

28 October 2013

ASX ANNOUNCEMENT



AVALON
MINERALS LTD

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

ASX: AVI

PARTIALLY UNDERWRITTEN NON-RENOUNCEABLE PRO-RATA RIGHTS ISSUE NOTICE UNDER SECTION 708AA(2)(f) OF THE CORPORATIONS ACT 2001 AS MODIFIED BY ASIC CLASS ORDER 08/35

REGISTERED OFFICE

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This notice is given by Avalon Minerals Ltd (**Company** or **Avalon**) under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) (**Act**) as modified by Australian Securities and Investments Commission Class Order 08/35 (**CO 08/35**).

Where applicable, references in this notice to sections of the Act are to those sections as modified by CO (08/35).

Avalon 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 today, 28 October 2013.

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. A shortfall facility is available to enable Eligible Shareholders to subscribe for additional shares from any shortfall.

The Company confirms that:

- 1 The New Shares are offered for issue without disclosure under Part 6D.2 of the Corporations Act 2001 (Cth) (**Act**).
- 2 This notice is being given under section 708AA(2)(f) of the Act in compliance with the requirements of sub-section 708AA(7) of the Act.
- 3 As at the date of this notice, the Company has complied with:
 - (a) the provisions of Chapter 2M of the Act; and
 - (b) section 674 of the Act,as they apply to the Company.



4 The following information was excluded information (as that term is defined in section 708AA(8) of the Act):

The Company requested that Phoenix Copper Limited (**Sub-underwriter**) (which announced on 25 October 2013 that it had been appointed as sub-underwriter in relation to the re-opened Rights Issue), whose relevant interest in Avalon shares following the allocation of shares to it as sub-underwriter may be as high as 19.9%, 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.

On 24 October 2013, the Company announced that it has received non-binding, written approaches from more than one unrelated third party proposing discussion be commenced with a view to merger. The Company has had some very preliminary discussions in connection with the approaches but otherwise advises that there are no material developments. The Board will consider the approaches received in more detail and its responses once it has initiated the re-opening of the Rights Issue.

5 The potential effect the re-opened Rights Issue will have on the control of the Company is detailed in the following paragraphs of this item 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 Lim Heng Suan and Tan Sri Abu Sahid Bin Mohamed (the **Associated Shareholders**) increased to 44.61%.

The re-opened Rights Issue is partially underwritten to the extent of a further \$2,100,000 by CPS Capital Group Pty Ltd (**Underwriter**) who have appointed the Sub-underwriter as sub-underwriter for \$2,100,000 in relation to the underwriting.

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 Underwriter, the Sub-underwriter and/or any sub-underwriter, then the voting power of the Associated Shareholders will decrease to 35.33%.

The Takeovers Panel has also ordered that, after completion of the re-opened Rights Issue, any shares held by Tan Sri Abu Sahid Bin Mohamed or Lim Heng Suan 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 Takeovers Panel, the collective voting power of the Associated Shareholders, for a period of 18 months from the date of the orders of the Takeovers Panel (14 October 2013), 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 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 Underwriter. The relevant interest of the 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 Underwriting Agreement between the Company and the Underwriter, the relevant interest in Avalon shares held by the Underwriter, the Sub-underwriter or any other sub-underwriter cannot exceed 19.9%.

Pursuant to the terms of the Underwriting Agreement, the 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 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.

Dated 28 October 2013

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

