

AVALON MINERALS LIMITED

ACN 123 184 412

ENTITLEMENT ISSUE PROSPECTUS

For a pro rata non-renounceable entitlement issue of one (1) Share for every five (5) Shares held by Shareholders at an issue price of \$0.18 per Share to raise approximately \$6,304,265 (**Entitlement Issue**).

The Entitlement Issue is underwritten by Tan Sri Abu Sahid Bin Mohamed. Refer to Section 8.2 of this Prospectus for details regarding the terms and conditions of the Underwriting Agreement.

IMPORTANT NOTICE

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

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

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1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

Timetable and important dates*

Lodgement of Prospectus with ASIC	11 January 2011
Notice sent to Shareholders	13 January 2011
Ex Date	17 January 2011
Record Date for determining Entitlements	21 January 2011
Prospectus dispatched to Shareholders	27 January 2011
Closing Date	11 February 2011
Securities quoted on a deferred settlement basis	14 February 2011
Notify ASX of under-subscriptions	16 February 2011
Dispatch date/Shares entered into Shareholders' security holdings	21 February 2011

* These dates are determined based upon the current expectations of the Directors and may be changed with 6 Business Days' prior notice.

Important notes

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

This Prospectus is dated 11 January 2011 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is 11 February 2012 (**Expiry Date**). No Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date.

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

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

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

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

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

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

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

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

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

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

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

As noted in the Prospectus at Section 4.5, the Company will apply to the ASX for quotation of the Shares offered under this Prospectus. If quotation is granted, the Shares offered under this Prospectus will be able to be traded on the ASX. If you wish to trade the Shares through that market, you will have to make arrangements for a participant in that market to sell the Shares on your behalf. As the ASX does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

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

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

ELECTRONIC PROSPECTUS

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

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

COMPETENT PERSONS' STATEMENT

The information in the Chairman's Letter that relates to Mineral Resources and Exploration Results is based upon information reviewed by Mr Andrew Munckton, who is a Member of the Australian Institute of Mining and Metallurgy. Mr Munckton is a full time employee of Avalon Minerals Ltd where he holds the title of Managing Director. Mr Munckton has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the *2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves"*. Mr Munckton consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears. Mr Munckton has not withdrawn his consent prior to the lodgement of this Prospectus with the ASIC.

2. CORPORATE DIRECTORY

Directors	Solicitors
Mr David McSweeney Chairman	Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street PERTH WA 6000
Mr Andrew Munckton Managing Director	
Tan Sri Abu Sahid Bin Mohamed Non Executive Director	
Mr Gary Steinepreis Non Executive Director	
Mr Stephen Stone Non Executive Director	
Company Secretary	Auditors*
Mr Paul Bridson	Ernst & Young The Ernst & Young Building 11 Mounts Bay Road PERTH WA 6000
Registered Office	ASX Code
Level 2 91 Havelock Street WEST PERTH WA 6005	AVI
Telephone: +61 8 9322 2752 Facsimile: +61 8 9322 2827	
Underwriter	Share Registry*
Tan Sri Abu Sahid Bin Mohamed Level 2, 91 Havelock Street WEST PERTH WA 6005	Computershare Investor Services Pty Ltd Level 2, 45 St Georges Terrace PERTH WA 6000
	Telephone: +61 8 9323 2000 Facsimile: +61 8 9323 2033
Website	General Enquiries
www.avalonminerals.com.au	Telephone: +61 8 9322 2752

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

3. CHAIRMAN'S LETTER

Dear Fellow Shareholders,

Avalon Minerals Ltd plans to raise \$6.3m by way of an entitlement offer to every Avalon Shareholder to subscribe for one (1) Share at 18 cents for every five (5) Shares held as at the Record Date.

Avalon has completed four major milestones over the past 12 months:

- A major resource upgrade at Viscaria.
- Completion of the Viscaria Project Pre Feasibility Study (PFS).
- Identified the potential to upgrade the D Zone magnetite ore to a high grade magnetite concentrate as a by product from the proposed Viscaria copper mining operations.
- Grant of over 400km of exploration tenements surrounding Viscaria.

During the year, the resources at Viscaria were expanded from 44 million tonnes to 66.2 million tonnes at 0.9% Cu for 601,000 tonnes of contained copper metal. Over the next 12 months the company's aim is to expand the copper resources further.

Following the resource upgrade program and completion of the Pre Feasibility Study, the company has commenced its Bankable Feasibility Studies (BFS) of the Viscaria Copper-Iron Ore Project which are on schedule to be completed during 2011.

The potential sale of high grade, iron ore concentrate from the Viscaria Project has opened up the company's exploration opportunities with the recognition that the company holds large areas within its regional landholdings prospective for iron ore. An exploration program to assess the potential for additional iron ore and copper deposits within this regional landholding surrounding Viscaria is now underway.

The funds raised from this Entitlements Issue will be directed towards the Viscaria Project BFS and regional exploration activities.

The vision for Avalon is to become a leading mid-tier metals producer.

I would like to acknowledge the support shown to the Company by our Non Executive Director, Tan Sri Abu Sahid Bin Mohamed who has agreed to underwrite the Offer in full. Tan Sri Mohamed is the Group Executive Chairman of successful Malaysian conglomerate the Maju Group of Companies and has over 30 years of experience in the Malaysian construction and steel industries. He is also the Executive Chairman of Perwaja Holdings Berhad, Malaysia's leading steel producer, and Ipmda Berhad, a building materials specialist.

On behalf of the board of directors of Avalon Minerals Ltd, I encourage you to take up your entitlements offered in this Prospectus.

I urge you to read this Prospectus carefully and to contact the Company should you have any questions.

Yours faithfully



David McSweeney
Chairman

4. DETAILS OF THE OFFER

4.1 Offer

By this Prospectus, the Company offers for subscription approximately 35,023,699 new Shares pursuant to a pro-rata non-renounceable entitlement issue to Shareholders of one (1) new Share for every five (5) Shares held on the Record Date at an issue price of \$0.18 per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company (and assuming no existing Options are exercised prior to the Record Date), the maximum number of Shares to be issued pursuant to the Offer is approximately 35,023,699. The Offer will raise approximately \$6,304,265. The purpose of the Offer and the use of funds raised are set out in Section 5 of this Prospectus.

The Company currently has 2,600,000 Options on issue as at the date of this Prospectus. Only 100,000 Options that have vested (as outlined in the table in Section 5.5 of this Prospectus) before the Record Date may be exercised by the Option holder prior to the Record Date in order to participate in the Offer. The remaining Options will not have vested before the Record Date.

4.2 How to accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full:
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque for the amount indicated on that relevant Entitlement and Acceptance Form or pay via BPay by following the instructions set out on the Entitlement and Acceptance Form (Applicants should ensure they include their reference number if paying by BPay); or
- (b) if you only wish to accept part of your Entitlement:
 - (i) fill in the number of Securities you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque for the appropriate application monies (at \$0.18 per Share) or pay via BPay by following the instructions set out on the Entitlement and Acceptance Form (Applicants should ensure they include their reference number if paying by BPay); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to “**Avalon Minerals Limited – Trust Account**” and crossed “Not Negotiable”.

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5:00pm WST on the Closing Date, or no later than 3.00pm WST on the Closing Date if making payment by BPay.

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

4.3 Underwriting

The Offer is underwritten by Tan Sri Abu Sahid Bin Mohamed.

Refer to Section 8.2 of this Prospectus for further details of the terms and conditions of the underwriting.

4.4 Shortfall Offer

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall. Shareholders who wish to apply for Shares above their Entitlement can complete the Shortfall Application section of the Entitlement and Acceptance Form accompanying this Prospectus and return it, together with a cheque or make payment via BPay for the value of those Shortfall Shares (at \$0.18 per Share) to the Company's share registry.

The offer of the Shortfall is a separate offer pursuant to this Prospectus. The issue price of any Shares offered pursuant to the Shortfall Offer shall be \$0.18 being the price at which the Entitlement has been offered to Shareholders pursuant to this Prospectus. The Shortfall shall be placed at the discretion of the Company with priority to be given to those Shareholders who subscribe for their Entitlement in full. The Company reserves the right to allot to an applicant a lesser number of Shortfall Shares than the number for which the applicant applies, or to reject an application, or to not proceed with placing the Shortfall.

4.5 ASX listing

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

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

4.6 Allotment of Shares

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

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

4.7 Overseas Shareholders

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

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

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

4.8 Taxation implications

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

4.9 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

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

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

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

4.10 Privacy

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

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

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

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

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise approximately \$6,304,265 (before expenses). The proceeds of the Offer are planned to be used in accordance with the table set out below:

Proceeds of the Offer	\$
Completion of Bankable Feasibility Study of Viscaria Copper-Iron Ore Project	4,800,000
Viscaria Regional Exploration	600,000
Working Capital	560,839
Expenses of the Offer ¹	343,426
Total	6,304,265

Notes:

¹ Refer to Section 8.6 of this Prospectus for further details relating to the estimated expenses of the Offer.

5.2 Effect of the Offer on control of the Company

The potential effects that the issue of the Shares under the Offer will have on the control of the Company, and the consequences of those effects, will depend on a number of factors, including the number of Shareholders who take up their entitlements under the Offer.

While the Offer is not expected to materially impact the control of the Company, the potential impact on the holding of Tan Sri Abu Sahid Bin Mohamed, the Underwriter and a director of the Company, is outlined below.

The details of the underwriting agreement are summarised in Section 8.2 of this Prospectus. The Underwriter currently has a relevant interest in 30,303,113 Shares and intends to participate in the Offer by taking up his entitlement of 6,060,623 Shares.

In the event that:

- (a) the Underwriter subscribes for his entire entitlement under the Offer (as he has indicated he intends to); and
- (b) there is a Shortfall under the Offer and the Underwriter is called upon by the Company to subscribe for the entire extent of his underwriting commitment (being 35,023,699 including his entitlement Shares),

Tan Sri Abu Sahid Bin Mohamed may become entitled to a maximum of 65,326,812 Shares in the Company following the completion of the Offer, resulting in him having a substantial holding in the Company equal to 31.09% of the issued capital of the Company.

To comply with the requirement to fully disclose the Underwriter's potential voting power in the Company and the effect of the underwriting by the Underwriter, the table below sets out various scenarios to indicate the effect on the Company's shareholding depending on the Shortfall (if any). The potential maximum increase in the voting power of the Underwriter is set out below (100%

Shortfall) and will only occur if no Shareholders take up their entitlement under the Offer.

Event	Number of Shares of the Company Held by the Underwriter	Voting power of the Underwriter in the Company
Underwriter holding as at date of the Prospectus	30,303,113	17.30%
After issue of Shares to the Underwriter assuming 100% Shortfall	65,326,812	31.09%
After issue of Shares to the Underwriter assuming 75% Shortfall	58,086,043	27.64%
After issue of Shares to the Underwriter assuming 50% Shortfall	50,845,274	24.20%
After issue of Shares to the Underwriter assuming 25% Shortfall	43,604,505	20.75%

The figures in the above table assume that Tan Sri Abu Sahid Bin Mohamed takes up his full entitlement of 6,060,623 shares under the Offer, as he has indicated is his intention, leaving a remaining balance of 28,963,076 Shares to which the various Shortfall percentages have been applied.

If all Shareholders take up their entitlements under the Offer, the Offer itself will not have a material effect on the control of the Company.

It is not expected that any change in the total relevant interest of Tan Sri Abu Sahid Bin Mohamed will have any material consequences on the control of the Company.

5.3 Effect of the Offer and pro forma consolidated balance sheet

The principal effect of the Offer will be to:

- (a) increase the cash reserves by approximately \$5,960,839 immediately after completion of the Offer after deducting the estimated expenses of the Offer; and
- (b) increase the number of Shares on issue from 175,118,494 Shares, to approximately 210,142,193 Shares following completion of the Offer.

5.4 Consolidated balance sheet

The unaudited consolidated Balance Sheet as at 31 October 2010 and the unaudited consolidated Pro Forma Balance Sheet as at 31 October 2010 shown on the following page have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption that all Shares pursuant to the Offer in this Prospectus are issued.

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

The unaudited consolidated Pro Forma Balance Sheet disclosed below incorporates the effect of a placement completed in December 2010 which raised \$4,111,478, as well as the effect of the Issue, and has been prepared on the basis of the accounting policies normally adopted by the Company and assumes non-exercise of Options. It has been prepared on the basis that there has been no material movement in the assets and liabilities of the Company between 31 October 2010 and the close of the Issue, other than those stated above.

Consolidated Balance Sheet and Pro Forma Balance Sheet as at 31 October 2010 (unaudited)

	31 Oct 2010 Actual \$	31 Oct 2010 Pro-forma \$
CURRENT ASSETS		
Cash and cash equivalents	3,431,029	13,503,346
Trade and other receivables	220,663	220,663
Other	<u>-</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>3,651,692</u>	<u>13,724,009</u>
NON-CURRENT ASSETS		
Plant and equipment	213,122	213,122
Exploration and evaluation costs	<u>9,928,944</u>	<u>9,928,944</u>
TOTAL NON-CURRENT ASSETS	<u>10,142,066</u>	<u>10,142,066</u>
TOTAL ASSETS	<u>13,793,758</u>	<u>23,866,075</u>
CURRENT LIABILITIES		
Trade and other payables	1,062,681	1,062,681
Provisions	<u>-</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>1,062,681</u>	<u>1,062,681</u>
NON-CURRENT LIABILITIES		
Provisions	<u>-</u>	<u>-</u>
TOTAL NON-CURRENT LIABILITIES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,062,681</u>	<u>1,062,681</u>
NET ASSETS	<u>12,731,077</u>	<u>22,803,394</u>
EQUITY		
Issued capital	20,291,696	30,364,013
Reserves	(240,497)	(240,497)
Accumulated Losses	<u>(7,320,122)</u>	<u>(7,320,122)</u>
TOTAL EQUITY	<u>12,731,077</u>	<u>22,803,394</u>

5.5 Effect on capital structure

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

Shares	Number
Shares on issue at date of Prospectus	175,118,494
Shares now offered	35,023,699
Total Shares on issue after completion of the Offer	210,142,193

Options	Number
Unquoted exercisable at \$0.20 on or before 31 July 2011	100,000
Unquoted, vesting 1 February 2011, exercisable at \$0.30 on or before 31 January 2013	500,000
Unquoted, vesting 1 July 2011, exercisable at \$0.30 on or before 1 July 2014	500,000
Unquoted, vesting 1 February 2012, exercisable at \$0.40 on or before 31 January 2014	1,000,000
Unquoted, vesting 1 July 2012, exercisable at \$0.40 on or before 1 July 2015	500,000
Total Options on issue after completion of the Offer	2,600,000

6. RIGHTS AND LIABILITIES ATTACHING TO THE SHARES

6.1 Terms of Shares

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

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

6.1.1 General meetings

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

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

6.1.2 Voting rights

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

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

6.1.3 Dividend rights

The Directors may from time to time declare and pay or credit a dividend in accordance with the Corporations Act. Subject to any special right as to dividends attaching to a share, all dividends will be declared and paid according to the proportion which the amount paid on the Share is to the total amount payable in respect of the Shares (but any amount paid during the period in respect of which a dividend is declared only entitles the Shareholder to an apportioned amount of that dividend as from the date of payment). The Directors may from time to time pay or credit to the Shareholders such interim dividends as they may determine. No dividends shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

The Directors may from time to time grant to Shareholders or any class of shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the Directors think fit. The Directors may, at their discretion, resolve in respect of any dividend which it is proposed to pay or to declare on any Shares of the

Company, that holders of such Shares may elect to forgo their right to the whole or part of the proposed dividend and to receive instead an issue of Shares credited as fully paid to the extent and on the terms and conditions of the Constitution. The Directors may set aside out of the profits of the Company such amounts as they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

6.1.4 Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

6.1.5 Transfer of Shares

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

6.1.6 Future increase in capital

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

6.1.7 Variation of rights

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

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

7. RISK FACTORS

Applicants should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares. Potential Applicants should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.1 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, including:

- (a) adverse geological conditions;
- (b) limitations on activities due to seasonal weather patterns;
- (c) unanticipated operational and technical difficulties encountered in geophysical surveys, drilling and production activities;
- (d) mechanical failure of operating plant and equipment;
- (e) industrial and environmental accidents, industrial disputes and other force majeure events;
- (f) unavailability of aircraft or drilling equipment to undertake airborne electromagnetic and other geological and geophysical investigations;
- (g) unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment; and
- (h) inability or delay in obtaining necessary consents or approvals.

7.2 Title risks

The Company has applied for mining concessions in Sweden that are subject to approval by the Bergsstaten (Swedish Mines Department).

Infrastructure, in the form of wind turbine generators and an electricity transmission line, that encroach upon the Company's mining lease application is required to be dealt with prior to the commencement of mining operations. This is highly likely to involve payment of compensation to affected parties.

7.3 Environmental risks and regulations

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 development proceed.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by the conditions attaching to the Tenements.

The operations and proposed activities of the Company are subject to laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. In this regard, Viscaria 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.

7.4 Sami

In addition to being close to the city of Kiruna, the Sami people also have communities nearby and use areas near Viscaria 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.

7.5 Economic risks

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

7.6 Market conditions

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

7.7 Security investments

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

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

7.8 Legislative changes, Government policy and approvals

Changes in government regulations and policies may adversely affect the financial performance of the Company. For example, any increased rentals under the Mining Act may impact on the Company's actual financial statements. The Company's capacity to explore and mine, in particular the Company's ability to explore and mine any reserves, may be affected by changes in government policy, which are beyond the control of the Company.

7.9 Future capital requirements

The Company's ongoing activities will require substantial expenditures. There can be no guarantee that the funds raised through the Offer will be sufficient to successfully achieve all the objectives of the Company's work program as listed in Section 5.1. If the Company is unable to continue to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional fundraising on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

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

7.10 Potential Acquisitions

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

7.11 Resource Estimations

Resource estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate. Furthermore, resource estimates may change over time as new information becomes available. Should the company encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

7.12 Reliance on key personnel and employees

The Company's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. To manage its growth, the Company must attract and retain additional highly qualified management, technical, sales and marketing personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management's discretion and judgement, as well as the expertise and competence of outside contractors.

In addition, Western Australia is currently experiencing a shortage of skilled labour including those skills utilised in the mining industry. The Company cannot guarantee that its mining and exploration activities will not be negatively affected by an inability to employ appropriately skilled staff.

7.13 Commodity Price and Exchange Rate Risks

To the extent the Company is involved in mineral production, the revenue derived through the sale of commodities may expose the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for base metals and iron ore, technological advancements, forward selling activities and other macro-economic factors.

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

7.14 General risks

The value of the Company's Securities are affected by a number of general factors which are beyond the control of the Company and its Directors.

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices, local and international economic conditions and general investor sentiment.

The Company's share price can be afflicted by these factors which are beyond the control of the Directors.

8. ADDITIONAL INFORMATION

8.1 Continuous disclosure obligations

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

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

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

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

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

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

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the financial statements of the Company for the financial year ended 30 June 2010 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;
 - (ii) any half year financial statements of the Company lodged with ASIC since the lodgement of the last financial statements for the

year ended 30 June 2010 lodged with ASIC before the issue of this Prospectus; and

- (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

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

The Company has lodged the following announcements with ASX since the lodgement of the 2010 audited financial statements:

Date	Description of Announcement
10/01/2011	Change in substantial holding
10/01/2011	Appendix 3B and Notice 708A
10/01/2011	Avalon to Raise \$10.4m via Placement and Rights Issue
30/12/2010	Replacement Securities Trading Policy
18/11/2010	Company Secretary Appointment/Resignation
18/11/2010	Results of Meeting
18/11/2010	Chairman's Address to Shareholders
16/11/2010	Change of Director's Interest Notice
11/11/2010	Avalon Launches New Resource Expansion Drilling Programs
02/11/2010	Change of Director's Interest Notice
28/10/2010	Quarterly Cashflow Report
28/10/2010	Quarterly Activities Report
18/10/2010	Hartleys Research Report
12/10/2010	Avalon Delivers Positive PFS
08/10/2010	Notice of Annual General Meeting/Proxy Form
05/10/2010	Appendix 3B
01/10/2010	Viscaria Project Resource Upgraded

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

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

8.2 Underwriting Agreement

By an agreement between Tan Sri Abu Sahid Bin Mohamed (**Underwriter**) and the Company (**Underwriting Agreement**), the Underwriter agreed to conditionally underwrite the Offer for 35,023,699 Shares (**Underwritten Securities**).

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting fee of 5% of the value of the Underwritten Securities.

The Underwriting Agreement is conditional upon:

- (a) the Underwriter being satisfied with the form of the Prospectus and having given his consent to be named in the Prospectus prior to the date of lodgement; and
- (b) the Underwriter not being bound to underwrite the Offer unless and until the Company lodges the Prospectus with ASIC.

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

- (a) **(Prospectus)**: the Company does not lodge the Prospectus on the Lodgement Date or the Prospectus or the Offer is withdrawn by the Company;
- (b) **(No Listing Approval)**: the Company fails to lodge an Appendix 3B in relation to the Underwritten Shares with ASX within 7 days of the Lodgement Date;
- (c) **(Supplementary prospectus)**:
 - (i) the Underwriter, having elected not to exercise his right to terminate his obligations under the Underwriting Agreement as a result of an occurrence as described in clause (m)(iv), forms the view on reasonable grounds that a Supplementary Prospectus should be lodged with ASIC for any of the reasons referred to in Section 719 of the Corporations Act and the Company fails to lodge a Supplementary Prospectus in such form and content and within such time as the Underwriter may reasonably require; or
 - (ii) the Company lodges a Supplementary Prospectus without the prior written agreement of the Underwriter;
- (d) **(Non-compliance with disclosure requirements)**: it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (ii) the rights and liabilities attaching to the Underwritten Shares;
- (e) **(Restriction on allotment)**: the Company is prevented from allotting the Underwritten Shares 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;
- (f) **(Withdrawal of consent to Prospectus)**: any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;

- (g) **(ASIC application)**: an application is made by ASIC for an order under Section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the Shortfall notice deadline date has arrived, and that application has not been dismissed or withdrawn;
- (h) **(ASIC hearing)**: ASIC gives notice of its intention to hold a hearing under Section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or ASIC makes an interim or final stop order in relation to the Prospectus under Section 739 of the Corporations Act;
- (i) **(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, or an application for such a declaration is made to the Takeovers Panel;
- (j) **(Hostilities)**: there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this 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, Israel or any member of the European Union, 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;
- (k) **(Authorisation)**: any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (l) **(Indictable offence)**: a director or senior manager of the Company is charged with an indictable offence;
- (m) **(Termination Events)**: any of the following events occurs:
 - (i) **(Default)**: default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
 - (ii) **(Incorrect or untrue representation)**: any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
 - (iii) **(Contravention of constitution or Act)**: a contravention by the 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;
 - (iv) **(Adverse change)**: an event occurs which gives rise to a Material Adverse Effect (as defined in the Underwriting Agreement) or any adverse change or any development 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 the Company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;

- (v) **(Error in Due Diligence Results)**: it transpires that any of the due diligence results or any part of the verification material was false, misleading or deceptive or that there was an omission from them;
- (vi) **(Misleading Prospectus)**: it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of Sections 711, 713 and 716 of the Corporations Act) or if any statement in the Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;
- (vii) **(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;
- (viii) **(Public statements)**: without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer, the Issue or the Prospectus;
- (ix) **(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 Issue or the affairs of the Company is or becomes misleading or deceptive or likely to mislead or deceive;
- (x) **(Official Quotation qualified)**: the official quotation is qualified or conditional;
- (xi) **(Change in Act 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;
- (xii) **(Prescribed Occurrence)**: a Prescribed Occurrence (as defined in the Underwriting Agreement) occurs, other than as disclosed in the Prospectus;
- (xiii) **(Suspension of debt payments)**: the Company suspends payment of its debts generally;
- (xiv) **(Event of Insolvency)**: an Event of Insolvency (as defined in the Underwriting Agreement) occurs in respect of the Company;
- (xv) **(Judgment against the Company)**: a judgment in an amount exceeding \$100,000 is obtained against the Company and is not set aside or satisfied within 7 days;
- (xvi) **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced against the Company, other than any claims foreshadowed in the Prospectus;

- (xvii) **(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 Shares without the prior written consent of the Underwriter;
- (xviii) **(Change in shareholdings)**: there is a material change in the major or controlling shareholdings of the 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 the Company;
- (xix) **(Timetable)**: there is a delay in any specified date in the timetable which is greater than 5 Business Days;
- (xx) **(Force Majeure)**: a Force Majeure (as defined in the Underwriting Agreement) affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 14 days occurs;
- (xxi) **(Certain resolutions passed)**: the 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 Underwriter;
- (xxii) **(Capital Structure)**: the Company alters its capital structure in any manner not contemplated by the Prospectus;
- (xxiii) **(Breach of Material Contracts)**: any of the material contracts of the Company as disclosed to the ASX are terminated or substantially modified;
- (xxiv) **(Investigation)**: any person is appointed under any legislation in respect of companies to investigate the affairs of the Company; or
- (xxv) **(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.

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

8.3 Directors' interests

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

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

Prospectus; or

(c) the Offer pursuant to this Prospectus,

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

Directors' interests in securities of the Company at the date of this Prospectus are:

Name	Shares	Options	Entitlement	Remuneration (\$)
David McSweeney ¹	13,970,727	Nil	2,794,145	272,500
Andrew Munckton	815,000	1,500,000	163,000 ²	272,500
Tan Sri Mohamed	30,303,113	Nil	6,060,622	-
Gary Steinepreis	2,257,155	Nil	451,431	40,000
Stephen Stone	1,385,942	Nil	277,188	40,000
Ahmad Kamaruddin ³	Nil	Nil	Nil	40,000

Note:

¹ David McSweeney has a relevant interest in 10% of the shares in MSP Engineering Pty Ltd and the Company has entered into an agreement with MSP Engineering Pty Ltd to provide engineering services to the Company with regards to the Viscaria Copper Iron Ore Project in Sweden. The fees charged by MSP Engineering Pty Ltd are negotiated on arms length terms.

² Andrew Munckton's employee options will not vest before the Record Date and as such have no effect on his entitlement.

³ Ahmad Hisham Kamaruddin is the Alternate Director for Tan Sri Abu Sahid Bin Mohamed.

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal shares. The Company paid to the Directors a total of \$334,407 for the year ended 30 June 2009 and \$339,415 for the year ended 30 June 2010. In addition to the above, the Directors have been paid fees totalling \$252,737 from the end of the previous financial year until the date of this Prospectus. Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

8.4 Interests and consents of experts and advisers

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

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

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

Pursuant to Section 716 of the Corporations Act, Tan Sri Abu Sahid Bin Mohamed has given and has not withdrawn his consent to being named as Underwriter to the Offer in the Corporate Directory of this Prospectus in the form and context in which he is named. Tan Sri Abu Sahid Bin Mohamed has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Mr Andrew Munckton has given his written consent to being named as a competent person in relation to statements made in relation to Mineral Resources in the Chairman's Letter of this Prospectus and to the inclusion of the statements attributed to him in the form and context in which they are included. Mr Munckton has not withdrawn his consent prior to the lodgement of this Prospectus with the ASIC.

Tan Sri Abu Sahid Bin Mohamed (including his related entities) is a Shareholder of the Company and currently has a relevant interest in 30,303,113 Shares. Tan Sri Abu Sahid Bin Mohamed has indicated that it is his current intention to subscribe for his full Entitlement under the Offer in respect of all of the Shares in which he has a relevant interest.

Tan Sri Abu Sahid Bin Mohamed will be paid an underwriting fee of approximately \$315,213 in respect of this Offer.

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

Steinepreis Paganin act as solicitors to the Company. Steinepreis Paganin will be paid approximately \$10,000 for services in relation to this Prospectus.

8.5 Legal proceedings

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

8.6 Estimated expenses of Offer

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

	\$
ASIC fees	2,068
ASX fees	13,145
Underwriting fees	315,213
Legal expenses	10,000
Printing and postage	3,000
Total	343,426

8.7 Market Price of Shares

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

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

Highest: \$0.25 on 12 October 2010

Lowest: \$0.18 on 29 October 2010

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was \$0.195 on 10 January 2011.

8.8 Electronic Prospectus

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

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

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

9. **DIRECTORS' CONSENT**

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

Dated the 11th January 2011

A handwritten signature in black ink, appearing to be 'David McSweeney', written in a cursive style.

David McSweeney
Chairman
Avalon Minerals Limited

10. **DEFINITIONS**

Applicant means a Shareholder or Underwriter or other party instructed by the Underwriter who applies for Securities pursuant to the Offer.

ASIC means the Australian Securities and Investments Commission.

ASX means the 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 unless the context indicates otherwise.

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

Closing Date means the closing date of the Offer, being 5:00pm (WST) on 11 February 2011 (unless extended).

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

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

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

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

Dollar or "\$" means Australian dollars.

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

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

Issue means the issue of Shares offered by this Prospectus.

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

Offer means the offer pursuant to this Prospectus of one (1) new Share for every five (5) Shares held by a Shareholder on the Record Date to raise approximately \$6,304,265.

Official List means the official list of ASX.

Option means an option to acquire a Share.

Prospectus means this prospectus.

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

Record Date means 5:00pm (WST) on 21 January 2011.

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

Securities means Shares and Options.

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

Shareholder means a shareholder of the Company.

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

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

Underwriter means Tan Sri Abu Sahid Bin Mohamed.

WST means Western Standard Time.