

**AVALON MINERALS LTD  
ACN 123 184 412**

**PROSPECTUS**

For a pro-rata non-renounceable entitlement issue to Shareholders on the basis of one New Share for every three Shares held at the Record Date at an issue price of \$0.05 each New Share to raise up to \$1,093,667 before issue costs.

LEAD MANAGER TO THE ISSUE - INDIAN OCEAN CAPITAL LIMITED

THIS PRO-RATA NON-RENOUNCEABLE ENTITLEMENT ISSUE IS FULLY UNDERWRITTEN  
BY:

TAN SRI ABU SAHID MOHAMED

MR DAVID LESLIE MCSWEENEY

MR ROBERT WITTENOOM

OAKHURST ENTERPRISES PTY LTD

SOLEQUEST PTY LTD

MR STEPHEN STONE AND MRS JULIA PEARL ATF THE WEST ONE SUPERANNUATION  
FUND

MR TIMOTHY NICHOLAS WISE

GRASMERE NOMINEES PTY LTD – THE GRASMERE ACCOUNT

MR PETER REGINALD MCSWEENEY ATF THE BREEZE SUPERANNUATION FUND

**Important Notice**

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about 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 IMPORTANT NOTES AND STATEMENTS

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

This Prospectus is dated 6 May 2009 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.

No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The Company will apply to ASX for the New Shares to be granted quotation on ASX.

The Issue represents an offer of New Shares only to Shareholders with addresses in Australia and New Zealand. All Shareholders domiciled outside Australia and New Zealand have been excluded from this Issue. Furthermore, 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.

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

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.

This Prospectus including each of the documents attached to it and which form part of this Prospectus is important and should be read in its entirety prior to making an investment decision. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser.

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## 2 CORPORATE INFORMATION

### Directors

David McSweeney (Chairman and Managing Director)  
Tan Sri Abu Sahid Mohamed (Non-Executive Director)  
Gary Steinepreis (Non-Executive Director)  
Stephen Stone (Non-Executive Director)  
Ahmad Hisham Kamaruddin (Alternate Director to Tan Sri Abu Sahid Mohamed)

### Company Secretary

Desmond John Kelly

### Principal and Registered Office

Unit 2, 2 Richardson Street  
West Perth Western Australia 6005  
Telephone: +61 8 9322 2752  
Facsimile: +61 8 9322 2827  
Email: [info@avalonminerals.com.au](mailto:info@avalonminerals.com.au)  
Website: [www.avalonminerals.com.au](http://www.avalonminerals.com.au)

### Share Register

Computershare Investor Services Pty Ltd\*  
Level 2, Reserve Bank Building  
45 St George's Terrace  
PERTH WA 6000  
Telephone (08) 9323 2000  
Facsimile (08) 9323 2033

### ASX Code - AVI

\* Computershare Investor Services Pty Ltd has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus. Their name is included for information purposes only.

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### **3 CHAIRMAN'S LETTER**

Dear Fellow Shareholders,

This Prospectus has been prepared to offer by Avalon Minerals Ltd shareholders the opportunity to participate in a fundraising by way of an issue of new shares to existing shareholders on the basis of one New Share to be offered at a price of five cents per Share (\$0.05), for every three Shares held. The issue has been fully underwritten by Tan Sri Abu Sahid Mohamed, Mr David Leslie McSweeney, Mr Robert Wittenoom, Oakhurst Enterprises Pty Ltd, Solequest Pty Ltd, Mr Stephen Stone and Mrs Julia Pearl ATF The West One Superannuation Fund, Mr Timothy Nicholas Wise, Grasmere Nominees Pty Ltd – The Grasmere Account and Mr Peter Reginald McSweeney.

The issue aims to raise a total of approximately \$1 million which will be used to further exploration of the Company's 100% owned Viscaria Copper deposits in Northern Sweden. The Viscaria project has a JORC inferred total resource of 39mt @ 1.3% Cu and is considered to be highly prospective for the discovery of new high grade zones of > 3% Cu.

Current JORC Code reported Inferred Mineral Resources at Viscaria are:

**A Zone South – 8.2Mt @ 2.7% Cu;**

**A Zone North – 5.1Mt @ 1.2% Cu;**

**B Zone – 24.1Mt @ 0.8% Cu; and**

**D Zone – 2.5Mt @ 1.6% Cu.**

**For a total of 39.9Mt @ 1.3% Cu and 515,400 tonnes of copper metal.**

The geological setting at Viscaria is regarded as a VMS (Volcanogenic Massive Sulphide) examples of which include Golden Grove and the Jaguar deposits in Western Australia.

In March 2008 Avalon Minerals Ltd completed negotiations to acquire up to a 100% interest in 2 Historical copper deposits in Northern Sweden, Adak and Viscaria.

The Board considers the Viscaria deposit to have outstanding potential for new copper mineralisation. The money raised pursuant to this Offer will be applied almost exclusively to advancing the evaluation by drilling of the down dip potential of the A Zone South resource and the shallower along strike target areas at Bhapagobba immediately north of Viscaria over the next 3 to 6 months.

The Board is well aware that current circumstances are difficult and that many exploration companies have deferred their exploration programs. However, The Board has elected to take a pro-active approach to the Viscaria copper deposit and will pursue its exploration of this area as rapidly as is commensurate with technical competence. While the upcoming exploration drilling is inherently risky and there are no guarantees of success, potential rewards can be substantial.

I would urge you to consider this offer carefully and to consult your financial advisor when considering whether to take up your entitlement.

Yours faithfully



David McSweeney  
Chairman  
Avalon Minerals Ltd

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## **4 THE OFFER**

By this Prospectus, the Company is offering 21,873,333 Shares on the basis of one New Share for every three Shares held on the Record Date at an issue price of \$0.05 per Share.

The number of Shares to which you are entitled is calculated as at the Record Date and is shown on the Application Form which accompanies this Prospectus.

The maximum number of Shares to be issued is 21,873,333 (subject to any additional allotment of Shares on the exercise of Existing Options prior to the Record Date), which will raise up to \$1,093,667 before allowing for costs. The purpose of the Issue and the use of the funds are set out in section 6 of this Prospectus.

The Directors may at any time decide to withdraw this Prospectus and the offer of Shares made under this Prospectus in which case the Company will return all application monies in accordance with the requirements of the Corporations Act.

The Directors have resolved to restrict the Offer to those Shareholders with addresses in Australia and New Zealand.

In the calculation of any entitlement, fractional entitlements will be rounded down to the nearest whole number of Shares.

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## **5 DETAILS OF THE OFFER**

### **5.1 Key Dates**

Lodgement of Prospectus with ASIC	6 May 2009
Ex Entitlement Date	11 May 2009
Record Date	15 May 2009
Dispatch of Prospectus and Entitlement and Acceptance Forms	21 May 2009
Closing Date for acceptance and payment for New Shares	4 June 2009
Statements for Securities despatched (latest date)	12 June 2009

### **5.2 No Rights Trading**

The rights to the Shares pursuant to the Issue are non-renounceable. Accordingly, there will be no trading of these rights. If you do not take up your Entitlement the offer will lapse and the Directors reserve the right to place the Shares in accordance with the Underwriting Agreement.

### 5.3 How to Accept your Share Entitlement

This Offer may be accepted in whole or in part prior to the Closing Date subject to the rights of the Company to extend the Offer period or close the Offer early.

Instructions for completion of the acceptance of your Entitlement are set out on the Application Form which accompanies this Prospectus.

Acceptance cannot exceed your entitlement as shown on the Application Form. If it does, acceptance will be deemed to be for your maximum entitlement and any surplus subscription funds will be returned.

You may participate in the Issue as follows:

(a) **Acceptance in Full**

If you wish to take up all of your Entitlement, please complete the Application Form, which accompanies this Prospectus, in accordance with the instructions contained thereon. Forward your completed Application Form, together with your cheque for the amount shown on the form so as to reach the Company's share registry no later than 5.00 pm Perth time (WST) on 4 June 2009 (except where payment is via BPAY® in which case payment must be made by no later than 4.00pm WST on 4 June 2009 or such earlier cut off time that your own financial institution may implement with regard to electronic payments).

Cheques should be made payable to "Avalon Minerals Limited Share Issue Account" and crossed "Not Negotiable".

(b) **Partial Acceptance**

If you wish to take up part of your Entitlement, please complete the Application Form, which accompanies this Prospectus, by inserting the number of Shares for which you wish to accept (being no more than as specified on the Application Form) and forward the completed Application Form together with your cheque for the total amount payable so as to reach the Company's share registry no later than 5.00 pm Perth time (WST) on 4 June 2009 (except where payment is via BPAY® in which case payment must be made by no later than 4.00pm WST on 4 June 2009 or such earlier cut off time that your own financial institution may implement with regard to electronic payments).

Cheques should be made payable to "Avalon Minerals Ltd Share Issue Account" and crossed "Not Negotiable".

(c) **Non Acceptance**

If you do not wish to take up any part of your Entitlement you are not required to take any action.

® Registered to BPAY Pty Ltd ABN 69 079 137 518



Please ensure the completed Entitlement and Acceptance Form and your cheque is received by the Company's Share Registry at :

**By Delivery:**

Computershare Investor Services Pty Ltd  
Level 2 Reserve Bank Building  
45 St Georges Tce  
PERTH WA 6000

**By Post:**

Computershare Investor Services Pty Ltd  
Locked Bag 2508  
PERTH WA 6001

If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

**If you have any queries concerning your entitlement or allocation, please contact:**

Mr Desmond Kelly  
Company Secretary  
Avalon Minerals Limited  
Unit 2, 2 Richardson Street, West Perth WA 6005

Tel: +61 8 9322 2752 Fax: +61 8 9322 2827

**or contact your stockbroker or professional adviser.**

#### 5.4 **Rights and Liabilities attaching to the Shares**

A summary of the terms of the Shares are set out in section 7.

Shares issued will rank equally in respect of dividends and in all other respects (eg voting, bonus issues) as Existing Shares.

#### 5.5 **Underwriting**

The Issue is fully underwritten by Tan Sri Abu Sahid Mohamed, Mr David Leslie McSweeney, Mr Robert Wittenoom, Oakhurst Enterprises Pty Ltd, Solequest Pty Ltd, Mr Stephen Stone and Mrs Julia Pearl ATF The West One Superannuation Fund, Mr Timothy Nicholas Wise, Grasmere Nominees Pty Ltd – The Grasmere Account and Mr Peter Reginald McSweeney (refer to section 9 for full details). Pursuant to the Underwriting Agreement, the Company will not pay an underwriting commission. A summary of the material terms of the Underwriting Agreement, including rights of termination, are set out in section 9.

#### 5.6 **Issue Outside Australia and New Zealand**

The Company is of the view that it is unreasonable to make an offer under this Prospectus to Eligible Shareholders outside of Australia and New Zealand having regard to:

- (a) the number of Eligible Shareholders registered outside of Australia and New Zealand;
- (b) the number and value of the securities to be offered to Eligible Shareholders registered outside of Australia and New Zealand; and
- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company is not required to make offers under the Prospectus to Eligible Shareholders registered outside of Australia and New Zealand.

In compliance with section 615 of the Corporations Act, the Company has appointed, and ASIC has approved, Indian Ocean Capital ("**Nominee**") as nominee for foreign holders of the Company's securities in those countries outside of Australia and New Zealand.

The Nominee will subscribe for and the Company will issue to the Nominee the New Shares that would otherwise have been issued to those foreign holders if the offer had been made available to them and they had accepted.

The Nominee must sell the New Shares and cause to be distributed to each of those foreign holders their proportion of the proceeds of the sale, net of expenses. Any such sale will be at such prices and otherwise in such a manner as the Nominee in its absolute discretion, determines.

#### **5.7 ASX Listing**

The Company will make application to ASX within 7 days following the date of this Prospectus for official quotation of the New Shares to be offered pursuant to this Prospectus.

If Official Quotation of the New Shares is not granted by ASX within three months of the date of issue of this Prospectus, then all application monies received pursuant to this Prospectus will be repaid as soon as practicable, without interest. In accordance with Section 722(1) of the Corporations Act, until the issue of any New Shares pursuant to the Issue, all application monies shall be held by the Company in trust in a bank account established solely for the purpose of depositing application monies received.

The fact that ASX may agree to grant Official Quotation of the New Shares is not to be taken in any way as an indication of the merits of the Company or the Shares. ASX takes no responsibility for the contents of this Prospectus.

#### **5.8 Allotment of New Shares**

The New Shares are expected to be allotted by no later than 5 pm (WST) on 12 June 2009.

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## 6 PURPOSE AND EFFECT OF THE ISSUE

### 6.1 Purpose of the Issue

The purpose for the Issue is to raise up to \$1,093,667. The proceeds from the Issue are planned to be used in accordance with the table set out below:

<b>Proceeds of the Issue</b>	<b>\$</b>
Viscaria drilling program	1,050,682
Expenses of the Offer	42,985
<b>ESTIMATED TOTAL</b>	<b>1,093,667</b>

### 6.2 Effect of the Issue

The principal effect of the Issue on the Company and the pro-forma capital structure, following completion of the Issue will be as follows:

- (a) increase cash reserves by a maximum of \$1,093,667 immediately after completion of the Issue and before estimated expenses of the Issue; and
- (b) create 21,873,333 New Shares.

### 6.3 Effect on Capital Structure

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

65,620,000	Shares on issue at the date of this Prospectus
21,873,333	Maximum number of New Shares to be issued pursuant to this Prospectus*
87,493,333	Total Shares on issue post-Issue*
6,300,000	Existing Options on issue at the date of this Prospectus

\* Maximum number of New Shares to be issued and Total Shares on issue post-Issue assuming that no options are exercised prior to the Record Date.

The terms of all Existing Options is as shown below:

3,900,000	10 February 2010	20 cents
800,000	31 January 2010	20 cents
125,000	31 January 2010	25 cents
1,075,000	31 January 2010	40 cents
300,000	31 July 2011	30 cents
100,000	31 July 2011	20 cents

#### 6.4 Unaudited Proforma and Consolidated Balance Sheet

	*31 Dec 2008	Unaudited Proforma
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	323,252	2,660,934
Trade and other receivables	64,151	64,151
Non-current assets held for sale	-	-
Total current assets	<u>387,403</u>	<u>2,725,085</u>
<b>Non-current assets</b>		
Other financial assets	-	-
Plant and equipment	147,756	147,756
Exploration and evaluation	2,321,412	2,321,412
Total non-current assets	<u>2,469,168</u>	<u>2,469,168</u>
Total assets	<u>2,856,571</u>	<u>5,194,253</u>
<b>Current liabilities</b>		
Trade and other payables	294,776	294,776
Total current liabilities	<u>294,776</u>	<u>294,776</u>
<b>Non-current liabilities</b>		
Provisions	12,357	12,357
Total non-current liabilities	<u>12,357</u>	<u>12,357</u>
Total liabilities	<u>307,133</u>	<u>307,133</u>
<b>Net assets</b>	<u>2,549,438</u>	<u>4,887,120</u>
<b>Equity</b>		
Contributed equity	7,425,612	9,763,294
Reserves	273,130	273,130
Accumulated losses	(5,149,304)	(5,149,304)
<b>Total equity</b>	<u>2,549,438</u>	<u>4,887,120</u>

*\* 31 December 2008 accounts are not audited but have been subject an audit review.*

### **Assumptions for Unaudited Proforma and Consolidated Balance Sheet**

The unaudited proforma consolidated Statements of Financial Position disclosed above incorporates the effect of a placement completed in January 2009 which raised \$1,287,000, net of expenses 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 the Existing Options. It has been prepared on the basis that there has been no material movements in the assets and liabilities of the consolidated entity between 31 December 2008 and the close of the entitlements issue, other than those stated above.

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## **7 TERMS AND CONDITIONS OF NEW SHARES**

The share capital of the Company is not divided into different classes of shares. Shares to be issued pursuant to this Prospectus will rank equally in all respects with the existing Shares on issue. Full details of the rights attaching to the Company's shares are set out in its Constitution, a copy of which can be inspected at the Company's registered office. The following is a summary of the rights that attach to the Company's existing Shares.

### **Voting Rights**

Subject to the Constitution, the Listing Rules and the Corporations Act, each shareholder entitled to vote present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each share held.

### **Dividends**

The Directors may, from time to time, declare a dividend to be paid to the shareholders entitled to the dividend. Subject to the rights of any preference shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the dividend as declared shall be payable on all shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares in accordance with Part 2H.5 of Chapter 2H of the Corporations Act.

### **Rights on Winding Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among shareholders in kind the whole or any part of the property of the Company, and may for that purpose set a value as the liquidator considers fair upon any property to be so decided, and may determine how the division is to be carried out as between the shareholders.

### **Transfer of Shares**

Subject to the Constitution of the Company, the Corporations Act, the ASX Listing Rules, ASTC Settlement Rules and other laws, Shares are freely transferable.

### **Future Increases in Capital**

The allotment and issue of any new shares, from time to time, is under the control of the Directors of the Company. Subject to the restrictions on the allotment of shares to Directors or their associates contained in the Listing Rules, The Constitution of the Company and the Corporations Act, the Directors may allot or otherwise dispose of shares on such terms and conditions as they see fit.

### **Variation of Rights**

If at any time the share capital of the Company 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) may be varied with the written consent of the holders of such shares with at least 75% of votes in that class or if authorised by a special resolution at a separate meeting of the holders of that class.

The Company will apply for official quotation by ASX of all Shares issued pursuant to this Prospectus.

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## **8 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 Issue of Securities pursuant to this Prospectus;  
or
- (c) the Issue 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 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 Issue of Shares pursuant to this Prospectus.



### Remuneration of Directors

Details of remuneration provided to Directors and their associated entities during the past two financial years are as follows:

Financial year up to 30 June 2008			
Director	Directors' Fees/Salaries	Other Remuneration	Total
	\$	\$	\$
Mr D McSweeney	300,000	32,424	332,424
Tan Sri Abu Sahid Mohamed	-	-	-
Mr G Steinepreis	35,000	3,174	38,174
Mr S Stone	36,459	3,174	39,633

Financial year up to 30 June 2007			
Director	Directors' Fees/Salaries	Other Remuneration	Total
	\$	\$	\$
Mr D McSweeney	135,031	57,565	192,596
Mr G Steinepreis	8,750	2,160	10,910
Mr S Stone	8,750	2,160	10,910

Since 30 June 2008, Mr McSweeney has been paid \$211,642, Tan Sri Abu Sahid Mohamed \$8,750, Mr Steinepreis \$26,250 and Mr Stone \$26,250.

Mr McSweeney will receive a total remuneration of \$247,976 for the 2009 financial year.

### Directors' Underwriting

The directors have agreed to participate in the issue by way of underwriting as follows:

Director	\$	Shares
Mr D McSweeney	173,554	3,471,080
Tan Sri Abu Sahid Mohamed	606,433	12,128,660
Mr G Steinepreis	65,833	1,316,660
Mr S Stone	32,500	650,000



*Relative Interest of Tan Sri Abu Sahid Mohamed*

As at the date of this Prospectus, the current relevant interest of Tan Sri Abu Sahid Mohamed in the Company is 19.81%.

Tan Sri Abu Sahid Mohamed has confirmed to the Company that he presently intends to take up his Entitlement under the Issue as an Eligible Shareholder with respect to his holding of 13,000,000 Shares.

The maximum increase in Tan Sri Abu Sahid Mohamed's voting power by reason of his Entitlement to subscribe for New Shares under the Issue and New Shares acquired under Tan Sri Abu Sahid Mohamed's underwriting of the Issue will be 8.91% (bringing his voting power to approximately 28.72%).

The following table shows the number of Shares on issue at the date of this Prospectus and the total number of Shares on issue as at the close of the Issue based on the maximum total Shares to be issued under the Issue (assuming the existing Options are not exercised).

<b>Shares</b>	<b>Number</b>
Existing Shares	65,620,000
Maximum number of New Shares to be issued pursuant to the Issue (assuming no existing Options are exercised)	21,873,333
<b>Total after completion of the Issue</b>	<b>87,493,333</b>

An analysis of the impact of the Issue and underwriting on the effective control of the Company has been undertaken to indicate the effect on the Tan Sri Abu Sahid Mohamed's relevant interest in the Company under various scenarios. The results are detailed below. Each scenario below assumes that there is no exercise of existing Options prior to completion of the Issue.

### Before Issue

The following table shows the existing capital structure of the Company at the date of this Prospectus.

Shareholder	Shares	% of Total Shares
Tan Sri Abu Sahid Mohamed	13,000,000	19.81
Others	52,620,000	80.19
TOTAL	65,620,000	100.00

### Scenario 1 – Maximum Entitlement take up by all Eligible Shareholders

The following table shows the capital structure of the Company at the close of the Rights Issue if each Eligible Shareholder elects to take up each of their Entitlements to subscribe for Shares pursuant to the Issue.

Shareholder	Shares	% of Total Shares
Tan Sri Abu Sahid Mohamed	17,333,333	19.81
Others	70,160,000	80.19
TOTAL	87,493,333	100.00

**Scenario 2 – Tan Sri Abu Sahid Mohamed takes up 100% of his Entitlement, all other Eligible Shareholders take up 50% of their Entitlement (and Tan Sri Abu Sahid Mohamed takes up his commitment pursuant to the underwriting agreement)**

The following table shows the capital structure of the Company at the close of the Issue in the event that other than Tan Sri Abu Sahid Mohamed, all Eligible Shareholders take up 50% of their Entitlement and Tan Sri Abu Sahid Mohamed elects to take up all of his Entitlement under the Issue as an Eligible Shareholder.

Shareholder	Shares	% of Total Shares
Tan Sri Abu Sahid Mohamed	20,196,402	23.08
Others	67,296,931	76.92
TOTAL	87,493,333	100.00

**Scenario 3 – Tan Sri Abu Sahid Mohamed takes up his Entitlement, Nil take up by other Eligible Shareholders (and Tan Sri Abu Sahid Mohamed takes up his commitment pursuant to the underwriting agreement)**

The table below shows the capital structure of the Company at the close of the Issue where all Eligible Shareholders elect not to take up their Entitlement.

Shareholder	Shares	% of Total Shares
Tan Sri Abu Sahid Mohamed	25,128,660	28.72
Others	62,364,673	71.28
TOTAL	87,493,333	100.00

**Tan Sri Abu Sahid Mohamed’s intentions for the Company**

Given the potential increase in Tan Sri Abu Sahid Mohamed’s voting power in the Company as a result of the Offer and his underwriting of the Offer, there is also a requirement to provide details of Tan Sri Abu Sahid Mohamad’s current intentions for the Company in the event that he gains effective control of the Company.

Tan Sri Abu Sahid Mohamed has informed the Company that if he were to gain effective control of the Company by virtue of his shareholding, including New Shares acquired under the Offer and his underwriting of the Offer, the current intentions of Tan Sri Abu Sahid Mohamed are that he will procure that the Company will:

- generally continue the business of the Company;

- not make any major changes to the business of the Company nor redeploy any of the fixed assets of the Company; and
- continue the employment of the Company's present employees.

The intentions and statements of future conduct set out above must also be read as being subject to the legal obligation of the Company's Directors at the time, including any nominees of Tan Sri Abu Sahid Mohamed, to act in good faith in the best interests of the Company and for the proper purposes and to have regard to the interests of the Shareholders.

The implementation of Tan Sri Abu Sahid Mohamed's current intentions of its ownership of the Company will be subject to the law (including the Corporations Act), the Listing Rules and the Company's constitution.

In particular, the requirements of the Corporations Act and the Listing Rules in relation to conflicts of interest and "related party" transactions will apply in the event that Tan Sri Abu Sahid Mohamed is treated as a related party of the Company.

Tan Sri Abu Sahid Mohamed would only make a decision on its courses of action in light of material facts and circumstances at the relevant time and after it receives appropriate legal and financial advice on such matters, where required, including in relation to any requirements for Shareholder approval.

The statements above are of current intention only which may change as new information becomes available or circumstances change. The statements should be read in this context.

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## **9 MATERIAL CONTRACTS**

### *Underwriting Agreement*

Pursuant to an Underwriting Agreement dated 5 May 2009 between the Company and the Underwriters, the Underwriters have agreed to underwrite all of the Issue pursuant to this Prospectus.

Pursuant to the Underwriting Agreement, the Company will not pay the Underwriters an underwriting commission. The Company must pay, indemnify and keep indemnified the Underwriters for all costs incurred by the Underwriter in connection with the Issue, including legal fees and disbursements and the reasonable costs of advertising, printing and distributing the Prospectus.

The Company has given warranties and covenants to the Underwriters which are usual in an agreement of this nature.

Shown below are the Underwriters and the extent to which they have underwritten the Issue.

<b>Underwriter</b>	<b>\$</b>	<b>%</b>
Tan Sri Abu Sahid Mohamed	606,433	55.45
David Leslie McSweeney	173,554	15.87
Robert Wittenoom	100,000	9.14
Oakhurst Enterprises Pty Ltd	65,833	6.02
Solequest Pty Ltd	45,347	4.15
Stephen Stone & Julia Pearl ATF the West One Superannuation Fund	32,500	2.97
Timothy Nicholas Wise	30,000	2.74
Grasmere Nominees Pty Ltd	20,000	1.83
Peter Reginald McSweeney ATF The Breeze Superannuation Fund	20,000	1.83
<b>TOTAL</b>	<b>1,093,667</b>	<b>100.00</b>

The Underwriting Agreement provides that the Underwriters may terminate the Underwriting Agreement and its obligations thereunder at any time without cost or liability to the Underwriter upon the occurrence of any one or more of the termination events ("**Termination Event**") including:

- (a) the Underwriter becomes aware of any information in the Prospectus or any of the other documents circulated or filed in relation to the Issue which is materially untrue or incorrect or materially misleading in its context;
- (b) the Underwriter becomes aware of any material contravention by the Company of any law in force in Australia relating to corporations, securities or the Listing Rules or its Constitution;

- (c) the Company fails to comply with or is in default under any of the material terms and conditions of this Agreement or materially breaches any warranty or covenant given or made by it hereunder;
- (d) the Company is wound up, a meeting is called to consider a resolution for winding up, or proceedings are commenced or threatened for the winding up, of the Company;
- (e) the Company enters into a scheme or arrangement for the benefit of creditors;
- (f) the Company is placed under official management or a receiver or manager, or receiver and manager, of any of its assets is appointed; or
- (g) if the shares in the Company become subject either in whole or part to a takeover scheme or takeover announcement as those terms are used in the Corporations Act.

The following terms used in this Section 9 with respect to the Underwriting Agreement are defined in the Underwriting Agreement as follows:

"**Agreement**" means the Underwriting Agreement;

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Listing Rules**" means the official listing rules of ASX;

"**Issue**" means the issue of the New Shares pursuant to the Prospectus;

"**Party**" means a party to the Underwriting Agreement and "**Parties**" has a corresponding meaning;

"**Prospectus**" means a disclosure document required to be lodged by the Company with ASIC in accordance with Chapter 6D of the Corporations Act with respect to the Issue;

"**Shares**" means fully paid ordinary shares of the Company;

#### *Mandate to Act as Lead Manager*

Pursuant to a letter agreement dated 24 April 2009, the Company has agreed to engage Indian Ocean Capital as Lead Manager to the Rights Issue. The Mandate Letter provides for Indian Ocean Capital to coordinate and manage the overall offer process and assist with marketing the Issue in consideration of receiving a fee of \$27,500, including GST.

The Mandate Letter also provides that Indian Ocean Capital is granted a first right of refusal to act in the lead role in any further equity capital raisings undertaken in connection with the Company for a period of 12 months, subject to competitive terms.

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## **10 INTERESTS AND CONSENTS OF EXPERTS AND ADVISORS**

The following parties have given (and not before the date of this document withdrawn) their consent to be named in this document in the form and context in which they are named and have not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

Tan Sri Abu Sahid Mohamed, David Leslie McSweeney, Robert Wittenoom, Oakhurst Enterprises Pty Ltd, Solequest Pty Ltd, Mr Stephen Stone and Mrs Julia Pearl ATF The West One Superannuation Fund, Timothy Nicholas Wise, Grasmere Nominees Pty td –

Grasmere Account and Peter Reginald McSweeney ATF the Breeze Superannuation Fund as underwriters;

Indian Ocean Capital as Lead Manager to the Issue, and Nominee for foreign shareholders.

Reference to Computershare Investor Services Pty Ltd as share register to the Company appears for information purposes only.

Computershare have not:

- authorised or caused the issue of this Prospectus;
- made, or purported to have made, any statement in this Prospectus except as set out in this section; or
- assumed the responsibility for any part of this Prospectus except as set out in this section.

Mr Paddy Reidy has given his written consent to the inclusion in this Prospectus of all statements made by him or attributed to or derived from those statements in the form and context in which they are included in the Section 3 of the Prospectus and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Mr Peter Batten has given his written consent to the inclusion in this Prospectus of all statements made by him or attributed to or derived from those statements in the form and context in which they are included in the Section 3 of the Prospectus and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

No expert, nor any firm of which such expert is a partner, has or had in the past two years any interest in the promotion or formation of the Company or in property proposed to be acquired by the Company, nor have any amounts been paid or agreed to be paid (whether in cash, shares or otherwise) to an expert or to a firm in which an expert is a partner for services rendered by the expert in connection with the promotion of the Company other than set out below.

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## **11 CONTINUOUS DISCLOSURE OBLIGATIONS**

The Company is a "disclosing entity" (as defined in Section 111 AC 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 enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 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 2008 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;
  - (ii) the Half-Year Financial Report of the Company for the half-year ending 31 December 2008; 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 (ii) 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 announcements listed below ASX since the Half-Year Financial Report of the Company for the half-year ending 31 December 2008 was lodged on 16 March 2009:

16 March 2009	Appendix 3Y McSweeney
23 March 2009	Appendix 3B Quotation of Restricted Securities.
24 April 2009	Quarterly Activities Report
24 April 2009	Quarterly Cash Flow Report
28 April 2009	Change in Substantial Holding

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.

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## 12 EXPENSES

The estimated expenses of the Issue are as shown below:

Lead Manager fee	\$25,000
ASIC fees	\$2,550
Listing fees	\$4,384
Legal fees	\$5,000
Printing & postage	\$6,051
<b>TOTAL</b>	<b>\$42,985</b>

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## 13 MARKET PRICE OF SHARES

The highest and lowest market sale price of the Existing Shares during the three months immediately preceding the lodgement of this Prospectus with the ASIC and the last market sale price on the date before the lodgement date of this Prospectus is set out below.

	3 months high	3 month low	Last market sale price 5 May 2009
<b>Existing Shares</b>	10 cents on 16 April 2009	6.1 cents on 9 March 2009	9.5 cents

You can access, correct and update the personal information that we hold about you. Please contact the Company or its 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 ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

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## **14 RISK FACTORS**

### **14.1 General**

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

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

### **14.2 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.

### **14.3 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.

### **14.4 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.

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

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

#### **14.5 Exploration and Evaluation Risks**

The success of the Company depends on the delineation of economically mineable reserves and resources. The funds being sought will be almost exclusively used in exploration at Viscaria and that exploration may not yield the results expected, resulting in a reduction in the value of those tenements, diminution in the cash reserves of the Company, and possible relinquishment of the exploration and mining tenements.

#### **14.6 Title Risks**

The mining tenements of the Company and its subsidiaries are subject to certain conditions and obligations and must be renewed from time to time. Renewal is not necessarily a right. It involves the discretion of Governmental authorities who may, from time to time, impose additional conditions on the grant or renewal.

#### **14.7 Commodity Price and Exchange Rate Risks**

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

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

#### **14.8 Environmental and Social Risks**

The Company attempts to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

The operations and proposed activities of the Company are subject to State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. 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 giant LKAB magnetite mine, social as well as pure environment considerations need to be taken into account when planning exploration, mine dewatering and development. Application to commence drilling are currently being considered by the relevant authorities and whilst the Company has no reason to believe the approvals will be delayed, it may take time to put all approvals in place.

#### 14.9 **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.

#### 14.10 **Joint Venture Parties, Agents and Contractors**

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

#### 14.11 **Future Capital Requirements**

The Company's activities will require substantial expenditures. There can be no assurances that the Company will have sufficient capital resources, or that it will be able to obtain additional resources 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 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.

#### 14.12 **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.

#### 14.13 **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.

#### 14.14 **Reliance on Key Personnel**

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

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### 15 **TAXATION IMPLICATIONS**

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

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### 16 **PRIVACY ACT**

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 share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its 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 ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

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**17 COMPETENT PERSONS STATEMENTS**

The information in this Prospectus relating to in-situ Mineral Resources at the Viscaria deposit has been based on information compiled by Paddy Reidy BSc (Hons. Geology) of CSA Global Pty Ltd. Paddy Reidy is a Member of the Australasian Institute of Mining and Metallurgy, and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'(JORC Code 2004 Edition). Paddy Reidy consents to the inclusion of such information in this Prospectus in the form and context in which they appear.

The information in this report relating to Exploration Results is reviewed by Mr Peter Batten BAPPSC who is a Member of the Geology Society of Australia and a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists and is the company's Exploration Consultant. Mr Batten has over 25 years of exploration experience in a variety of mineral deposit styles and he consents to inclusion of the information in this report in the form and context in which it appears. He qualifies as a Competent Person as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves".

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**18 ELECTRONIC PROSPECTUS**

This Prospectus is available for information purposes at the website of the Company and ASX. No electronic Application Forms will be available.

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**19 ENQUIRIES**

Any questions concerning the Issue should be directed to Mr Desmond Kelly, the Company Secretary, on +61 8 9322 2752.

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**20 DIRECTORS CONSENT**

Each Director has consented to the lodgement of this Prospectus with the ASIC.

Signed on behalf of the Directors pursuant to a resolution of the Board.



**Mr D McSweeney**  
Chairman

**GLOSSARY**

**Application Form** means the entitlement and acceptance form accompanying this Prospectus.

**ASIC** means the Australian Securities and Investments Commission.

**ASTC Settlement Rules** means the business rules of the securities clearing house which operates CHESS.

**ASX** means ASX Limited (ABN 51 008 624 691).

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

**CHESS** means ASX Clearing House Electronic Sub-registry System.

**Closing Date** means 4 June 2009, or such other date as may be determined by the Directors under this Prospectus.

**Company** means Avalon Minerals Ltd (ACN 123 184 412) and its wholly owned subsidiaries.

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

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

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

**Dollar or \$** means Australian dollars.

**Eligible Shareholder** is a shareholder of the Company whose details appear on the Company's register of shareholders as at the Record Date.

**Entitlement** means the right to participate in the Offer according to the number of Shares held at the Record Date.

**Existing Option(s)** means the unlisted options on issue at the date of this Prospectus, exercisable at various prices and expiring on various dates.

**Issue** means the issue of New Shares under this Prospectus.

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

**New Shares** means the additional shares in the capital of the Company to be issued pursuant to this Prospectus at an issue price of \$0.05 per share.

**Offer** means the offer of the New Shares in this Prospectus.

**Prospectus** means the prospectus constituted by this document.

**Record Date** means 15 May 2009.

**Securities** means the New Shares offered by this Prospectus.

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

**Shareholder** means the holder of a Share on the Record Date.

**WST** means Western Standard Time.