

9 August 2013

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Dear Shareholder

## **FULLY UNDERWRITTEN NON-RENOUCEABLE PRO-RATA RIGHTS ISSUE**

### **Rights Issue**

Avalon Minerals Ltd (**Avalon** or **Company**) announced a fully underwritten, non-renounceable pro-rata rights issue on 9 August 2013 and is pleased to provide further detailed information on the fully underwritten, non-renounceable pro-rata rights issue it will be undertaking (**Rights Issue**).

The Rights Issue will be an offer of new fully paid ordinary shares (**Rights Issue Shares**) on the basis of one (1) Rights Issue Share for every one (1) share held (**Entitlement**) by Eligible Shareholders (defined below) on the Record Date (defined below) (**Existing Shares**), at a price of \$0.01 per Rights Issue Share (**Issue Price**). Based on the current shares on issue a total of 562,017,007 Rights Issue Shares will be offered to raise up to approximately \$5.62 million (before the costs of the Rights Issue).

The Issue Price represents a discount of 28% to the last closing price of Avalon's shares prior to the announcement of the Rights Issue.

The Rights Issue is non-renounceable, meaning that Eligible Shareholders who do not take up their Entitlement will not be able to transfer or receive any value for those Entitlements, and their equity interest in the Company will be diluted.

### **Eligibility and Record Date**

Holders of shares in the Company as at 5pm (AEST) on 19 August 2013 (**Record Date**) will be eligible to participate in the Rights Issue (**Eligible Shareholders**).

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

### **Fully Underwritten**

The Rights Issue is fully underwritten by Tan Sri Abu Sahid Mohamed (**Underwriter**), currently Avalon's largest shareholder. Accordingly, any Rights Issue Shares not subscribed for by Eligible Shareholders under the Rights Issue or the Shortfall Facility (**Shortfall Shares**) will be dealt with by the Underwriter in accordance with the agreed underwriting arrangements. If no other shareholders take up any of their Rights and the Underwriter subscribes for all of the Rights Issue Shares, this will result in Tan Sri Abu Sahid Mohamed owning 61% of Avalon.

A summary of the underwriting arrangements will be set out in the Offer Document that will be sent to shareholders on 22 August 2013.

## Use of proceeds from the Rights Issue

The Company will use the proceeds raised under the Rights Issue to:

- (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;
- (c) fund the acquisition of tenements; and
- (d) provide working capital to the Company generally.

## Offer Document

The Rights Issue is being conducted in accordance with section 708AA of the *Corporations Act 2001* (Cth) (**Act**). Accordingly, the Company is not required to lodge a prospectus with ASX or ASIC or provide one to shareholders. The Company has prepared a document explaining the Rights Issue in more detail (**Offer Document**).

The Offer Document will be lodged with the ASX on or before 22 August 2013 and will be sent to Eligible Shareholders on that date, together with a personalised Entitlement and Acceptance Form.

A Cleansing Notice and Appendix 3B were also lodged with the ASX on 9 August 2013.

All documents are available for inspection on the ASX website at [www.asx.com.au](http://www.asx.com.au) and the Company's website at [www.avalonminerals.com.au](http://www.avalonminerals.com.au).

## Timetable

The current proposed timetable for the Rights Issue is set out below.

Activity	Date
Appendix 3B for Rights Issue and Section 708AA Cleansing Notice lodged with ASX	9 August 2013
Dispatch of notices to Option holders informing them of Rights Issue	9 August 2013
Dispatch of notices to Shareholders informing them of Rights Issue	12 August 2013
'Ex' Date (Shares trade on an "ex" Entitlement basis*)	13 August 2013
Record Date for Entitlement to participate in the Rights Issue	5pm (AEST), 19 August 2013
Rights Issue Offer Document and Entitlement and Acceptance Form dispatched to Shareholders (and announced to ASX)	22 August 2013
Rights Issue closes (Closing Date for Receipt of Entitlement and Acceptance Form)	5pm (AEST), 9 September 2013
Securities quoted on deferred settlement basis	10 September 2013

Activity	Date
Notify ASX of under subscriptions	12 September 2013
Issue Date (date on which Rights Issue Shares entered into holders' security holdings. Deferred settlement trading ends)	17 September 2013
Rights Issue final Appendix 3B lodged with ASX	17 September 2013
Normal ASX trading for new Rights Issue Shares commences	18 September 2013

*The above dates are indicative only and may change without notice. The Directors reserve the right to amend this indicative timetable at any time (subject to the Corporations Act and ASX Listing Rules), to extend the Closing Date or to cancel the Rights Issue without prior notice in its absolute discretion. The commencement of quotation of New Shares 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.*

### Capital Structure

The effect of the Rights Issue on the capital structure of the Company based on the current shares on issue is as follows:

- The maximum number of Rights Issue Shares that may be issued under the Rights Issue is 562,017,007, raising a maximum of \$5,620,170;
- After completion of the Rights Issue, the maximum number of issued shares in the Company will be 1,124,034,014.

This assumes that no options are exercised or performance rights vest and no other shares are issued prior to the completion of the Rights Issue.

### Participating in the Rights Issue

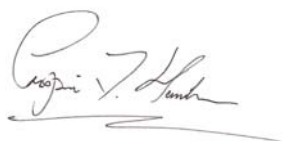
The Board recommends the Rights Issue to shareholders.

However, before making a decision whether to apply for Rights Issue Shares, Eligible Shareholders should read the Offer Document carefully and in its entirety when they receive it.

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), +61 (03) 9415 4000 (from outside Australia).

Yours sincerely

**AVALON MINERALS LIMITED**



**Crispin Henderson**  
Chairman