

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 seven Shares held at the Record Date a at an issue price of \$0.21 each New Share to raise up to \$3.5m before issue costs.

LEAD MANAGER TO THE ISSUE - INDIAN OCEAN CAPITAL LIMITED

THIS PRO-RATA NON-RENOUNCEABLE ENTITLEMENT ISSUE IS NOT UNDERWRITTEN

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 17 December 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.

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
Website: 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.

3 CHAIRMAN'S LETTER

Dear Fellow Shareholders,

This Company plans to raise an additional \$3.45m by way of an entitlement offer to every Avalon shareholder to subscribe for 1 New Share at 21 cents for every 7 shares held as at the Record Date.

Your Company has set itself an ambitious target of becoming a copper producer from its Viscaria copper project over the next 2 to 3 years.

Your Directors believe that a window of opportunity exists over the next few years to develop new copper mines to take advantage of the higher copper prices. In order to achieve this outcome Avalon has outlined a detailed open cut resource drilling program and an exploration drilling program over the next 12 months for additional open cut ore as well as to identify new zones of high grade underground ore at Viscaria.

Avalon has successfully expanded its ground holdings over the past 12 months to over 200km² of under explored but highly prospective tenements as a result of the Company's purchase of an extensive EM survey undertaken by Billiton in 1998 approximately 12 months after the Viscaria mine closed. This survey highlighted the Viscaria units extending for up to 40km north as well as highlighting several discreet EM targets. The Company plans to further expand its ground holdings at Viscaria via new applications and acquisitions to strengthen our strategy of becoming a regional copper producer with a central facility.

Your Directors' ambition is for Avalon to become a stand alone copper producer but we will also investigate opportunities for toll milling and ore sales arrangements for early cash flows requiring minimal capital for the first 3 to 5 years.

Without doubt the most exciting aspect of the Viscaria project is the potential for making new base and precious metals discoveries in the Company's landholdings. The Kiruna Iron Ore mine and the nearby Aitik copper mines are both world class deposits and the potential for more VMS and IOCG deposits is considered to be excellent.

The funds raised from this rights issue will be directed towards the above activities, including testing several of the high priority regional exploration targets, ongoing exploration and infill drilling programs and new applications and acquisitions.

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

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

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

Yours faithfully

A handwritten signature in black ink, appearing to read 'David McSweeney', with a stylized, cursive script.

David McSweeney

Chairman

4 THE OFFER

By this Prospectus, the Company is offering New Shares on the basis of one New Share for every seven (7) Shares held on the Record Date at an issue price of \$0.21 per New Share.

The number of New 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 New Shares to be issued is 16,509,619 (subject to any additional allotment of Shares on the exercise of Existing Options prior to the Record Date), which will raise up to \$3,467,020 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 New 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. It is unreasonable to make the offer having regard to each of the following:

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

Offerees may subscribe for a greater number of securities than their entitlement but subscriptions in excess of entitlements will be made out of the shortfall and at the Directors' discretion. The Directors reserve the right to place the shortfall of New Shares within three (3) months after the close of the offer.

5 DETAILS OF THE OFFER

5.1 Key Dates

| | |
|---|------------------|
| Lodgement of Prospectus with ASIC | 17 December 2009 |
| Ex Entitlement Date | 22 December 2009 |
| Record Date | 30 December 2009 |
| Dispatch of Prospectus and Entitlement and Acceptance Forms | 5 January 2010 |
| Closing Date for acceptance and payment for New Shares | 5 February 2010 |
| Statements for Securities despatched (latest date) | 15 February 2010 |

5.2 No Rights Trading

The rights to the New 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.

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 you wish to apply for additional securities please complete a Shortfall Application Form for any additional securities required. The total of New Shares to be issued under the entitlement and shortfall shall not exceed the total of the offer, being 16,509,619 New Shares.

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 5 February 2010 (except where payment is via BPAY® in which case payment must be made by no later than 3.00pm WST on 5 February 2010 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 New 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 5 February 2010 (except where payment is via BPAY® in which case payment must be made by no later than 3.00pm WST on 5 February 2010 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) **Shortfall Application**

If you are an existing shareholder you may apply for additional securities by your Entitlement Application Form. If you wish to apply for additional securities and are not an existing shareholder please complete a Shortfall Application Form for any additional securities required 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 5 February 2010 (except where payment is via BPAY® in which case payment must be made by no later than 3.00pm WST on 5 February 2010 or such earlier cut off time that your own financial institution may implement with regard to electronic payments).

(d) **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 Shortfall Application Form, if required, 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 not underwritten

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.

5.7 ASX Listing

The Company will make application to ASX within seven (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

Statements for the New Shares are expected to be dispatched by 15 February 2010.

6 PURPOSE AND EFFECT OF THE ISSUE

6.1 Purpose of the Issue

The purpose for the Issue is to raise up to \$3,467,020. The proceeds from the Issue are planned to be used in accordance with the table set out below:

| Proceeds of the Issue | \$ |
|--|------------------|
| <ul style="list-style-type: none"> • Processing and reporting assays from the recent drilling programmes; • Resource upgrade studies for the Link Zone; • Continue testing the 'A' Zone South plunge from the parent hole; • Continue testing for open cut resources within and along strike from the 'A' Zone and the 'D' Zone, including the Link Zone; • In-fill drilling of the prospective 'A' Zone and 'D' Zone for open cut resources; • Drill testing high priority regional exploration targets; • Submission of the Viscaria mining concession application with the Mines Inspector of Sweden; • Completion of an updated Scoping Study into the development of both stand-alone and toll treatment operations at Viscaria; • Continue investigations into third party toll treatment opportunities for processing Viscaria Ore; • Review and investigate opportunities for acquiring additional copper/gold resources within the Kiruna region; • Continue the data entry and resource modelling of the Company's wholly-owned Adak VMS project. • Additional working capital | 3,410,463 |
| Expenses of the Offer | 56,557 |
| ESTIMATED TOTAL | 3,467,020 |

There is no minimum subscription to the Offer. Funds raised from the Offer will first be allocated to the expenses of the Offer and then allocated to the areas described above. It is noted that exploration programmes are dependent on results. These programmes can therefore change depending on the results of the work and funds will be allocated towards areas where exploration results are successful and can be used to advance the overall potential of the projects.

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 \$3,467,020 immediately after completion of the Issue and before estimated expenses of the Issue; and
- (b) create 16,509,619 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.

| | |
|-------------|--|
| 115,567,333 | Shares on issue at the date of this Prospectus |
| 16,509,619 | Maximum number of New Shares to be issued pursuant to this Prospectus* |
| 132,076,952 | 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 Existing 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

| | Audited 30 June 2009 \$ | Unaudited Proforma \$ |
|----------------------------------|-------------------------------|-----------------------------|
| Current assets | | |
| Cash and cash equivalents | 1,919,002 | 9,587,690 |
| Trade and other receivables | 63,694 | 63,694 |
| Non-current assets held for sale | - | - |
| Total current assets | <u>1,982,696</u> | <u>9,651,384</u> |
| Non-current assets | | |
| Plant and equipment | 122,410 | 122,410 |
| Exploration and evaluation | 2,419,689 | 2,419,689 |
| Total non-current assets | <u>2,542,099</u> | <u>2,542,099</u> |
| Total assets | <u>4,524,795</u> | <u>12,193,483</u> |
| Current liabilities | | |
| Trade and other payables | 437,676 | 437,676 |
| Total current liabilities | <u>437,676</u> | <u>437,676</u> |
| Total liabilities | <u>437,676</u> | <u>437,676</u> |
| Net assets | <u>4,087,119</u> | <u>11,755,807</u> |
| Equity | | |
| Contributed equity | 9,735,426 | 17,404,114 |
| Reserves | (71,702) | (71,702) |
| Accumulated losses | (5,576,605) | (5,576,605) |
| Total equity | <u>4,087,119</u> | <u>11,755,807</u> |

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 September 2009 which raised \$1,162,027 net of expenses and a placement completed in December 2009 which raised approximately \$2,997,198 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 30 June 2009 and the close of the entitlements issue, other than those stated above.

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 New Shares issued pursuant to this Prospectus.

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.

Directors' holdings

The interests of the Directors in Shares and Existing Options at the date of this Prospectus are:

| Name | No. of Shares | | Existing Options | |
|------------------------------|---------------|------------|------------------|----------|
| | Direct | Indirect | Direct | Indirect |
| Mr D McSweeney | - | 12,986,442 | 3,300,000 | - |
| Mr Tan Sri Abu Sahid Mohamed | 19,088,057 | - | - | - |
| Mr G Steinepreis | 1,000,000 | 1,257,155 | 200,000 | - |
| Mr S Stone | 959,999 | 130,705 | 200,000 | - |

Terms of Directors' Existing Options are as listed below:

3,700,000

10 February 2010

20 cents

On the assumption that these Existing Options will not be exercised by the Record Date, and on the assumption that each Director will take up his Entitlement under this Offer, the Entitlement of the Directors to New Shares is as follows:

| | Entitlement | |
|------------------------------|--------------------|-----------------|
| | Direct | Indirect |
| Mr D McSweeney | - | 1,855,206 |
| Mr Tan Sri Abu Sahid Mohamed | 2,726,865 | - |
| Mr G Steinepreis | 142,857 | 179,593 |
| Mr S Stone | 137,142 | 18,672 |

The Directors have all indicated an intention to take up some or all of their Entitlements.

9 MATERIAL CONTRACTS

Mandate to Act as Lead Manager

Pursuant to a letter agreement dated 2 December 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 \$25,000, plus GST.

10 INTERESTS AND CONSENTS OF EXPERTS AND ADVISORS

Indian Ocean Capital as Lead Manager to the Issue.

Indian Ocean Capital Pty Ltd has given, and at the time of issue, has not withdrawn its consent to be named as Lead Manager to the offer of securities under the Prospectus, in the form and context in which it is named.

Indian Ocean Capital Pty Ltd was not involved in the preparation of any part of the Prospectus and did not authorise or cause the issue of the Prospectus. Indian Ocean Capital Pty Ltd makes no express or implied representation or warranty in relation to Avalon Minerals Limited ACN 123 184 412, the Prospectus or the Rights Issue and does not make any statement in the Prospectus, nor is any statement in it based on any statement made by Indian Ocean Capital Pty Ltd. To the maximum extent permitted by law, Indian Ocean Capital Pty Ltd expressly disclaims and takes no responsibility for any material in, or omission from, the Prospectus other than the reference to its name.

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.

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 available to disclosing entities and 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 2009 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 Annual Financial Report of the Company for the year ended 30 June 2009 was lodged on 30 September 2009:

| | |
|-------------------|--|
| 30 September 2009 | Appendix 3B Quotation of Additional Securities Section 708A notice Ceasing to be a substantial holder |
| 2 October 2009 | Two drill rigs on site at Viscaria Copper Project |
| 9 October 2009 | Notice of Annual General Meeting and proxy form |
| 13 October 2009 | Annual Report to shareholders |
| 21 October 2009 | Competent Person's Statement |
| 26 October 2009 | Appendix 3B Amended version |
| 30 October 2009 | Quarterly activities and cash flow reports |
| 2 November 2009 | Form 605 |
| 5 November 2009 | Avalon newsletter |
| 11 November 2009 | Appendix 3Y Change in director's interest |
| 19 November 2009 | Chairman's address to shareholders Avalon AGM power point presentation Results of Annual General Meeting |
| 2 December 2009 | Request for trading halt |
| 3 December 2009 | Avalon to raise up to \$A6.6 million |
| 7 December 2009 | Appendix 3Y Change in director's interest Form 604 Change in substantial shareholding |
| 14 December 2009 | Appendix 3Y Change in director's interest |
| 16 December 2009 | Avalon share placement closed |

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.

12 EXPENSES

The estimated expenses of the Issue are as shown below:

| | \$ |
|--------------------|---------------|
| Lead Manager fee | 25,000 |
| ASIC fees | 2,100 |
| Listing fees | 9,457 |
| Legal fees | 10,000 |
| Printing & postage | 10,000 |
| TOTAL | 56,557 |

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 16 December 2009 |
|------------------------|----------------------|--------------------|--|
| Existing Shares | \$0.30 | \$0.11 | \$0.23 |

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.

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 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. New applications to commence drilling are being prepared and will be submitted to the relevant authorities and whilst the Company has no reason to believe the new 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.

15 TAXATION IMPLICATIONS

The Directors do not consider that it is appropriate to give potential applicants advice regarding the taxation consequences of applying for New 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.

16 PRIVACY ACT

If you complete an application for New 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.

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17 ELECTRONIC PROSPECTUS

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

18 ENQUIRIES

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

19 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.

A handwritten signature in black ink, consisting of several overlapping loops and a final flourish.

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 5 February 2010, 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 \$0.21 per share.

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

Prospectus means the prospectus constituted by this document.

Record Date means 30 December 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.