): any representation, warranty or undertaking given by the Company in the Substitute Underwriting Agreement is or becomes untrue or incorrect;

- c. (Contravention of constitution or Law): a contravention by a Group Company of any provision of its constitution, the Corporations Act or any other applicable Law or any requirement of ASIC or ASX;
- d. (Restriction on issue): the Company is prevented from issuing the New Shares within the time required by the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority;
- e. (Hostilities): political or civil unrest not presently existing commences (whether war has been declared or not) or a major escalation in existing hostilities, political or civil unrest occurs (whether war has been declared or not) involving any one or more of Australia, the United States of America, the United Kingdom, any member state of the European Union, Japan, Singapore, or the Peoples Republic of China, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- f. (Adverse change): an event occurs which gives rise to a material adverse effect;
- g. (Significant change): a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- h. (Public statements): without the prior approval of the Substitute Underwriter a public statement is made by the Company in relation to the Rights Issue;
- i. (Misleading information): any information supplied at any time by the Company or any person on its behalf to the Substitute Underwriter in respect of any aspect of the Rights Issue or the affairs of any Group Company is or becomes misleading or deceptive or likely to mislead or deceive;
- j. (Change in Law or policy): there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories, any Act or prospective Act or budget, or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy, that adversely impacts on the Rights Issue;
- k. (Prescribed Occurrence): the Company converts any of its shares into a larger to smaller number of shares, the Company reduces its share capital, the Company enters into a buy back or issues shares or convertible notes, the Company disposes of the whole or substantial part of its property, the Company is wound up or a liquidator is appointed, the Company executes a deed of company arrangement or there is an appointment of a receiver;
- l. (Suspension of debt payments): the Company suspends payment of its debts generally;
- m. (Event of Insolvency): an event of insolvency occurs in respect of a Group Company;
- n. (Judgment against a Group Company): a judgment in an amount exceeding \$250,000 is obtained against a Group Company and is not set aside or satisfied within 7 days;
- o. (Litigation): litigation, arbitration, administrative or industrial proceedings are after the date of the Substitute Underwriting Agreement commenced or threatened against any Group Company, other than any Claims foreshadowed by the Company;

- p. (Board and senior management composition): there is a change in the composition of the Board or a change in the senior management of the Company before Completion without the prior written consent of the Substitute Underwriter which cannot be unreasonably withheld or delayed;
- q. (Change in shareholdings): there is a material change in the major or controlling shareholdings of a Group Company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Group Company;
- r. (Timetable): there is a delay in any specified date in the timetable which is greater than 10 Business Days;
- s. (Force Majeure): a force majeure affecting the Company's business lasting in excess of 7 days occurs;
- t. (Indictable offence): a director or a senior manager of a Group Company is charged with an indictable offence;
- u. (Certain resolutions passed): a Group Company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act, or a resolution to amend its constitution without the prior written consent of the Substitute Underwriter;
- v. (Capital structure): any Group Company alters its capital structure in any manner;
- w. (Breach of material contracts): any material contract or material agreement as advised to the Substitute Underwriter is terminated or substantially modified;
- x. (Investigation): any person is appointed under any legislation in respect of companies to investigate the affairs of a Group Company;
- y. (Market conditions): a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets; or
- z. (Suspension): the Company is removed from the Official List or the Shares become suspended from quotation on ASX and that suspension is not lifted within 24 hours following such suspension.

SECTION 6 – CORPORATE DIRECTORY

DIRECTORS

Crispin Henderson	Chairman
Dato Siew Mun Chuang	Deputy Chairman
Paul Niardone	Non-Executive Director
Siew Mun Wai	Non-Executive Director
Seng Han Gary Goh	Non-Executive Director
Jeremy Read	Non-Executive Director
Ler Leong Keh	Alternate Director (Dato Siew Mun Chuang)

COMPANY SECRETARY

Roslynn Shand

REGISTERED OFFICE

Level 1, 65 Park Road
Milton Qld 4064
Australia

SUBSTITUTE UNDERWRITER

CPS Capital Group Pty Ltd

SOLICITORS TO THE RIGHTS ISSUE

Allens
Riverside Centre
123 Eagle Street
Brisbane QLD 4000
Australia

SHARE REGISTRY

Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 3001
Australia

CONTACT DETAILS

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

ASX CODE: AVI

SECTION 7 – DEFINITIONS

Adak Project means the Adak Copper-Zinc Project located Northern Sweden.

AEST means Australian Eastern Standard 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.

Associated Shareholders means Tan Sri Abu and Dato Lim.

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 CHESS.

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.

CHESS means Clearing House Electronic Subregister System.

Closing Date means the date on which the Offer closes, being 5:00pm AEST on 11 November 2013, 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.

Dato Lim means Dato Lim Heng Suan.

Dato Siew means Dato Siew Mun Chuang.

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

Dollars or \$ means Australian dollars unless otherwise stated.

ECS means Environmental Court of Sweden.

EIA means environmental impact assessment.

Eligible Shareholder means a Shareholder on the Record Date (other than Tan Sri Abu, Dato Lim and Avalon directors (and their associated entities)).

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

Entitlement and Acceptance Form means the entitlement and acceptance form despatched to Eligible Shareholders.

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

Issue Price means \$0.01 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 Updated Offer Document, the terms and conditions of which are set out at Section 2 of this Updated 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 1 Existing Shares held by Eligible Shareholders on the Record Date.

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

Official List means the Official List of ASX.

Opening Date means the date on which the Offer opened, being 22 August 2013.

Option means an option to acquire a Share.

Panel means the Takeovers Panel.

Panel Application means the application to the Panel by Sidan dated 5 September 2013 in relation to the Rights Issue.

Performance Right means a performance right to acquire a Share.

Previous Underwriter means Tan Sri Abu Sahid Mohamed.

Previous Underwriting Agreement means the underwriting agreement between the Company and the Previous Underwriter dated 9 August 2013.

Quotation and Official Quotation means official quotation on ASX.

Record Date means 5:00pm AEST on 19 August 2013.

Relevant Company means the Company and each subsidiary of the Company.

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

Share means a fully paid ordinary share in the Company.

Share Register means the register of Shareholders maintained by Computershare.

Share Registry or Computershare means Computershare Investor Services Pty Limited.

Shareholder means a holder of Shares in the Company.

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

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

Sidan means Sidan Super Pty Ltd as trustee for the Sidan Superannuation Fund

Sub-underwriter means Phoenix Copper Limited.

Substitute Underwriter means CPS Capital Group Pty Ltd.

Substitute Underwriting Agreement means the underwriting agreement between the Company and the Substitute Underwriter dated 23 October 2013.

Tan Sri Abu means Tan Sri Abu Sahid Mohamed in his capacity as a Shareholder.

Underwritten Amount means \$2,100,000.

Underwritten Shares means 210,000,000 New Shares less that number of New Shares in respect of which valid Applications have been received by the Company.

Updated Offer Document means this document.

Viscaria Project means the Viscaria Copper Iron Ore Project located in Sweden.

Withdrawal Form means the withdrawal form despatched to Eligible Shareholders.

ABN 68 123 184 412

www.avalonminerals.com.au



AVALON
MINERALS LTD

Annexure 3





UPDATED OFFER DOCUMENT

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

For a non-renounceable, pro rata Rights Issue of New Shares at an issue price of \$0.01 per New Share on the basis of one (1) New Share for every one (1) Existing Shares held at the Record Date to raise a maximum of ~~approximately~~ \$5,885,406 before costs (in relation to which 212,303,648 New Shares have been issued pursuant to the interim orders of the Panel, raising \$2,123,036 which amount has been received by the Company).

Important Notice

This Updated 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 Updated Offer Document.

This Updated Offer Document is important and should be read in its entirety. If you do not understand the contents of this Updated 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 highly speculative.

THIS RIGHTS ISSUE OPENS OPENED ON 22 AUGUST 2013 AND CLOSES CLOSED AT 5:00PM AEST ON 9 SEPTEMBER. THE RIGHTS ISSUE WAS RE-OPENED ON 28 OCTOBER 2013 AND CLOSES AT 5:00PM AEST ON MONDAY, 11 NOVEMBER 2013.

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IMPORTANT INFORMATION

This [Updated](#) Offer Document is dated ~~22 August~~[28 October](#) 2013.

Capitalised terms in this [Updated](#) Offer Document are defined in Section 7 (Definitions).

This [Updated](#) 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 [Updated](#) Offer Document does not constitute a securities recommendation or financial product advice.

[Purpose of Updated Offer Document](#)

[Pursuant to an order of the Panel, the Company has re-opened the Rights Issue. This Updated Offer Document is an update to the Offer Document that was issued by the Company on 22 August 2013 in relation to the Rights Issue. The Updated Offer Document sets out further information in relation to the Panel decision \(section 1A\), the re-opened Rights Issue and operational developments.](#)

Disclaimer

No person is authorised to give any information or make any representation in connection with the [re-opened](#) Rights Issue or Offer described in this [Updated](#) Offer Document, which is not contained in this [Updated](#) Offer Document.

Any information or representation not contained in this [Updated](#) Offer Document may not be relied on as having been authorised by the Company in connection with the [re-opened](#) Rights Issue.

Privacy

If you complete an Application for New Shares [or a Withdrawal Form](#), 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 [or Withdrawal Form](#), 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 [Updated](#) 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 [or the Withdrawal Form](#), the Company may not be able to accept or process your Application [or Withdrawal](#).

LETTER FROM THE CHAIRMAN

~~22 August~~ 28 October 2013

Dear Shareholder

On behalf of the Directors of Avalon, I am pleased to invite you to participate in this re-opened Rights Issue. This re-opened 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 Updated Offer Document, under the Rights Issue the Company is offering up to 588,540,623 New Shares at an issue price of \$0.01 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 one (1) fully paid ordinary shares in the Company already held at the Record Date.

Eligible Shareholders are advised that:

- a) they may take up any of their Entitlement that they did not previously take up;
- b) they may apply for the additional New Shares which will be allocated from any Shortfall;
- c) if they had validly applied for New Shares under the Rights Issue prior to its re-opening, they have the right to withdraw their Application; and
- d) if they submitted a valid Application for some or all of their Entitlement and they wish to continue with that Application unchanged, no action is required.

~~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 \$5,885,406 (before costs).

Of the 588,540,623 New Shares being offered under the Rights Issue, the Company has issued (on 1 October 2013) 212,303,648 New Shares as permitted by the interim orders of the Panel raising \$2,123,036 (which amount has been received by the Company).

The Rights Issue is fully~~partially~~ underwritten, by CPS Capital Group Pty Ltd, a Perth based boutique corporate advisory and broking firm to the extent of 210,000,000 New Shares (\$2,100,000) which are sub-underwritten by Phoenix Copper Limited to 210,000,000 New Shares (\$2,100,000) (or such lesser number such that its relevant interest does not exceed 19.9%). As stated on its website, Phoenix Copper Limited is an ASX listed (ASX:PNX) minerals exploration company, with a primary focus on copper and gold. The relevant interest of the Substitute Underwriter, the Sub-underwriter or any other sub-underwriter in Avalon shares following the allocation of Shortfall Shares may be as high as 19.9%. Avalon's largest shareholder Tan Sri Abu Sahid Mohamed and may result, if all shareholders do not take up their Rights, with Tan Sri Abu Sahid Mohamed holding 59.5% of Avalon.

The money raised under this Rights Issue (including the amount already received by the Company) will be used to:

- a) fund short-term cash flow requirements to meet the Company's ongoing operating costs and the costs of advisers engaged by the Company in connection with its general corporate activities, the Panel proceedings and the re-opened Rights Issue; and
- b) fund the Company's ongoing operating costs until the end of December 2013, during which the Company is actively seeking out, and investigating, opportunities to fund the next stage of development of the Company's Viscaria Copper-Iron Project in Sweden.

Further details regarding the purpose of the Rights Issue and Avalon's need for, and use of, funds is set out in sections 2.2 and 2.4 of this Updated Offer Document. The position in relation to Avalon's need for, and use of, funds as described in this Updated Offer Document is materially different to that set out in the Offer Document dated 22 August 2013.

- ~~1fund preparatory work required for the bankable feasibility study on the Company's Viscaria Copper Iron Project in Sweden;~~
- ~~2investigate and advance business development opportunities for the Company, with the goal of creating value for shareholders;~~
- ~~3provide funds towards the acquisition of tenements; and~~
- ~~4replenish working capital.~~

The Board's key objective is to advance the Viscaria Project in Northern 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 have subscribed for ~~intend to participate in and take up~~ all of my entitlements under the Rights Issue.

The details of the ~~Offer~~ re-opened Rights Issue are set out in this Updated Offer Document and I encourage you to read the Updated 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.

As announced on 24 October 2013, the Company has received non-binding, written approaches from more than one unrelated third party proposing discussions be commenced with a view to merger. The approaches are very preliminary and non-specific in most key respects, including as to the possible consideration to be offered, though each seeks the opportunity to undertake due diligence on the Company (and offers the Company the opportunity to undertake reciprocal due diligence). The Company will keep the market updated with developments (if any) as they occur.

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 re-opened Rights Issue.

Yours faithfully



Crispin Henderson
Chairman, Avalon Minerals Limited

SECTION 1 - KEY INFORMATION

1.1 Summary of the Offer

<i>Issue Price per New Share</i>	\$0.01
<i>Maximum number of New Shares to be issued under the Offer Rights Issue</i>	588,540,623
<i>Total <u>maximum</u> number of Shares on issue immediately after completion of the Offer Rights Issue (including those issued to the Substitute Underwriter)</i>	1,177,081,246 <u>1,203,604,886</u>
<i>Entitlement</i>	1 New Share for every 1 Existing Share held as at the Record Date
<i>Maximum amount to be raised</i>	\$5,885,406 (before costs)

1.2 Indicative Timetable

The following are key dates relating to the Offer ([including relevant events that have already occurred](#)) that you need to be aware of.

Activity	Date
Lodged Appendix 3B, Offer Document and Section 708AA Cleansing Notice	9 August 2013
Dispatched of notices to Shareholders and Optionholders informing them of Rights Issue	9 and 12 August 2013
Shares trade on an "ex" Entitlement basis*	13 August 2013
Record Date for Entitlement to participate in the Rights Issue	5:00pm AEST 19 August 2013
Rights Issue Offer Document and Entitlement and Acceptance Form dispatched to Shareholders	22 August 2013
Closing Date for the Rights Issue closed	5:00pm AEST 9 September 2013
Panel ordered that Rights Issue be re-opened	14 October 2013
Lodge Updated Appendix 3B, Updated Offer Document and Updated Section 708AA Cleansing Notice with ASX	28 October 2013
Dispatch of letters to Shareholders informing them of re-opened Rights Issue and enclosing Entitlement and Acceptance Form and Withdrawal Form	28 October 2013
Closing Date for the re-opened Rights Issue and the final date to withdraw Applications	5:00pm AEST 11 November 2013
Securities quoted on deferred settlement basis	12 November 2013 10 September 2013
ASX notified of under subscriptions	14 November 2013 12 September 2013
Issue of New Shares under the Rights Issue	18 November 2013 17 September 2013
Holding statements are dispatched to Shareholders	18 November 2013 17 September 2013

The above dates are indicative only and may change without notice. The Directors, in conjunction with the Substitute Underwriter, reserve the right 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.

1.3 Options available to Eligible Shareholders

Eligible Shareholders are advised that:

- a) they may take up any of their Entitlement that they did not previously take up;
- b) they may apply for the additional New Shares which will be allocated from any Shortfall;
- c) if they had validly applied for New Shares under the Rights Issue prior to its re-opening, they have the right to withdraw their Application; and
- d) if they submitted a valid Application for some or all of their Entitlement and they wish to continue with that Application unchanged, no action is required.

SECTION 1A – TAKEOVERS PANEL DECISION

1A.1 Application

On 5 September 2013, Sidan made an application to the Panel in relation to the Rights Issue. Essentially, Sidan submitted that the Previous Underwriter and his associates may obtain control of the Company to the detriment of Shareholders and that the structure of, and disclosure in relation to, the Rights Issue were unacceptable.

1A.2 Interim orders

On 9 September 2013, the Panel made interim orders which:

- prohibited Avalon from issuing or allotting any New Shares under the Rights Issue without the prior approval of the Panel;
- required Avalon to take all action necessary to postpone the commencement of deferred settlement trading of New Shares; and
- required Avalon to hold all money received as subscriptions for New Shares separately from all other Company funds and on trust for the subscribers.

On 10 September 2013, the Panel varied the interim orders to include an order that the Previous Underwriter must not rely on any right that he may have to terminate the Previous Underwriting Agreement as a consequence of the Panel Application or the interim orders.

On 27 September 2013, the Panel further varied the interim orders to permit the Company to proceed with the completion of the Rights Issue in respect of shares subscribed for by Tan Sri Abu, Dato Lim and Dato Siew.

Tan Sri Abu, Dato Lim and Dato Siew were, however, prohibited from acquiring any shares in the Company (other than shares issued to them under the Rights Issue) or disposing, transferring or granting a security interest over any shares issued to them under the Rights Issue.

1A.3 Panel decision

On 7 October 2013, the Panel made a declaration of unacceptable circumstances in relation to the Panel Application. The Panel considered that:

- all reasonable steps to minimise the potential control impact of the Rights Issue were not taken;
- there is inadequate disclosure concerning Tan Sri Abu, as underwriter of the Rights Issue, his intentions, association with Dato Lim and Avalon's need for and use of funds;

- Tan Sri Abu and Dato Lim are associated under section 12(2)(b) of the Corporations Act for the purpose of controlling or influencing the conduct of Avalon's affairs and under section 12(2)(c) of the Corporations Act in relation to Avalon's affairs; and
- through the placement to Dato Lim on 19 August 2013 (of 26,523,616 shares at \$0.013 per share which raised approximately \$344,807), Tan Sri Abu and Dato Lim increased their voting power in the Company otherwise than as permitted under Chapter 6 of the Corporations Act. Their interest would be further increased if the underwriting proceeds.

On 14 October 2013, the Panel made a number of orders which, relevantly, included the following:

- Avalon must re-open the Rights Issue and offer Eligible Shareholders (other than Tan Sri Abu, Dato Lim and Directors (and their associated entities) the opportunity to take up their Entitlements and apply for Shortfall Shares or withdraw their original Applications;
- Avalon must make additional disclosure in relation to various matters;
- the Previous Underwriter must not complete the underwriting of the Rights Issue;
- after completion of the re-opened Rights Issue, any shares held by Tan Sri Abu or Dato Lim in excess of 19.9% and 8.22% respectively will be vested in the Commonwealth for sale by ASIC; and
- For 18 months from the date the relevant order of the Panel comes into effect, Tan Sri Abu and Dato Lim's collective voting power is restricted to 20%. This limit:
 - increases at a rate of 3% every six months and
 - does not apply to any acquisition not prohibited by Chapter 6 (except that, Tan Sri Abu and Dato Lim (and their associates) must not, while the voting restriction is in place, make any acquisitions in reliance on the 'creep' exception in item 9 of section 611 of the Corporations Act).

SECTION 2 – DETAILS OF THE RE-OPENED RIGHTS ISSUE

2.1 —Offer

The Company is making a ~~fully~~-partially underwritten non-renounceable, pro-rata rights issue offer of New Shares at an issue price of \$0.01 per New Share to Eligible Shareholders on the basis of one (1) New Share for every one (1) Existing Shares held on the Record Date.

As at the Record Date, the Company ~~has had~~ on issue 588,540,623 Existing Shares. As at the date of this Updated Offer Document, the Company has 827,367,911 Shares on issue. This is because:

- on 5 September 2013, the Company issued 26,523,640 Shares at an issue price of \$0.013 per share by way of a placement to sophisticated and professional investors; and
- on 1 October 2013, as permitted by the interim orders of the Panel, the Company issued 212,303,648 New Shares under the Rights Issue at the Issue Price, raising \$2,123,036.

When all the Entitlements are taken up under the Offer, the Shortfall Offer and the underwriting, the Company will:

- ~~2~~• issue a maximum of 588,540,623 New Shares;
- ~~3~~• raise a maximum of \$5,885,406 (before costs).

Pursuant to the Panel's orders, the Previous Underwriter is not permitted to complete the underwriting of the Rights Issue. Accordingly, the Company has terminated the Previous Underwriting Agreement and has entered into alternative underwriting arrangements with the Substitute Underwriter.

The Rights Issue is partially underwritten, by CPS Capital Group Pty Ltd, a Perth based boutique corporate advisory and broking firm. The Substitute Underwriter has agreed to underwrite the subscription of 210,000,000 New Shares for \$2,100,000 in accordance with the terms of the Substitute Underwriting Agreement. The Substitute Underwriter may, in consultation with the Company, procure another person to sub-underwrite such portion of the underwritten shares as the Substitute Underwriter in its absolute discretion thinks fit.

As announced by Phoenix Copper Limited on 25 October 2013, the Substitute Underwriter appointed Phoenix Copper Limited as sub-underwriter for \$2,100,000 in relation to the underwriting. As stated on its website, Phoenix Copper Limited is an ASX listed (ASX:PNX) minerals exploration company, with a primary focus on copper and gold. Avalon was not consulted in relation to the appointment of the Sub-underwriter.

~~The Rights Issue is fully underwritten by Avalon's largest shareholder Tan Sri Abu Sahid Mohamed (see Section 5 of this Offer Document for further information), meaning that all New Shares under the Offer will be issued to the Underwriter or his nominees (assuming the Underwriting Agreement is not~~

~~terminated) to the extent that all Shareholders do not take up their Entitlements and the Shortfall is not subscribed for pursuant to the Shortfall Offer and this may result in Tan Sri Abu Sahid Mohamed holding 59.5% of the Company.~~

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 cash position at the end of June 2013 was approximately \$1.2M. Since 1 July 2013, Avalon has raised a further ~~\$344,807,689,614~~ through ~~a two~~ share placements, as well as incurred normal operational expenditure. ~~Given the Rights Issue is fully underwritten, provided the Underwriting Agreement is not terminated, the~~ The Rights Issue will provide the Company with a maximum of additional funds of \$5,885,406 (before costs). Of this amount, the Company has received \$2,123,036 as at, on 1 October 2013, issued 212,303,648 New Shares under the Rights Issue as permitted by the interim orders of the Panel. ~~On this basis, on completion of the Rights Issue the Company will have approximately \$6.1M cash at bank (before costs).~~

The money raised under this Rights Issue (including the amount already received by the Company) will be used to:

- a) fund short-term cash flow requirements to meet the Company's ongoing operating costs and the costs of advisers engaged by the Company in connection with its general corporate activities, the Panel proceedings and the re-opened Rights Issue; and
- b) fund the Company's ongoing operating costs through the period in which the Company is actively seeking out, and investigating, opportunities to fund the next stage of development of the Company's Viscaria Copper-Iron Project in Sweden.

The position in relation to Avalon's need for, and use of, funds as described in this Updated Offer Document is materially different to that set out in the Offer Document dated 22 August 2013 (see section 2.4 of this Updated Offer Document for further information about how the funds raised will be used).

2.3 —Capital Structure

The capital structure of the Company on completion of the Offer will be as follows (assuming none of the Options currently on issue are exercised):

Shares currently on issue	588,540,623 <u>827,367,911</u>
Options currently on issue*	27,800,000
Performance Rights on issue**	25,000,000
New Shares offered under the Offer <u>(and not yet issued)</u>	588,540,623 <u>376,236,975</u>
<u>Maximum</u> Total Shares on issue on completion of the Offer	1,177,081,246 <u>1,203,604,886</u>

**The Options have exercise prices of \$0.05, \$0.30 and \$0.40. The Options that the Company currently has on issue were not exercised prior to the Record Date as the exercise price for these Options exceeded the Issue Price and the last closing share price prior to the announcement in relation to the Rights Issue on 9 August 2013 of \$0.014 per share. 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 19 August 2013 of \$0.015.*

*** The Performance Rights on issue are subject to vesting conditions which ~~will~~were not ~~be~~ satisfied before the Record Date.*

2.4 —Use of funds

The Rights Issue will provide the Company with a maximum of additional funds of \$5,885,406 (before costs). Of this amount, the Company has received \$2,123,036 on 1 October 2013 following the issue of 212,303,648 New Shares under the Rights Issue as permitted by the interim orders of the Panel.

The money raised under this Rights Issue (including the amount already received by the Company) will be used to:

- a) fund short-term cash flow requirements to meet the Company's ongoing operating costs and the costs of advisers engaged by the Company in connection with its general corporate activities, the Panel proceedings and the re-opened Rights Issue; and
- b) fund the Company's ongoing operating costs until the end of December 2013, during which the Company is actively seeking out, and investigating, opportunities to fund the next stage of development of the Company's Viscaria Copper-Iron Project in Sweden.

The position in relation to Avalon's need for, and use of, funds as described in this Updated Offer Document is materially different to that set out in the Offer Document dated 22 August 2013.

More specifically, the Company intends to allocate the funds raised from the Rights Issue as set out below (which assumes only the Underwritten Amount is received). However, in the event that circumstances change or other, better opportunities arise, the Directors reserve the right to vary the proposed use of funds to maximise the benefit to Shareholders. To the extent that the Company does not raise the full amount of funds it is seeking to raise under this Rights Issue, the Company will seek to reduce its expenditure as required.

	<u>Amount (A\$)</u>
<u>Opening Position as per audited Financial Statements at 30 June 2013</u>	
<u>Cash at bank at 30 June 2013 as per audited Financial Statements</u>	<u>1,185,959</u>
<u>Trade and other payables as per audited Financial Statements:</u>	
<u>Hannans Reward Ltd liability under the Heads of Agreement dated May 2013</u>	<u>(2,000,000)*</u>
<u>Other creditors and payables</u>	<u>(574,883)</u>
<u>Reduction to payment required to be made to Hannans Reward Ltd as a result of the variation to the Heads of Agreement (as announced on 8 October 2013)</u>	<u>1,000,000</u>
<u>Adjusted opening position</u>	<u>(388,924)</u>
<u>Funds raised or underwritten</u>	
<u>Funds raised pursuant to the placements made by the Company on 19 August 2013 and 5 September 2013</u>	<u>689,614</u>
<u>Funds raised under the re-opened Rights Issue following the issue by the Company of 212,303,648 New Shares as permitted by the interim orders of the Panel</u>	<u>2,123,036</u>
<u>Additional underwritten funds to be received under re-opened Rights Issue</u>	<u>2,100,000</u>
<u>Total funds raised or underwritten</u>	<u>4,912,650</u>
<u>Net of funds raised or underwritten and adjusted opening position</u>	<u>4,523,726</u>
<u>Proposed Use of Funds</u>	
<u>Cost of fundraising activities conducted by the Company (including the placements and the Rights Issue)</u>	<u>185,000</u>

<u>Corporate operating costs including staff costs, rent, and other corporate compliance costs but excluding legal costs (July 2013 – September 2013)</u>	<u>554,624</u>
<u>Fixed project expenditure including fixed site costs, in-country staff costs and tenement renewal and license fees (July 2013 – September 2013)</u>	<u>364,707</u>
<u>Corporate operating costs including staff costs, rent, other corporate compliance costs and Ferrier Hodgson Fees for acting as interim manager but excluding legal costs (October 2013 – December 2013)</u>	<u>1,008,060</u>
<u>Fixed project expenditure including fixed site costs, in-country staff costs and tenement renewal and license fees (October 2013 – December 2013)</u>	<u>517,102</u>
<u>Costs associated with conduct of corporate activity including legal costs, costs associated with the Panel proceedings and other associated matters</u>	<u>1,005,887</u>
<u>Evaluation of funding proposals, joint venture arrangements and/or merger opportunities in order to fund completion of the Bankable Feasibility Study of the Viscaria Copper-Iron Project and the Discovery Zone Project.</u>	<u>220,000</u>
<u>Total proposed use of funds</u>	<u>3,855,380</u>
<u>Balance of funds raised following use of funds as proposed</u>	<u>668,346</u>

** \$2,000,000 was recorded as a liability in the financial statements at 30 June 2013. However, this debt was not considered due and payable as at 30 June 2013. The timing of this payment was subject to a legal dispute that was subsequently settled through a variation to the Heads of Agreement (as announced on 8 October 2013). \$1,000,000 was then paid in October 2013. A further \$3,000,000 payment is due when the exploitation concession is granted. Additional mining, environmental and stakeholder information must be submitted to the regulator before the Discovery Zone exploitation concession application can be considered for grant. Only following the lodgement of that information and its acceptance by the regulator, will the concession be granted which is not expected to be prior to June 2014.*

As detailed in section 4.11, on 12 October 2013, the Company announced that the Board resolved to terminate the employment contract of the Company's former Managing Director, Mr Jeremy Read. The Board also asked Mr Read to resign as Director. As at the date of this Updated Offer Document, Mr Read remains a Director of the Company and Ferrier Hodgson continues to provide interim advisory services to the Company. On 21 October 2013, Mr Read notified the Company that he disputed the grounds and validity of his termination and sought payment of alleged termination entitlements and bonuses to the tune of just over \$479,000. The Company is assessing the basis of Mr Read's claim and has not yet responded.

The table describes the allocation of the committed funds to be raised from the Rights Issue (being \$4,223,036). However, if all the Entitlements are taken up (whether under the Offer, the Shortfall Offer and/or the underwriting) the Company will raise \$5,885,406 (before costs).

Funds received in excess of the committed funds to be raised will be applied to:

- fixed project and corporate expenditure in 2014;
- undertaking studies into concentrate transport options and tailings and waste water disposal options; and
- progressing the Discovery Zone Exploitation Concession Application towards grant including social impact studies, updating environmental impact assessment and updating engineering designs.

To the extent that the Company does not raise the full amount of funds it is seeking to raise under this Rights Issue, the Company will seek to reduce its expenditure as required.

As announced on 24 October 2013, the Company has received non-binding, written approaches from more than one unrelated third party proposing discussions be commenced with a view to merger. The approaches are very preliminary and non-specific in most key respects, including as to the possible consideration to be offered, though each seeks the opportunity to undertake due diligence on the Company (and offers the Company the opportunity to undertake reciprocal due diligence). The Company will keep the market updated with developments (if any) as they occur.

2.5 Further requirement for Funding

The Company is actively seeking out, and investigating, opportunities to obtain finance to fund the next stage of development of the Company's Viscaria Copper-Iron Project and to fund the payment of \$3,000,000 to Hannans in connection with the Discovery Zone Project which will be due when the exploitation concession is granted. Additional mining, environmental and stakeholder information must be submitted to the regulator before the Discovery Zone exploitation concession application can be considered for grant. Only following the lodgement of that information and its acceptance by the regulator, will the concession be granted which is not expected to be prior to June 2014.

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

- ~~a) fund preparatory work required for the bankable feasibility study on the Company's Viscaria Copper-Iron Project in Sweden;~~
- ~~b) investigate and advance business development opportunities for the Company, with the goal of creating value for shareholders;~~
- ~~e) provide funds towards the acquisition of tenements; and~~
- ~~d) replenish working capital.~~

2.52.6 —Minimum Subscription

There is no minimum subscription.

2.62.7 —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.~~

2.72.8 —Eligible Shareholders and Entitlements

To be eligible to participate in the Rights Issue, a Shareholder must have been ~~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~~ that has been sent to Shareholders on 28 October 2013.

Eligible Shareholders are advised that:

- a) they may take up any of their Entitlement that they did not previously take up;
- b) they may apply for the additional New Shares which will be allocated from any Shortfall;
- c) if they had validly applied for New Shares under the Rights Issue prior to its re-opening, they have the right to withdraw their Application; and
- d) if they submitted a valid Application for some or all of their Entitlement and they wish to continue with that Application unchanged, no action is required.

~~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 2.4012.

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.

2.82.9 — Right to Withdraw Application

Eligible Shareholders that have validly applied for New Shares under the Rights Issue have the right to withdraw their Application.

Detailed instructions on how to withdraw your Application are set out in Section 3.

2.10 Opening and Closing dates

The Rights Issue ~~will~~ opened for receipt of acceptances on 22 August 2013 and closed at 5:00pm AEST, 9 September 2013.

The Rights Issue re-opened for receipt of acceptances and withdrawals on 28 October 2013. The Closing Date and time for acceptances and payments under the re-opened Offer is 5:00pm AEST, ~~9 September~~ 11 November 2013, subject to the Directors, in conjunction with the Substitute Underwriter, 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 or Withdrawal Form before the Closing Date otherwise the Offer and the right to withdraw an Application as ~~it they applies~~ apply to Eligible Shareholders will lapse. Further details on the timetable for the Offer are set out in Section 1 of this Updated 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 AEST on ~~9 September~~ 11 November 2013.

2.92.11 — No rights trading

This Offer is made on a non-renounceable basis. 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 ~~2.40-12~~ and 5 of this Updated Offer Document.

2.102.12 — 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) prior to any allocation to the Substitute Underwriter.

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, the requirements of the Corporations Act, the ASX Listing Rules and other applicable laws.

2.112.13 — Underwriting

~~The Underwriter has agreed to fully underwrite the Offer pursuant to the Underwriting Agreement.~~

The Rights Issue is partially underwritten, by CPS Capital Group Pty Ltd, a Perth based boutique corporate advisory and broking firm. The Substitute Underwriter has agreed to underwrite the subscription of 210,000,000 New Shares for \$2,100,000 in accordance with the terms of the Substitute Underwriting Agreement. The Substitute Underwriter may, in consultation with the Company, procure another person to sub-underwrite such portion of the underwritten shares as the Substitute Underwriter in its absolute discretion thinks fit.

As announced by Phoenix Copper Limited on 25 October 2013, the Substitute Underwriter appointed Phoenix Copper Limited as sub-underwriter for \$2,100,000 in relation to the underwriting. Avalon was not consulted in relation to the appointment of the Sub-underwriter.

~~The Underwriter is the Company's largest shareholder, currently holding 111,841,380 shares in Avalon. If no other shareholders take up their Entitlements, the Underwriter may obtain a shareholding of 59.5% of the Company.~~

Details in relation to the Substitute Underwriting Agreement and the potential effect of the Substitute Underwriting Agreement on the control of the Company are set out in Section 5.

2.122.14 — Issue of New Shares

New Shares taken up under the Rights Issue are expected to be issued by ~~17 September~~18 November 2013 (subject to any changes in the timetable set out in Section 1, at the discretion of the Directors in consultation with the Substitute Underwriter).

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.

2.132.15 — Potential Effect on Control

The potential effect the re-opened Rights Issue will have on the control of the Company is detailed in this section 2.15.

Of the 588,540,623 New Shares offered, the Company has already issued (on 1 October 2013) 212,303,648 New Shares as permitted by the interim orders of the Panel. As a result of the issue, the voting power of the Associated Shareholders increased to 44.61%.

If all Eligible Shareholders take up their Entitlements under the Offer, then the voting power of the Associated Shareholders will decrease to 30.67%. If no Eligible Shareholders take up their Entitlements and only the Shortfall Shares to the extent of 210,000,000 are taken up by the Substitute Underwriter, the Sub-underwriter and/or any sub-underwriter, then the voting power of the Associated Shareholders will decrease to 35.33%.

The Panel has also ordered that, after completion of the re-opened Rights Issue, any shares held by Tan Sri Abu or Dato Lim in excess of 19.9% and 8.22% respectively will be vested in the Commonwealth for sale by ASIC.

Pursuant to the orders of the Panel, the collective voting power of the Associated Shareholders, for a period of 18 months from the date the relevant order of the Panel comes into effect, is restricted to 20%. This limit:

- (a) increases at a rate of 3% every six months and
- (b) does not apply to any acquisition not prohibited by Chapter 6 of the Act (except that the Associated Shareholders (and their associates) must not, while the voting restriction is in place, make any acquisitions in reliance on the 'creep' exception in item 9 of section 611 of the Act).

If no Eligible Shareholders take up their Entitlements, the Shortfall Shares to the extent of 210,000,000 must be taken up by the Substitute Underwriter who has appointed the Sub-underwriter who must subscribe for up to 210,000,000 Shortfall Shares (or such lesser number such that its relevant interest does not exceed 19.9%) if called upon to do so by the Substitute Underwriter. The relevant interest of the Substitute Underwriter, the Sub-underwriter or any other sub-underwriter in Avalon shares following the allocation of shortfall shares may be as high as 19.9%. In accordance

with the terms of the Substitute Underwriting Agreement, the relevant interest in Avalon shares held by the Substitute Underwriter, the Sub-underwriter or any other sub-underwriter cannot exceed 19.9%.

Avalon requested that the Sub-underwriter provide it with information as to its intentions were it to be allocated a substantial shareholding in Avalon. The Sub-underwriter, in response to Avalon's request, has confirmed the statement contained in its announcement dated 25 October 2013, that the Sub-underwriter views the potential acquisition of shares in Avalon to be a good opportunity to secure an investment in a company with a quality copper asset. The Company advises that in August 2013 it received a non-binding, indicative and conditional proposal from the Sub-underwriter to initiate discussions to determine the scope for the Sub-underwriter to make a bid for the acquisition of shares in Avalon. The proposal lapsed on 30 August 2013.

Pursuant to the terms of the Substitute Underwriting Agreement, the Substitute Underwriter may allocate the balance of the Shortfall Shares (which, if no Eligible Shareholders take up their Entitlements will be 159,036,975 New Shares) to clients of the Substitute Underwriter. If some or all of these New Shares are allocated, the interests in Avalon of the Eligible Shareholders will be diluted.

The Options that the Company currently has on issue were not exercised prior to the Record Date as the exercise price for these Options exceeded the Issue Price and the last closing share price prior to the announcement in relation to the Rights Issue on 9 August 2013 of \$0.014 per share, therefore the Options are expected to have no effect on the Rights Issue or the control of the Company.

The Performance Rights (Tranche 1 and Tranche 3) that the Company currently has on issue did not vest prior to the Record Date as the vesting conditions were not met by that time, therefore the Performance Rights are expected to have no effect on the Rights Issue or the control of the Company.

2.16 Market Prices for Shares on ASX

The highest and lowest market prices of the Shares of the Company on ASX during the 3 months immediately preceding the finalisation of this Updated Offer Document were \$0.019628 on 930 and 31 July 2013 and \$0.009-007 on 7-June18 September 2013 respectively.

The issue price of \$0.01 per New Share represents a 29% discount to the last closing price of the Company's shares prior to the announcement of the Rights Issue on 9 August 2013.

The volume weighted average price for Shares on the ASX over the 30 trading days preceding 9 August 2013 (the date the Rights Issue was first announced) was \$0.0167.

The Issue Price therefore represents a discount of approximately 40% to the 30 day volume weighted average price for Shares prior to the date the Rights Issue was first announced.

2.142.17 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.

2.152.18 Foreign Shareholders

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.

2.162.19 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.

2.172.20 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.

2.182.21 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.

2.192.22 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 [Updated](#) 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 [Updated](#) 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.

2.202.23 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 Level 1, 65 Park Road, Milton, Queensland 4064, Australia or by telephone on +61 7 3368 9888 or by facsimile on +61 7 3368 9899 or by email to info@avalonminerals.com.au info@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:

- ~~4~~ take up all or part of your Entitlement in accordance with this [Updated](#) Offer Document;
- ~~5~~ if you take up all of your Entitlement, apply for Shortfall Shares in accordance with this [Updated](#) Offer Document;
- [if you have validly applied for New Shares under the Rights Issue prior to its re-opening, withdraw your Application;](#)
- [if you submitted a valid Application for some or all of your Entitlement and you wish to continue with that Application unchanged, do nothing; or](#)
- ~~6~~ 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\$0.01 per New Share that you wish to apply for must be received before 5:00pm AEST on ~~9-September~~[11 November](#) 2013.

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 specific reference number to that shareholding as set out in the applicable and Acceptance Form. DO NOT use the same reference number for more than one of your shareholdings. 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).

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 represented that you are an Eligible Shareholder.

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 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 [Updated](#) Offer Document and Entitlement and Acceptance Form, does not prohibit you from being given the [Updated](#) Offer Document and Entitlement and Acceptance Form and that you:

- ~~7~~ agree to be bound by the terms of the [re-opened](#) Rights Issue;
- ~~8~~ authorise the Company to register you as the holder of the New Shares allotted to you;
- ~~9~~ declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;

- ~~10~~ 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;
- ~~11~~ acknowledge that [\(subject to section 3.8 below\)](#) once the Company receives the completed Entitlement and Acceptance Form, you may not withdraw it;
- ~~12~~ agree to apply for the number of New Shares that the payment you provide will pay for in full, at the Issue Price;
- ~~13~~ agree to be issued the number of New Shares that you apply for;
- ~~14~~ 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;
- ~~15~~ acknowledge that the information contained in, or accompanying, the [Updated](#) 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
- ~~16~~ 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 AEST on ~~9-September~~ [11 November](#) 2013.

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** then you must deliver your completed Entitlement and Acceptance Form, together with a cheque, bank cheque or bank draft, by post to the Share Registry, to be received by no later than 5:00pm AEST on ~~9-September~~ [11 November](#) 2013 at the following addresses:

Computershare Investor Services Pty Limited;
GPO Box ~~50552~~
Melbourne VIC 3001
Australia

Cheques and drafts should be made payable to “Avalon Minerals – Rights Issue” and crossed “Not Negotiable”.

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 AEST on ~~9-September~~ [11 November](#) 2013.

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** then you must deliver your completed Entitlement and Acceptance Form, together with a cheque, bank cheque or bank draft, by post to the Share Registry, so that it reaches the Share Registry by no later than 5:00pm AEST on ~~9-September~~ [11 November](#) 2013.

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 [Updated](#) 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 AEST on ~~9-September~~ [11 November](#) 2013.

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** then you must deliver your completed Entitlement and Acceptance Form, together with a cheque, bank cheque or bank draft, by post to the Share Registry, so that it reaches the Share Registry by no later than 5:00pm AEST on ~~9 September~~ 11 November 2013.

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:

~~17~~ your Entitlement to the Shares will lapse on the Closing Date; and

~~18~~ 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 or ~~to the Underwriter~~ in accordance with the Substitute Underwriting Agreement to the Substitute Underwriter or any sub-underwriter (if appointed) to the Rights Issue or any other parties selected by them.

3.8 Withdrawal of an Application

If you have validly applied for New Shares under the Rights Issue prior to its re-opening and you now wish to withdraw your Application, you must complete the Withdrawal Form by marking the relevant section and deliver the duly executed Withdrawal Form by post to the Share Registry, to be received by no later than 5:00pm AEST on 11 November 2013 at the following address:

Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 3001
Australia

3.13.9 Closing Date

The Closing Date for the Offer is 5:00pm AEST on ~~9 September~~ 11 November 2013, unless extended, at the discretion of the Directors and the Substitute Underwriter in accordance with the Corporations Act, the Listing Rules and the Substitute Underwriting Agreement.

SECTION 4 – RISK FACTORS

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4

4.1 –Risks

Prior to deciding whether to apply for New Shares under the Offer, Eligible Shareholders should read this [Updated](#) Offer Document in its entirety and:

[\(a\) _____-review the Company's Financial Report for the year ended 30 June 2013 filed on 1 October 2013; and](#)

[\(b\) _____](#) 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 [Updated](#) 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:

~~b)(a) _____~~ rely on their own knowledge of the Company;

~~e)(b) _____~~ refer to disclosures made by the Company to ASX; and

~~d)(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 –~~Highly Speculative~~ [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 [Updated](#) Offer Document as a highly speculative investment.

4.3 –Cash position

Avalon's cash position at the end of June 2013 was approximately \$1.2M. Since 1 July 2013, Avalon has raised a further ~~\$344,807~~[689,614](#) through ~~a two~~ [share placements](#), as well as incurred normal operational expenditure. ~~Given the Rights Issue is fully underwritten, provided the Underwriting Agreement is not terminated, t~~The Rights Issue will provide the Company with additional funds of [a maximum of \\$5,885,406 \(before costs\)](#). [In this regard, on 1 October 2013, as permitted by the interim orders of the Panel, the Company issued 212,303,648 New Shares under the Rights Issue at the Issue Price, raising \\$2,123,036. On this basis, on completion of the Rights Issue the Company will have approximately \\$6.1M cash at bank \(before costs\).](#)

However, given the Company is an exploration and mineral project development entity, it will need to raise substantial additional funds ~~of approximately \$25 million in the future to continue progressing and developing its projects~~[in order to complete a Bankable Feasibility Study of the Viscaria Copper Iron Project](#). 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.

This has already been demonstrated by the Company's cash flow difficulties and uncertainties over the last 12 months, which have led to a number of crucial aspects of the Company's business and strategic plans being put on hold or cancelled. The material ones of these are noted below in this Section.

4.4 —Viscaria Project

(a) Drilling programs

The BFS remains suspended pending a further review and analysis of the project economics for the Viscaria Project.

Additional drilling programs at B Zone and D Zone of the Viscaria Project to increase the confidence in the Mineral Resources by converting more of the Inferred Resources to a Measured and Indicated category. These drilling programs have been designed and planned but currently remain inactive.

Given the Company's financial position, further drilling at A Zone, B Zone and D Zone cannot proceed until the Company raises additional funds, over and above the funds raised by this Rights Issue. ~~Some funds raised under this Rights Issue will be used to undertake exploration drilling on exploration targets within the Viscaria project tenements.~~

(b) Mining

Further work, in particular on the metallurgical recovery, geotechnical estimates and mining and processing cost estimates are required to bring all elements of the Viscaria Project up to BFS standard.

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 and Viscaria K4 covering D Zone and part of A Zone and B Zone the Viscaria Project have been approved and granted

The granting of the MECs for Viscaria K3 and K4 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 MEC for Viscaria K7 is outstanding and remains under consideration by Bergsstaten (Swedish Mines Inspectorate) pending an amendment to the Kiruna town planning act to allow for the grant of a mining lease over land that is presently zoned for power generation windmills only. 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 Impact Assessment (EIA) 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.

Whilst the County Administration Board (which is the functional administrator of the land and zoning use around the city of Kiruna), has no objection to the rezoning of the land on which the windmills sit and therefore the grant of Viscaria K7, it is expected that an agreement between the windmill owners and the Company will need to be reached before the MEC for Viscaria K7 can be granted. This is expected to be available for some time. Until an MEC for Viscaria K7 is actually granted, there is a risk that it will not be granted or that it will be granted on conditions unacceptable to the Company.

(d) **Environmental Impact Assessment (EIA)**

In the event the Company wishes to undertake a mining operation at Viscaria, it will need to submit a Viscaria EIA for consideration and pay the appropriate application fee. It is unlikely that the EIA will be re-submitted to the ECS until the Viscaria K7 MEC has been approved and the BFS is recommenced.

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.

A dispute ~~has had~~ arisen in relation to the timing of the Company's obligations to pay the first \$2 million payable under the Heads of Agreement. As announced on 8 October 2013, the Company reached a settlement with Hannans regarding the payment terms under the Heads of Agreement. The settlement was agreed on the basis that:

- (a) Hannans withdraw its statutory demand for payment and consented to the discontinuance of related court proceedings (with no order as to costs);
- (b) the Company pay Hannans \$1M; and
- (c) to complete the acquisition of the Discovery Zone Prospect, the Company be required to pay Hannans a further \$3M within five business days of the exploitation concession being granted. Additional mining, environmental and stakeholder information must be submitted to the regulator before the Discovery Zone exploitation concession application can be considered for grant. Only following the lodgement of that information and its acceptance by the regulator, will the concession be granted which is not expected to be prior to June 2014.

As at the date of this Updated Offer Document, conditions (a) and (b) had been satisfied.

~~As a consequence Hannans Reward Limited issued a statutory demand for payment against the Company and the Company has applied to the Supreme Court of Western Australia to set aside the statutory demand, with the application listed for an initial hearing on 27 August 2013. There is a risk that the Company is unsuccessful in this application in which case the Company will be required to pay the \$2 million demanded or enter into an alternative arrangement with Hannans Reward Limited to satisfy the payment obligation.~~

4.6 —Termination of the Substitute Underwriting Agreement

As set out further under Section 5 of this Updated Offer Document, the Substitute Underwriter has agreed to ~~fully~~partially underwrite the Rights Issue on the terms and conditions contained in the Substitute Underwriting Agreement.

If the Substitute Underwriting Agreement is terminated whether by the Company or the Substitute Underwriter for cause, the Company will be required to reimburse the Substitute Underwriter for

reasonable expenses incurred or accrued up to the date of termination and all obligations of the [Substitute](#) Underwriter under the [Substitute](#) Underwriting Agreement will cease.

Further, under the [Substitute](#) Underwriting Agreement, the [Substitute](#) Underwriter may, without cost or liability to itself, terminate its obligations under the [Substitute](#) Underwriting Agreement on the happening of certain material events by notice in writing to the Company at any time prior to completion of its obligations under the [Substitute](#) Underwriting Agreement.

There is a risk that the [Substitute](#) Underwriting Agreement is terminated and subsequently all of the [Substitute](#) Underwriter's obligations in relation to the Offer cease. If the [Substitute](#) Underwriter terminates the [Substitute](#) Underwriting Agreement before the Rights Issue is completed, there is a risk that the Company will be unable to raise the [minimum amount of funds](#) ~~full amount of \$5,885,406~~ [which](#) it is seeking to raise under the Rights Issue [\(being \\$2,100,000\)](#).

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 Kirunavara 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:

[1.\(a\)](#) adverse geological conditions;

[2.\(b\)](#) limitations on activities due to seasonal weather patterns; and

[3.\(c\)](#) inability or delay in obtaining necessary consents or approvals.

4.11 Potential claim

[On 12 October 2013, the Company announced that the Board resolved to terminate the employment contract of the Company's former Managing Director, Mr Jeremy Read. The Board also asked Mr Read to resign as Director. As at the date of this Updated Offer Document, Mr Read remains a Director of the Company and Ferrier Hodgson continues to provide interim advisory services to the Company.](#)

On 21 October 2013, Mr Read notified the Company that he disputed the grounds and validity of his termination and sought payment of alleged termination entitlements and bonuses amounting to \$479,000. The Company is assessing the basis of Mr Read's claim and has not yet responded.

4.12 Future Board and management

As announced on 25 October 2013, the Company has received two separate notices under section 203D and section 249 of the Corporations Act. The notice issued pursuant to section 203D seeks the removal of Crispin Henderson, Dato Siew Mun Chuang, Siew Mun Wai and Seng Han Goh as Directors at the Company's next general meeting. The Company intends to issue its notice of annual general meeting on or before 1 November 2013. The agenda for the business to be conducted at that meeting is expected to include the requisitioned resolutions. The notice issued pursuant to section 249D requests the Company move an ordinary resolution at the Company's next general meeting two months after the date of the notice (24 October 2013) that Mr Noel Mark O'Brien be appointed as a director of the Company. The Company expects to move the requested resolution at its next general meeting two months after the date of the notice.

SECTION 5 – UNDERWRITING AND POTENTIAL EFFECT ON CONTROL

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5.1 —Underwriting

The Substitute Underwriter has agreed to ~~fully~~partially underwrite the Offer pursuant to the Substitute Underwriting Agreement.

The Substitute Underwriter is a Perth based, boutique corporate advisory and broking firm. It ranks in the top 5 broking firms in Western Australia, by amount of capital raised and the top 3 in the number of deals executed.

Neither the Substitute Underwriter nor the Sub-underwriter is a shareholder or related party (as defined in the Corporations Act) of the Company

5.2 —~~Underwriter's Interest in Shares and~~Potential Effect on Control

The Substitute Underwriting Agreement has the potential to affect the control of the Company as the Substitute Underwriter will subscribe for any New Shares that are not taken up by Eligible Shareholders pursuant to their Entitlement or the Shortfall Offer. The actual effect on control will depend on the level of subscription by Eligible Shareholders pursuant to the Offer and the Shortfall Offer, as well as the extent to which the Substitute Underwriter allocates the remaining New Shares to nominees not associated with the Substitute Underwriter.

If no Eligible Shareholders take up their Entitlements, the Shortfall Shares to the extent of 210,000,000 must be taken up by the Substitute Underwriter who has appointed the Sub-underwriter who must subscribe for up to 210,000,000 Shortfall Shares (or such lesser number such that its relevant interest does not exceed 19.9%) if called upon to do so by the Substitute Underwriter. The relevant interest of the Substitute Underwriter, the Sub-underwriter or any other sub-underwriter in Avalon shares following the allocation of shortfall shares may be as high as 19.9%. In accordance with the terms of the Substitute Underwriting Agreement, the relevant interest in Avalon shares held by the Substitute Underwriter, the Sub-underwriter or any other sub-underwriter cannot exceed 19.9%.

~~The Underwriter's current shareholding and potential interest in Shares following the Offer are as follows:~~

Shares held prior to the Offer	111,841,380
% holding prior to Offer	19.0%
Shares to be issued under the Offer	588,540,623
% holding following the Offer assuming no Shortfall Shares issued to Underwriter	19.0%
% holding following the Offer assuming 75% of shares offered to Shareholders other than the Underwriter subscribed for under Offer or Shortfall Offer	29.1%
% holding following the Offer assuming 50% of shares offered to Shareholders other than the Underwriter subscribed for under Offer or Shortfall Offer	39.2%
% holding following the Offer assuming 25% of shares offered to Shareholders other than the Underwriter subscribed for under Offer or Shortfall Offer	49.4%
Maximum number of shares which may be issued pursuant to Underwriting Agreement	588,540,623

Maximum % holding following the Offer assuming 100% of the Offer issued to Underwriter	59.5%
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The Options the Company currently has on issue ~~were not~~ ~~are not expected to be~~ exercised prior to the ~~closing of the Rights Issue~~ Record Date as the exercise price for these Options exceeded ~~s~~ the Issue Price and the last closing share price prior to the announcement in relation to the Rights Issue on 9 August 2013 of \$0.014 per share ~~and the share price on 19 August 2013 was \$0.015 per share at close of trade~~. Therefore, the Options are expected to have no effect on the Offer or the control of the Company.

The Performance Rights the Company currently has on issue ~~are not expected to~~ did not vest prior to the ~~closing of the Rights Issue~~ Record Date as the vesting conditions ~~will were~~ not be met by that time. Therefore, the Performance Rights are expected to have no effect on the Offer or the control of the Company.

~~As the Offer is fully Underwritten, no other Eligible Shareholder will be able to increase their voting power in the Company as a result of accepting their Entitlement or subscribing for additional shares under the Shortfall Offer above 20% and no other party (such as a sub-underwriter) will be entitled to subscribe for New Shares so as to take their voting power in the Company above 20%.~~

5.3 ~~—~~ Substitute Underwriting Agreement

In accordance with the Substitute Underwriting Agreement, the Substitute Underwriter has agreed to ~~fully~~ partially underwrite the Rights Issue on the terms and conditions set out in that agreement.

The Company has given warranties, covenants and indemnities to the Substitute Underwriter, which are customary in an agreement of its nature. Some of the key terms and conditions of the Underwriting Agreement are set out below.

5(a) Allocation of Shortfall Shares

If, as at the Closing Date, the Company has not received valid Applications pursuant to the Offer and the Shortfall Offer for all of the ~~Underwritten New~~ Shares and the Company gives notice to the Substitute Underwriter within 2 Business Days stating the number of ~~Underwritten New~~ Shares that valid Applications have not been received for, the Substitute Underwriter must subscribe or cause its nominees to subscribe for that number of New Shares equal to the ~~the remainder of the Underwritten Shares~~ Underwritten Shares within 32 Business Days of receiving the notice from the Company. The Substitute Underwriter may at any time in consultation with the Company appoint sub-underwriters to sub-underwrite the Offer ~~but as at the date of completion of this Offer Document this has not occurred~~.

6(b) Fees

Pursuant to the Substitute Underwriting Agreement, the Company has agreed to pay the Substitute Underwriter an underwriting fee of:

(a) 2% of the gross amount that is raised by the issue of underwritten shares; and

(b) 2% of the gross amount that is otherwise raised by the issue of Shortfall Shares to clients of the Substitute Underwriter arranged on a best endeavours basis. ~~5% of the Underwritten Amount.~~

All sub-underwriting and selling fees to third parties will be met by the Substitute Underwriter.

The Company has also agreed to reimburse the Substitute Underwriter for the Substitute Underwriter's reasonable out of pocket expenses (including legal expenses) incurred in connection with the Offer up to an amount of \$35,000.

7(c) **Termination events**

The Substitute Underwriter may, without cost or liability to itself, terminate its obligations under the Substitute Underwriting Agreement on the happening of any of the following events by notice in writing to the Company at any time prior to the issue of Shares to the Substitute Underwriter—:

- i. (Indices fall): the All Ordinaries Index, S&P ASX 300 Metals & Mining Index or the Small Ordinaries Index as published by ASX is at any time after the date of the Substitute Underwriting Agreement 10% or more below its level as at the close of business on the date of the Substitute Underwriting Agreement;
- ii. (No Quotation): Quotation has not been granted by the date of issue of the New Shares or having been granted, is subsequently withdrawn, withheld or qualified;
- iii. (Non compliance with disclosure requirements): it transpires that the Company has not complied with its continuous disclosure obligations pursuant to Chapter 6CA of the Corporations Act;
- iv. (ASIC application): an application is made by ASIC for an order under section 1324B of the Corporations Act; or
- v. (Takeovers Panel): the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act (not including the declaration made by the Panel on 7 October 2013);
- vi. (Authorisation): any authorisation which is material to the Company is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Substitute Underwriter; or
- vii. (Termination Events): any of the following events occur and in the Substitute Underwriter's reasonable opinion reached in good faith, that or those occurrences have, or are likely to have, a material adverse effect, or could give rise to a liability of the Substitute Underwriter under the Corporations Act or otherwise:
 - a. (Default): default by the Company of any of their obligations under the Substitute Underwriting Agreement;
 - b. (Incorrect or untrue representation): any representation, warranty or undertaking given by the Company in the Substitute Underwriting Agreement is or becomes untrue or incorrect;
 - c. (Contravention of constitution or Law): a contravention by a Group Company of any provision of its constitution, the Corporations Act or any other applicable Law or any requirement of ASIC or ASX;
 - d. (Restriction on issue): the Company is prevented from issuing the New Shares within the time required by the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority;
 - e. (Hostilities): political or civil unrest not presently existing commences (whether war has been declared or not) or a major escalation in existing hostilities, political or civil unrest occurs (whether war has been declared or not) involving any one or more of Australia, the United States of America, the United Kingdom, any member state of the European Union, Japan, Singapore, or the Peoples Republic of China, or a terrorist act is perpetrated

on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;

- f. (Adverse change): an event occurs which gives rise to a material adverse effect;
- g. (Significant change): a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- h. (Public statements): without the prior approval of the Substitute Underwriter a public statement is made by the Company in relation to the Rights Issue;
- i. (Misleading information): any information supplied at any time by the Company or any person on its behalf to the Substitute Underwriter in respect of any aspect of the Rights Issue or the affairs of any Group Company is or becomes misleading or deceptive or likely to mislead or deceive;
- j. (Change in Law or policy): there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories, any Act or prospective Act or budget, or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy, that adversely impacts on the Rights Issue;
- k. (Prescribed Occurrence): the Company converts any of its shares into a larger to smaller number of shares, the Company reduces its share capital, the Company enters into a buy back or issues shares or convertible notes, the Company disposes of the whole or substantial part of its property, the Company is wound up or a liquidator is appointed, the Company executes a deed of company arrangement or there is an appointment of a receiver;
- l. (Suspension of debt payments): the Company suspends payment of its debts generally;
- m. (Event of Insolvency): an event of insolvency occurs in respect of a Group Company;
- n. (Judgment against a Group Company): a judgment in an amount exceeding \$250,000 is obtained against a Group Company and is not set aside or satisfied within 7 days;
- o. (Litigation): litigation, arbitration, administrative or industrial proceedings are after the date of the Substitute Underwriting Agreement commenced or threatened against any Group Company, other than any Claims foreshadowed by the Company;
- p. (Board and senior management composition): there is a change in the composition of the Board or a change in the senior management of the Company before Completion without the prior written consent of the Substitute Underwriter which cannot be unreasonably withheld or delayed;
- q. (Change in shareholdings): there is a material change in the major or controlling shareholdings of a Group Company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Group Company;
- r. (Timetable): there is a delay in any specified date in the timetable which is greater than 10 Business Days;
- s. (Force Majeure): a force majeure affecting the Company's business lasting in excess of 7 days occurs;

- t. (Indictable offence): a director or a senior manager of a Group Company is charged with an indictable offence;
- u. (Certain resolutions passed): a Group Company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act, or a resolution to amend its constitution without the prior written consent of the Substitute Underwriter;
- v. (Capital structure): any Group Company alters its capital structure in any manner;
- w. (Breach of material contracts): any material contract or material agreement as advised to the Substitute Underwriter is terminated or substantially modified;
- x. (Investigation): any person is appointed under any legislation in respect of companies to investigate the affairs of a Group Company;
- y. (Market conditions): a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets; or
- z. (Suspension): the Company is removed from the Official List or the Shares become suspended from quotation on ASX and that suspension is not lifted within 24 hours following such suspension.

~~The Underwriter may, without cost or liability to itself, terminate its obligations under the Underwriting Agreement on the happening of any of the following events by notice in writing to the Company at any time prior to the issue of Shares to the Underwriter:~~

- ~~viii.(Indices fall): the S&P ASX 200 Index is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement;~~
- ~~ix.(Offer Document): the Company does not dispatch the Offer Document to Shareholders on the Dispatch Date or the Offer Document or the Offer is withdrawn by the Company;~~
- ~~x.(No Quotation Approval): the Company fails to lodge an Appendix 3B in relation to the Underwritten Securities with ASX by the time required by the Corporations Act, the Listing Rules or any other regulation;~~
- ~~xi.(Non-compliance with requirements): it transpires that the Offer Document does not contain all the information required by the Corporations Act;~~
- ~~xii.(Restriction on allotment): the Company is prevented from allotting the Underwritten Securities within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;~~
- ~~xiii.(Takeovers Panel): the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, which in the Underwriter's reasonable opinion has a Material Adverse Effect;~~

~~i.(Hostilities):— there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China or any member of the European Union other than hostilities involving Afghanistan, Iraq, Iran, Syria, Lebanon or Israel and the Underwriter believes (on reasonable grounds) that the outbreak or escalation is likely to result in the S&P ASX 200 Index falling by the percentage contemplated by clause 10.2i of the Underwriting Agreement;~~

~~xv.(Authorisation):— any authorisation which is material to anything referred to in the Offer Document is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter acting reasonably;~~

~~xvi.(Indictable offence): a director of the Company is charged with an indictable offence; or~~

~~xvii.(Termination Events):— any of the following events occurs and in the reasonable opinion of the Underwriter reached in good faith it has or is likely to have a Material Adverse Effect or could give rise to a liability of the Underwriter:~~

~~A.(Default): default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;~~

~~B.(Incorrect or untrue representation): any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;~~

~~C.(Contravention of constitution or Act): a contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;~~

~~D.(Adverse change): an event occurs which gives rise to a Material Adverse Effect including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company;~~

~~E.(Public statements): without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer or the Offer Document;~~

~~F.(Misleading information): any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive;~~

~~G.(Official Quotation qualified): the official quotation of the New Shares is qualified or conditional;~~

~~H.(Prescribed Occurrence): a Prescribed Occurrence occurs;~~

~~I.(Suspension of debt payments): the Company suspends payment of its debts generally;~~

~~J.(Judgment against a Relevant Company): a judgment in an amount exceeding \$100,000.00 is obtained against a Relevant Company and is not set aside or satisfied within 7 days except any judgment against the Company in relation to the statutory demand issued by Hannans Reward Limited as referred to in section 4.5 of this Offer Document;~~

~~K.(Litigation): litigation, arbitration, administrative or industrial proceedings are after the date of this Agreement commenced against any Relevant Company;~~

- L.(Board and senior management composition): there is a change in the composition of the Board or a change in the senior management of the Company before the date of issue of the Underwritten Securities without the prior written consent of the Underwriter (such consent not to be unreasonably withheld);
- M.(Change in shareholdings): there is a material change in the major or controlling shareholdings of a Relevant Company (other than as a result of the Issue) or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company;
- N.(Timetable): there is a delay in any specified date in the Timetable which is greater than 5 Business Days;
- O.(Force Majeure): a Force Majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
- P.(Certain resolutions passed): a Relevant Company passes or takes any steps to pass a resolution under Section 257A or Section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- Q.(Capital Structure): any Relevant Company alters its capital structure;
- R.(Market Conditions): a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia.

SECTION 6 – CORPORATE DIRECTORY

DIRECTORS

Crispin Henderson	Chairman
Jeremy Read	Managing Director
Dato Siew Mun Chuang	Deputy Chairman
Paul Niardone	Non-Executive Director
Siew Mun Wai	Non-Executive Director
Seng Han Gary Goh	Non-Executive Director
<u>Jeremy Read</u>	<u>Non-Executive Director</u>
Ler Leong Keh	Alternate Director (Dato Siew Mun Chuang)

COMPANY SECRETARY

Roslynn Shand

REGISTERED OFFICE

Level 1, 65 Park Road
Milton Qld 4064
Australia

SUBSTITUTE UNDERWRITER

CPS Capital Group Pty Ltd
~~Tan Sri Abu Sahid Mohamed~~
~~82 Caspian Way~~
~~Brigadeon WA 6069~~
~~Australia~~

SOLICITORS TO THE RIGHTS ISSUE

Allens
Riverside Centre
123 Eagle Street
Brisbane QLD 4000
Australia
~~Bennett & Co~~
~~Ground Floor, BGC Centre~~
~~28 The Esplanade~~
~~Perth WA 6000~~
~~Australia~~

SHARE REGISTRY

Computershare Investor Services Pty Limited
GPO Box ~~50552~~
Melbourne VIC 3001
Australia

CONTACT DETAILS

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

ASX CODE: AVI

SECTION 7 – DEFINITIONS

Adak Project means the Adak Copper-Zinc Project located Northern Sweden.

AEST means Australian Eastern Standard 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.

Associated Shareholders means Tan Sri Abu and Dato Lim.

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 CHESS.

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.

CHESS means Clearing House Electronic Subregister System.

Closing Date means the date on which the Offer closes, being 5:00pm AEST on ~~9 September~~ 11 November 2013, 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.

Dato Lim means Dato Lim Heng Suan.

Dato Siew means Dato Siew Mun Chuang.

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

Dollars or \$ means Australian dollars unless otherwise stated.

ECS means Environmental Court of Sweden.

EIA means environmental impact assessment.

Eligible Shareholder means a Shareholder on the Record Date (other than Tan Sri Abu, Dato Lim and Avalon directors (and their associated entities)).

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

Entitlement and Acceptance Form means the entitlement and acceptance form ~~accompanying this Offer Document~~ despatched to Eligible Shareholders.

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

Issue Price means \$0.01 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 [Updated](#) Offer Document, the terms and conditions of which are set out at Section 2 of this [Updated](#) 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 1 Existing Shares held by Eligible Shareholders on the Record Date.

Offer Period means the period ~~that commencing~~ [commenced](#) 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~~ [opened](#), being 22 August 2013.

Option means an option to acquire a Share.

[Panel](#) means the [Takeovers Panel](#).

[Panel Application](#) means the application to the Panel by Sidan dated 5 September 2013 in relation to the [Rights Issue](#).

Performance Right means a performance right to acquire a Share.

[Previous Underwriter](#) means [Tan Sri Abu Sahid Mohamed](#).

[Previous Underwriting Agreement](#) means the underwriting agreement between the Company and the [Previous Underwriter](#) dated 9 August 2013.

Quotation and Official Quotation means official quotation on ASX.

Record Date means 5:00pm AEST on 19 August 2013.

Relevant Company means the Company and each subsidiary of the Company.

Rights Issue means the entitlement to New Shares available for issue under this [Updated](#) 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~~.

Share Registry or Computershare means ~~Computershare Investor Services Pty Limited~~.

Shareholder means a holder of Shares in the Company.

Shortfall or **Shortfall Shares** means the ~~Entitlement Offer~~ [New](#) 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 [Updated](#) Offer Document.

[Sidan](#) means [Sidan Super Pty Ltd as trustee for the Sidan Superannuation Fund](#)

[Sub-underwriter](#) means [Phoenix Copper Limited](#).

[Substitute Underwriter](#) means [CPS Capital Group Pty Ltd](#).

[Substitute Underwriting Agreement](#) means the underwriting agreement between the Company and the [Substitute Underwriter](#) dated 23 October 2013.

Tan Sri Abu means Tan Sri Abu Sahid Mohamed in his capacity as a Shareholder.

~~Underwriter~~ means ~~Tan Sri Abu Sahid Mohamed~~.

Underwritten Amount means \$~~5,885,406~~2,100,000.

Underwritten Shares means 210,000,000 New Shares less that number of New Shares in respect of which valid Applications have been received by the Company.

~~Underwriting Agreement~~ means the underwriting agreement between the Company and the Underwriter dated 9 August 2013.

Updated Offer Document means this document.

Viscaria Project means the Viscaria Copper Iron Ore Project located in Sweden.

Withdrawal Form means the withdrawal form despatched to Eligible Shareholders.