

22 August 2013

ASX ANNOUNCEMENT



RIGHTS ISSUE OFFER DOCUMENT

Avalon Minerals Ltd (ASX: **AVI**; "Avalon") advises that the attached Offer Document is being dispatched to eligible shareholders today, together with a personalised Entitlement and Acceptance Form.

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

Activity	Date
Appendix 3B for Rights Issue lodged with ASX	9 August 2013
Dispatch of notices to Option holders informing them of Rights Issue	9 August 2013
Dispatch of notices to Shareholders informing them of Rights Issue	12 August 2013
'Ex' Date (Shares trade on an "ex" Entitlement basis*)	13 August 2013
Record Date (for Entitlement to participate in the Rights Issue)	5pm (AEST) 19 August 2013
Rights Issue Offer Document and Entitlement and Acceptance Form dispatched to Shareholders (and announced to ASX)	22 August 2013
Rights Issue closes (Closing Date for Receipt of Entitlement and Acceptance Form)	5pm (AEST) 9 September 2013
Securities quoted on deferred settlement basis	10 September 2013
ASX notified of under subscriptions	12 September 2013
Issue Date (date on which Rights Issue Shares entered into holders' security holdings. Deferred settlement trading ends)	17 September 2013
Normal ASX trading for new Rights Issue Shares commences	18 September 2013

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

**Shareholders should consult their professional advisors in regards to the definition of 'Ex' Date and Record Date to ensure that their entitlement to participate in the Rights Issue is assured. Where fractions arise in the calculation of entitlements, they will be rounded down to the nearest whole number.*

For further information on your entitlement, please contact your professional advisor or Avalon's share registry, Computershare Investor Services Pty Limited on phone: 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

ASX: AVI

REGISTERED OFFICE

Avalon Minerals Ltd
ABN 68 123 184 412
65 Park Road
Milton Qld 4064 Australia
P + 61 7 3368 9888
F + 61 7 3368 9899
info@avalonminerals.com.au
www.avalonminerals.com.au

CONTACTS

Jeremy Read
Avalon Minerals
P +61 7 3368 9888

James Harris
Professional Public Relations
P +61 8 9388 0944

MANAGEMENT TEAM

Managing Director
Jeremy Read

Business Manager
Ian Wallace

Exploration Manager
Dr Quinton Hills

Country Manager
Louise Lindskog

Chief Financial Officer
Linda Cochrane

Company Secretary
Roslynn Shand

ABOUT AVALON

Avalon is an ASX listed mineral exploration company with high quality assets in Sweden, one of the leading metal producing countries in the European Union.

Avalon's flagship asset is the Viscaria Copper-Iron Project located 1,200km north of Stockholm where the Company has delineated a global resource of 54.9 million tonnes of copper mineralisation at 1.1% Cu, containing 609,000 tonnes of copper and 25.6 million tonnes of iron mineralisation at 26.4% Fe, containing 5.7 million tonnes of iron.

The Viscaria Project is surrounded by established infrastructure, lying immediately adjacent to LKAB's Kirunavaara Iron Ore operation and in close proximity to high-capacity rail and ports.

ABOUT SWEDEN

Sweden has a 1,000 year mining history, is the largest producer of iron ore in the European Union and is a leading producer of base metals (copper, zinc, lead) and precious metals (gold and silver).

There are excellent discovery opportunities, with much of the country underexplored by modern standards. Furthermore, Sweden possesses a world-class geological database and favourable minerals legislation, is politically and economically stable and has mining know-how, highly trained personnel and excellent infrastructure.

For further information please visit www.avalonminerals.com.au or contact:

Mr Jeremy Read - Managing Director
Avalon Minerals Limited
Tel: 07 3368 9888
Em: jeremy.read@avalonminerals.com.au
www.twitter.com/avalonminerals





OFFER DOCUMENT

FULLY UNDERWRITTEN, NON-RENOUNCEABLE PRO-RATA RIGHTS ISSUE

For a non-renounceable, pro rata Rights Issue of New Shares at an issue price of \$0.01 per New Share on the basis of one (1) New Share for every one (1) Existing Shares held at the Record Date to raise approximately \$5,885,406 before costs.

Important Notice

This Offer Document is not a prospectus and it does not contain all of the information an investor would find in a prospectus, or which may be required to make an informed decision regarding or about the rights attaching to, the New Shares offered by this Offer Document.

This Offer Document is important and should be read in its entirety. If you do not understand the contents of this Offer Document you should obtain professional investment advice before deciding whether to apply for New Shares.

Any investment in the Company should be considered as speculative.

**THIS RIGHTS ISSUE OPENS ON 22 AUGUST 2013 AND CLOSSES AT 5:00PM AEST ON
9 SEPTEMBER 2013.**

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IMPORTANT INFORMATION

This Offer Document is dated 22 August 2013.

Capitalised terms in this Offer Document are defined in Section 7 (Definitions).

This Offer Document has been prepared in accordance with section 708AA of the Corporations Act which relates to rights issues by certain entities that do not require the provision of a prospectus or other disclosure document.

Eligible Shareholders should rely on their own knowledge of the Company, refer to disclosures made by the Company to the ASX and consult their professional advisers before deciding whether to apply for New Shares. Announcements made by the Company to the ASX are available from the ASX website asx.com.au or from the Company's website www.avalonminerals.com.au.

The information in this Offer Document does not constitute a securities recommendation or financial product advice.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Rights Issue or Offer described in this Offer Document, which is not contained in this Offer Document.

Any information or representation not contained in this Offer Document may not be relied on as having been authorised by the Company in connection with the Rights Issue.

Privacy

If you complete an Application for New Shares, you will be providing personal information to the Company (directly or via the Share Registry). The Company will collect, hold and will use that information to assess your Application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

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

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

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules and Procedures.

You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application.

LETTER FROM THE CHAIRMAN

22 August 2013

Dear Shareholder

On behalf of the Directors of Avalon, I am pleased to invite you to participate in this Rights Issue. This Rights Issue provides you with the opportunity to maintain your equity interest in the Company and to participate in the continued growth of the Company.

As set out in this Offer Document, under the Rights Issue the Company is offering up to 588,540,623 New Shares at an issue price of \$0.01 per share to all Eligible Shareholders, on the basis that all Eligible Shareholders are invited to apply for one (1) fully paid ordinary share in the Company for every one (1) fully paid ordinary shares in the Company already held at the Record Date.

Eligible Shareholders are also invited to apply for additional New Shares which will be allocated from any Shortfall.

The amount that the Company will raise under this Rights Issue is \$5,885,406 (before costs). The Rights Issue is fully underwritten, by Avalon's largest shareholder Tan Sri Abu Sahid Mohamed and may result, if all shareholders do not take up their Rights, with Tan Sri Abu Sahid Mohamed holding 59.5% of Avalon.

The money raised under this Rights Issue will be used to:

- a) fund preparatory work required for the bankable feasibility study on the Company's Viscaria Copper-Iron Project in Sweden;
- b) investigate and advance business development opportunities for the Company, with the goal of creating value for shareholders;
- c) provide funds towards the acquisition of tenements; and
- d) replenish working capital.

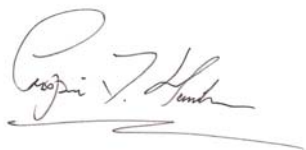
The Board's key objective is to advance the Viscaria Project in Northern Sweden and deliver on project development goals as the Company looks to create value for our shareholders over the long term.

I am pleased to inform you that as a shareholder in the Company, I intend to participate in and take up all of my entitlements under the Rights Issue.

The details of the Offer are set out in this Offer Document and I encourage you to read the Offer Document in its entirety before making your investment decision. A summary of risk factors that you should consider is set out in Section 4.

Finally, on behalf of the Board I thank you for your continued support in the Company and encourage you to take up your Entitlements under the Rights Issue.

Yours faithfully



Crispin Henderson
Chairman, Avalon Minerals Limited

SECTION 1 - KEY INFORMATION

1.1 Summary of the Offer

<i>Issue Price per New Share</i>	\$0.01
<i>Maximum number of New Shares to be issued under the Offer</i>	588,540,623
<i>Total number of Shares on issue immediately after completion of the Offer (including those issued to the Underwriter)</i>	1,177,081,246
<i>Entitlement</i>	1 New Share for every 1 Existing Share held as at the Record Date
<i>Maximum amount to be raised</i>	\$5,885,406 (before costs)

1.2 Indicative Timetable

The following are key dates relating to the Offer that you need to be aware of.

Activity	Date
Lodge Appendix 3B, Offer Document and Section 708AA Cleansing Notice	9 August 2013
Dispatch of notices to Shareholders and Optionholders informing them of Rights Issue	9 and 12 August 2013
Shares trade on an "ex" Entitlement basis*	13 August 2013
Record Date for Entitlement to participate in the Rights Issue	5:00pm AEST 19 August 2013
Rights Issue Offer Document and Entitlement and Acceptance Form dispatched to Shareholders	22 August 2013
Closing Date for the Rights Issue	5:00pm AEST 9 September 2013
Securities quoted on deferred settlement basis	10 September 2013
ASX notified of under subscriptions	12 September 2013
Issue of New Shares under the Rights Issue	17 September 2013
Holding statements are dispatched to Shareholders	17 September 2013
Normal ASX trading for New Shares commences	18 September 2013

The above dates are indicative only and may change without notice. The Directors, in conjunction with the Underwriter, reserve the right to extend the Closing Date or to cancel the Rights Issue without prior notice in its absolute discretion. The commencement of quotation of new securities is subject to confirmation from the ASX.

**Shareholders should consult their professional advisors in regards to the definition of 'Ex' Date and Record Date to ensure that their entitlement to participate in the Rights Issue is assured. Where fractions arise in the calculation of entitlements, they will be rounded down to the nearest whole number.*

SECTION 2 – DETAILS OF THE RIGHTS ISSUE

2.1 Offer

The Company is making a fully underwritten non-renounceable, pro-rata rights issue offer of New Shares at an issue price of \$0.01 per New Share to Eligible Shareholders on the basis of one (1) New Share for every one (1) Existing Shares held on the Record Date.

As at the Record Date, the Company has on issue 588,540,623 Existing Shares.

When all the Entitlements are taken up under the Offer, the Shortfall Offer and the underwriting, the Company will:

- issue 588,540,623 New Shares;
- raise \$5,885,406 (before costs).

The Rights Issue is fully underwritten by Avalon's largest shareholder Tan Sri Abu Sahid Mohamed (see Section 5 of this Offer Document for further information), meaning that all New Shares under the Offer will be issued to the Underwriter or his nominees (assuming the Underwriting Agreement is not terminated) to the extent that all Shareholders do not take up their Entitlements and the Shortfall is not subscribed for pursuant to the Shortfall Offer and this may result in Tan Sri Abu Sahid Mohamed holding 59.5% of the Company .

Where the determination of an Entitlement results in a fraction of a New Share, such a fraction will be rounded down to the nearest whole New Share.

2.2 Purpose of the Offer

Avalon's cash position at the end of June 2013 was approximately \$1.2M. Since 1 July 2013, Avalon has raised a further \$344,807 through a share placement, as well as incurred normal operational expenditure. Given the Rights Issue is fully underwritten, provided the Underwriting Agreement is not terminated, the Rights Issue will provide the Company with additional funds of \$5,885,406 (before costs). On this basis, on completion of the Rights Issue the Company will have approximately \$6.1M cash at bank (before costs).

2.3 Capital Structure

The capital structure of the Company on completion of the Offer will be as follows (assuming none of the Options currently on issue are exercised):

Shares currently on issue	588,540,623
Options currently on issue*	27,800,000
Performance Rights on issue**	25,000,000
New Shares offered under the Offer	588,540,623
Total Shares on issue on completion of the Offer	1,177,081,246

**The Options have exercise prices of \$0.05, \$0.30 and \$0.40. The Board considers it reasonable to assume that none of the Options will be exercised before the closing of the Rights Issue given the Company's share price as at close of trading on 19 August 2013 of \$0.015.*

*** The Performance Rights on issue are subject to vesting conditions which will not be satisfied before the Record Date.*

2.4 Use of funds

The Company is undertaking the Rights Issue for the primary purpose of:

- a) fund preparatory work required for the bankable feasibility study on the Company's Viscaria Copper-Iron Project in Sweden;
- b) investigate and advance business development opportunities for the Company, with the goal of creating value for shareholders;
- c) provide funds towards the acquisition of tenements; and
- d) replenish working capital.

2.5 Minimum Subscription

There is no minimum subscription.

2.6 New Shares

The New Shares will be fully paid ordinary shares and will rank equally in all respects from the date of allotment with the Existing Shares.

The Issue Price is payable in full by Eligible Shareholders on acceptance of the Offer.

The Directors may at any time decide to withdraw this Offer Document and the Offer made under this Offer Document, in which case the Company will return all Application Monies (without interest) as soon as practicable.

2.7 Eligible Shareholders and Entitlements

To be eligible to participate in the Rights Issue, a Shareholder must be registered as a Shareholder at the close of business on the Record Date.

The number of New Shares to which Eligible Shareholders are entitled is shown on the Entitlement and Acceptance Form accompanying this Offer Document.

Eligible Shareholders may accept all, part or none of their Entitlement. Eligible Shareholders will also be able to apply for additional Shares over and above their Entitlement pursuant to the Shortfall Offer detailed in Section 2.10.

Detailed instructions on how to accept all or part of your Entitlement are set out in Section 3.

If Eligible Shareholders choose not to accept their Entitlements, then they are not required to do anything and their shareholdings in the Company will be diluted.

2.8 Opening and Closing dates

The Rights Issue will open for receipt of acceptances on 22 August 2013.

The Closing Date and time for acceptances and payments under the Offer is 5:00pm AEST, 9 September 2013, subject to the Directors, in conjunction with the Underwriter, extending the Closing Date (subject to the Corporations Act and the ASX Listing Rules). The Company must receive your Entitlement and Acceptance Form and payment before the Closing Date otherwise the Offer as it applies to Eligible Shareholders will lapse. Further details on the timetable for the Offer are set out in Section 1 of this Offer Document.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY are received by 5:00pm AEST on 9 September 2013.

2.9 No rights trading

This Offer is made on a non-renounceable basis. Shareholders who are registered as at the Record Date may not renounce, sell, transfer or deal with all or any part of their Entitlement to the New Shares which they do not wish to accept.

If you do not take up your Entitlement by the Closing Date, the Offer will lapse, your shareholding in the Company will be diluted and any Shortfall will be dealt with in accordance with Sections 2.10 and 5 of this Offer Document.

2.10 Shortfall Offer

The Company will also allow Eligible Shareholders (other than Directors or their associated entities) to apply for additional shares if they wish to do so on the following basis.

If all Eligible Shareholders do not take up their Entitlement in full, the Shortfall will be allocated to those Eligible Shareholders who apply for additional shares (in addition to their Entitlement) prior to any allocation to the Underwriter.

If Applications under the Shortfall Offer exceed the Shortfall, the Shortfall will be allocated on a proportionate basis having regard to the relative registered holdings on the Record Date of all Eligible Shareholders who have applied for Shortfall Shares under the Shortfall Offer.

The Directors have the discretion to determine any final allocations under the Shortfall Offer, having regard to the allocation principles set out, the requirements of the Corporations Act, the ASX Listing Rules and other applicable laws.

2.11 Underwriting

The Underwriter has agreed to fully underwrite the Offer pursuant to the Underwriting Agreement.

The Underwriter is the Company's largest shareholder, currently holding 111,841,380 shares in Avalon. If no other shareholders take up their Entitlements, the Underwriter may obtain a shareholding of 59.5% of the Company.

Details in relation to the Underwriting Agreement and the potential effect of the Underwriting Agreement on the control of the Company are set out in Section 5.

2.12 Issue of New Shares

New Shares taken up under the Rights Issue are expected to be issued by 17 September 2013 (subject to any changes in the timetable set out in Section 1, at the discretion of the Directors in consultation with the Underwriter).

It is the responsibility of Applicants to determine their allocation prior to trading in New Shares. Applicants who sell New Shares before they receive their new holding statements following the issue of New Shares to them will do so at their own risk.

2.13 Market Prices for Shares on ASX

The highest and lowest market prices of the Shares of the Company on ASX during the 3 months immediately preceding the finalisation of this Offer Document were \$0.019 on 9 July 2013 and \$0.009 on 7 June 2013 respectively.

The issue price of \$0.01 per New Share represents a 29% discount to the last closing price of the Company's shares prior to the announcement of the Rights Issue.

The volume weighted average price for Shares on the ASX over the 30 trading days preceding 9 August 2013 (the date the Rights Issue was first announced) was \$0.0167.

The Issue Price therefore represents a discount of approximately 40% to the 30 day volume weighted average price for Shares prior to the date the Rights Issue was first announced.

2.14 ASX quotation of New Shares

The Company has applied to ASX for official quotation of the New Shares. If ASX does not grant permission for official quotation of the New Shares, all Application Monies will be returned, without interest, as soon as practicable.

2.15 Foreign Shareholders

Shareholders outside Australia and New Zealand should ensure they comply with any applicable securities laws in their own country in relation to participation in the Rights Issue.

2.16 Risk Factors

An investment in New Shares should be regarded as highly speculative. There are general risks applicable to all investments in listed securities, however there are also specific risks associated with an investment in the Company. A summary of some of these specific risks are outlined in Section 4.

2.17 Taxation Implications

Shareholders should be aware that there may be taxation implications in participating in the Offer and subscribing for New Shares. The taxation consequences of participating in the Offer and/or acquiring New Shares may vary depending on the individual circumstances of each Shareholder. Before making a decision on whether or not to participate in this Rights Issue, Shareholders should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable to their personal circumstances.

2.18 Regular Reporting and Disclosure

The Company is a disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the market.

In particular, the Company has an obligation (subject to certain limited exceptions) to notify ASX once it is, or becomes, aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company's securities. All announcements made by the Company are available from the ASX website asx.com.au or the Company's website www.avalonminerals.com.au.

2.19 CHESS

The Company participates in the CHESS operated by the ASX Settlement Corporation, a wholly owned subsidiary of the ASX, in accordance with the Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, the Company will not issue certificates to Applicants. Instead, Applicants will receive a statement of their holdings in the Company of New Shares. If the Applicant is broker sponsored, ASX Settlement Corporation will send them a CHESS statement.

The CHESS statement will set out the number of New Shares issued under this Offer Document, provide the details of a Shareholder's holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the New Shares.

If you are registered on the issuer sponsored sub-register, your statement will be dispatched by the Share Registry and will contain the number of New Shares issued to you under this Offer Document and your security reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time; however a charge may apply for additional statements.

2.20 Enquiries

If you have any questions concerning your Entitlement, please contact the Company's share registry, Computershare Investor Services Pty Limited on phone: 1300 850 505 (within Australia); +61 3 9415 4000 (outside Australia).

General enquires in relation to the Company or the Offer can be made to the Company Secretary at Level 1, 65 Park Road, Milton, Queensland 4064, Australia or by telephone on +61 7 3368 9888 or by facsimile on +61 7 3368 9899 or by email to infor@avalonminerals.com.au. Information may also be obtained by visiting the Company's website: www.avalonminerals.com.au.

If you are beneficially entitled to Shares and those Shares are held on your behalf by a nominee or custodian you should direct any enquiries to your nominee or custodian.

SECTION 3 – ACTIONS REQUIRED BY ELIGIBLE SHAREHOLDERS

3.1 Eligible Shareholders

If you are an Eligible Shareholder you may:

- take up all or part of your Entitlement in accordance with this Offer Document;
- if you take up all of your Entitlement, apply for Shortfall Shares in accordance with this Offer Document;
- do nothing.

3.2 Acceptance

If you decide to take up all or part of your Entitlement, please complete and return the Entitlement and Acceptance Form with the requisite Application Monies or pay your Application Monies via BPAY by following the instructions set out in Sections 3.4-3.6 and on the Entitlement and Acceptance Form.

The Company will treat you as applying for as many New Shares as your payment will pay for in full having regard to your Entitlement.

No interest will be paid on any Application Monies received or refunded. Any Application Monies refunded will be returned by cheque using regular mail to the address noted on the register of members. Ultimately, any refund method will be at the discretion of the Company.

This Offer may be accepted in whole or in part or not at all. Applications and full payment of AU\$0.01 per New Share that you wish to apply for must be received before 5:00pm AEST on 9 September 2013.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. If you have more than one shareholding and consequently receive more than one Entitlement and Acceptance Form, when taking up your entitlement in respect of one of those shareholdings only use the specific reference number to that shareholding as set out in the applicable and Acceptance Form. DO NOT use the same reference number for more than one of your shareholdings. This can result in your Application Monies being applied to your Entitlement in respect of only one of your shareholdings (with the result that any Application in respect of your remaining shareholdings will not be recognised as valid).

Further instructions for completion and lodgment of Applications are set out on the back of the enclosed Entitlement and Acceptance Form and in this Section 3.

3.3 Declarations and certifications

By completing and returning your Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY, you will be deemed to have represented that you are an Eligible Shareholder.

By completing and returning your Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY, you will also be deemed to have represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence or where you have been given the Offer Document and Entitlement and Acceptance Form, does not prohibit you from being given the Offer Document and Entitlement and Acceptance Form and that you:

- agree to be bound by the terms of the Rights Issue;
- authorise the Company to register you as the holder of the New Shares allotted to you;
- declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- acknowledge that once the Company receives the completed Entitlement and Acceptance Form, you may not withdraw it;
- agree to apply for the number of New Shares that the payment you provide will pay for in full, at the Issue Price;
- agree to be issued the number of New Shares that you apply for;

- authorise the Company and its respective officers or agents, to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of Computershare, upon using the contact details set out in the Entitlement and Acceptance Form;
- acknowledge that the information contained in, or accompanying, the Offer Document is not investment or financial product advice or a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs; and
- agree to provide (and direct your nominee or custodian to provide) substantiation of your eligibility or of your holding of Existing Shares upon request.

3.4 If you wish to take up all of your Entitlement

If you wish to take up **all** of your Entitlement, use the BPAY facility as outlined in the accompanying Entitlement and Acceptance Form so that your proceeds are received by no later than 5.00pm AEST on 9 September 2013.

If you elect to pay via BPAY then you will not need to return the Entitlement and Acceptance Form.

Alternatively **if you elect to pay by cheque** then you must deliver your completed Entitlement and Acceptance Form, together with a cheque, bank cheque or bank draft, by post to the Share Registry, to be received by no later than 5:00pm AEST on 9 September 2013 at the following addresses:

Computershare Investor Services Pty Limited,
GPO Box 505
Melbourne VIC 3001
Australia

Cheques and drafts should be made payable to "Avalon Minerals – Rights Issue" and crossed "Not Negotiable".

3.5 If you wish to take up only part of your Entitlement

If you wish to take up only **part** of your Entitlement, use the BPAY facility as outlined in the accompanying Entitlement and Acceptance Form so that your proceeds are received by no later than 5.00pm AEST on 9 September 2013.

If you elect to pay via BPAY then you will not need to return the Entitlement and Acceptance Form.

Alternatively **if you elect to pay by cheque** then you must deliver your completed Entitlement and Acceptance Form, together with a cheque, bank cheque or bank draft, by post to the Share Registry, so that it reaches the Share Registry by no later than 5:00pm AEST on 9 September 2013.

3.6 Shortfall

Eligible Shareholders who take up their full Entitlements under the Entitlement Offer may also apply for additional Shortfall Shares. Shortfall Shares will only be available to the extent of the shortfall between Applications received from Eligible Shareholders for their Entitlement and the number of New Shares proposed to be issued under the Offer.

Should you wish to apply for Shortfall Shares Application must be made in accordance with the instructions referred to in this Offer Document and on the Entitlement and Acceptance Form.

If you wish to apply for Shortfall Shares, use the BPAY facility as outlined in the accompanying Entitlement and Acceptance Form so that your proceeds are received by no later than 5.00pm AEST on 9 September 2013.

If you elect to pay via BPAY then you will not need to return the Entitlement and Acceptance Form. By paying for more shares than your Entitlement, you will be making an Application for the excess shares as Shortfall Shares.

Alternatively **if you elect to pay by cheque** then you must deliver your completed Entitlement and Acceptance Form, together with a cheque, bank cheque or bank draft, by post to the Share Registry, so that it reaches the Share Registry by no later than 5:00pm AEST on 9 September 2013.

3.7 None of your Entitlement

If you do not wish to take up any of your Entitlement, you do not need to take any action and:

- your Entitlement to the Shares will lapse on the Closing Date; and
- the relevant number of New Shares with respect to your Entitlement will form part of the Shortfall which will be allocated as part of the Shortfall Offer or to the Underwriter in accordance with the Underwriting Agreement to the Underwriter or any sub-underwriter (if appointed) to the Rights Issue or any other parties selected by them.

3.8 Closing Date

The Closing Date for the Offer is 5:00pm AEST on 9 September 2013, unless extended, at the discretion of the Directors and the Underwriter in accordance with the Corporations Act, the Listing Rules and the Underwriting Agreement.

SECTION 4 – RISK FACTORS

4.1 Risks

Prior to deciding whether to apply for New Shares under the Offer, Eligible Shareholders should read this Offer Document in its entirety and review all announcements made by the Company to the ASX in order to gain an understanding of the Company, its activities, operations, financial position and prospects.

The risks included in this Section are key risks identified by the Board as being specific to the Company and its operations as at the date of this Offer Document and reasonably anticipated by the Board. It is important to note that the risks listed in this Section are not an exhaustive list of the risks relevant to the Company.

Shareholders are strongly encouraged to:

- (a) rely on their own knowledge of the Company;
 - (b) refer to disclosures made by the Company to ASX; and
 - (c) consult their professional advisers,
- before deciding whether to apply for New Shares.

Announcements made by the Company to ASX are available from the ASX website asx.com.au or from the Company's website www.avalonminerals.com.au.

As the risks described in this section may impact upon the Company's future performance, the Company and its Directors have endeavoured (and will continue to do so), to take steps to safeguard the Company from, and to mitigate the Company's exposure to, these risks.

4.2 Speculative investment

The Company is involved in mineral exploration which is highly speculative in nature. Accordingly, there are significant risks that Eligible Shareholders should consider before deciding whether or not to subscribe for New Shares under the Offer. You should regard an investment in the New Shares offered under this Offer Document as a highly speculative investment.

4.3 Cash position

Avalon's cash position at the end of June 2013 was approximately \$1.2M. Since 1 July 2013, Avalon has raised a further \$344,807 through a share placement, as well as incurred normal operational expenditure. Given the Rights Issue is fully underwritten, provided the Underwriting Agreement is not terminated, the Rights Issue will provide the Company with additional funds of \$5,885,406 (before costs). On this basis, on completion of the Rights Issue the Company will have approximately \$6.1M cash at bank (before costs).

However, given the Company is an exploration and mineral project development entity, it will need to raise substantial additional funds in the future to continue progressing and developing its projects. There is a risk that the Company will be unable to raise such funds when needed or on reasonable terms.

It is important for potential investors in the Company to note and understand that unless the Company is able to continue to raise funds as required, that failure could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

This has already been demonstrated by the Company's cash flow difficulties and uncertainties over the last 12 months, which have led to a number of crucial aspects of the Company's business and strategic plans being put on hold or cancelled. The material ones of these are noted below in this Section.

4.4 Viscaria Project

(a) Drilling programs

The BFS remains suspended pending a further review and analysis of the project economics for the Viscaria Project.

Additional drilling programs at B Zone and D Zone of the Viscaria Project to increase the confidence in the Mineral Resources by converting more of the Inferred Resources to a Measured and Indicated category. These drilling programs have been designed and planned but currently remain inactive.

Given the Company's financial position, further drilling at A Zone, B Zone and D Zone cannot proceed until the Company raises additional funds, over and above the funds raised by this Rights Issue. Some funds raised under this Rights Issue will be used to undertake exploration drilling on exploration targets within the Viscaria project tenements.

(b) Mining

Further work, in particular on the metallurgical recovery, geotechnical estimates and mining and processing cost estimates are required to bring all elements of the Viscaria Project up to BFS standard.

Further Mineral Resources, in addition to those already defined, would be required to extend the projected life of the operations to 10 years which is presently considered the minimum requirement for an operation of this type. There is a risk that such Mineral Resources are never defined or not defined to a level great enough to increase the mine life to that required to commence operations based solely on the Viscaria Project.

(c) Mining Exploitation Concessions (MEC)

The MECs for Viscaria K3 and Viscaria K4 covering D Zone and part of A Zone and B Zone the Viscaria Project have been approved and granted

The granting of the MECs for Viscaria K3 and K4 are subject to several conditions including:

- i. consultation with the local Sami reindeer herding groups and protection of reindeer during the annual migration;
- ii. cooperation with neighbouring mining companies, principally LKAB, on land use;
- iii. payment of performance bonds totalling 600,000 SEK (approximately A\$83,427) prior to mining commencement; and
- iv. protection of infrastructure (principally the E10 highway and railway) which are adjacent to the granted MECs.

However, the MEC for Viscaria K7 is outstanding and remains under consideration by Bergsstaten (Swedish Mines Inspectorate) pending an amendment to the Kiruna town planning act to allow for the grant of a mining lease over land that is presently zoned for power generation windmills only. MEC Viscaria K7 affects the northern parts of A Zone and B Zone.

The granting of the MEC is a precursor to consideration by the regulator of the Environmental Impact Assessment (EIA) and permits access to the historical underground mining openings to check present day geotechnical conditions and groundwater levels.

The granting of the MEC is also a precursor to approval by the Environmental Court of Sweden of the Licence to Operate at Viscaria.

Whilst the County Administration Board (which is the functional administrator of the land and zoning use around the city of Kiruna), has no objection to the rezoning of the land on which the windmills sit and therefore the grant of Viscaria K7, it is expected that an agreement between the windmill owners and the Company will need to be reached before the MEC for Viscaria K7 can be granted. This is expected to be available for some time. Until an MEC for Viscaria K7 is actually granted, there is a risk that it will not be granted or that it will be granted on conditions unacceptable to the Company.

(d) **Environmental Impact Assessment (EIA)**

In the event the Company wishes to undertake a mining operation at Viscaria, it will need to submit a Viscaria EIA for consideration and pay the appropriate application fee. It is unlikely that the EIA will be re-submitted to the ECS until the Viscaria K7 MEC has been approved and the BFS is recommenced.

4.5 Discovery Zone Project

The Company entered into a legally binding Heads of Agreement in May 2013 to acquire assets comprising the Discovery Zone Prospect located in Sweden from another ASX listed company, Hannans Reward Limited.

A dispute has arisen in relation to the timing of the Company's obligations to pay the first \$2 million payable under the Heads of Agreement. As a consequence Hannans Reward Limited issued a statutory demand for payment against the Company and the Company has applied to the Supreme Court of Western Australia to set aside the statutory demand, with the application listed for an initial hearing on 27 August 2013. There is a risk that the Company is unsuccessful in this application in which case the Company will be required to pay the \$2 million demanded or enter into an alternative arrangement with Hannans Reward Limited to satisfy the payment obligation.

4.6 Termination of the Underwriting Agreement

As set out further under Section 5 of this Offer Document, the Underwriter has agreed to fully underwrite the Rights Issue on the terms and conditions contained in the Underwriting Agreement.

If the Underwriting Agreement is terminated whether by the Company or the Underwriter for cause, the Company will be required to reimburse the Underwriter for reasonable expenses incurred or accrued up to the date of termination and all obligations of the Underwriter under the Underwriting Agreement will cease.

Further, under the Underwriting Agreement, the Underwriter may, without cost or liability to itself, terminate its obligations under the Underwriting Agreement on the happening of certain material events by notice in writing to the Company at any time prior to completion of its obligations under the Underwriting Agreement.

There is a risk that the Underwriting Agreement is terminated and subsequently all of the Underwriter's obligations in relation to the Offer cease. If the Underwriter terminates the Underwriting Agreement before the Rights Issue is completed, there is a risk that the Company will be unable to raise the full amount of \$5,885,406 it is seeking to raise under the Rights Issue.

4.7 Environmental Risks

The Company's projects are subject to Swedish laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, these projects would be expected to have a variety of environmental impacts, should advanced exploration or development proceed.

In this regard, the Viscaria Project is close to the city of Kiruna and there is some infrastructure that may be affected if mining is carried out. Whilst the community of Kiruna is largely dependent on mining, particularly the large Kirunavarra magnetite mine, social as well as pure environmental considerations need to be taken into account when planning exploration, mine dewatering and development.

4.8 Sami

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

4.9 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 formation different from those predicated by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

4.10 Operating risks

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors not limited to but including:

- (a) adverse geological conditions;
- (b) limitations on activities due to seasonal weather patterns; and
- (c) inability or delay in obtaining necessary consents or approvals.

SECTION 5 – UNDERWRITING AND POTENTIAL EFFECT ON CONTROL

5.1 Underwriting

The Underwriter has agreed to fully underwrite the Offer pursuant to the Underwriting Agreement.

The Underwriter is the Company's largest shareholder, currently holding 111,841,380 Shares representing a voting power of 19% in the Company.

5.2 Underwriter's Interest in Shares and Potential Effect on Control

The Underwriting Agreement has the potential to affect the control of the Company as the Underwriter will subscribe for any New Shares that are not taken up by Eligible Shareholders pursuant to their Entitlement or the Shortfall Offer. The actual effect on control will depend on the level of subscription by Eligible Shareholders pursuant to the Offer and the Shortfall Offer, as well as the extent to which the Underwriter allocates the remaining New Shares to nominees not associated with the Underwriter.

The Underwriter's current shareholding and potential interest in Shares following the Offer are as follows:

Shares held prior to the Offer	111,841,380
% holding prior to Offer	19.0%
Shares to be issued under the Offer	588,540,623
% holding following the Offer assuming no Shortfall Shares issued to Underwriter	19.0%
% holding following the Offer assuming 75% of shares offered to Shareholders other than the Underwriter subscribed for under Offer or Shortfall Offer	29.1%
% holding following the Offer assuming 50% of shares offered to Shareholders other than the Underwriter subscribed for under Offer or Shortfall Offer	39.2%
% holding following the Offer assuming 25% of shares offered to Shareholders other than the Underwriter subscribed for under Offer or Shortfall Offer	49.4%
Maximum number of shares which may be issued pursuant to Underwriting Agreement	588,540,623
Maximum % holding following the Offer assuming 100% of the Offer issued to Underwriter	59.5%

The Options the Company currently has on issue are not expected to be exercised prior to the closing of the Rights Issue as the exercise price for these Options exceeds the Issue Price and the share price on 19 August 2013 was \$0.015 per share at close of trade. Therefore, the Options are expected to have no effect on the Offer or the control of the Company.

The Performance Rights the Company currently has on issue are not expected to vest prior to the closing of the Rights Issue as the vesting conditions will not be met. Therefore, the Performance Rights are expected to have no effect on the Offer or the control of the Company.

As the Offer is fully Underwritten, no other Eligible Shareholder will be able to increase their voting power in the Company as a result of accepting their Entitlement or subscribing for additional shares under the Shortfall Offer above 20% and no other party (such as a sub-underwriter) will be entitled to subscribe for New Shares so as to take their voting power in the Company above 20%.

5.3 Underwriting Agreement

In accordance with the Underwriting Agreement, the Underwriter has agreed to fully underwrite the Rights Issue on the terms and conditions set out in that agreement.

The Company has given warranties, covenants and indemnities to the Underwriter, which are customary in an agreement of its nature. Some of the key terms and conditions of the Underwriting Agreement are set out below.

(a) **Allocation of Shortfall Shares**

If, as at the Closing Date, the Company has not received valid Applications pursuant to the Offer and the Shortfall Offer for all of the Underwritten Shares and the Company gives notice to the Underwriter within 2 Business Days stating the number of Underwritten Shares that valid Applications have not been received for, the Underwriter must subscribe or cause its nominees to subscribe for the remainder of the Underwritten Shares within 3 Business Days of receiving the notice from the Company. The Underwriter may at any time in consultation with the Company appoint sub-underwriters to sub-underwrite the Offer but as at the date of completion of this Offer Document this has not occurred.

(b) **Fees**

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

All sub-underwriting and selling fees to third parties will be met by the Underwriter.

The Company has also agreed to reimburse the Underwriter for the Underwriter's reasonable out of pocket expenses (including legal expenses) incurred in connection with the Offer up to an amount of \$5,000.

(c) **Termination events**

The Underwriter may, without cost or liability to itself, terminate its obligations under the Underwriting Agreement on the happening of any of the following events by notice in writing to the Company at any time prior to the issue of Shares to the Underwriter.

- i. (Indices fall): the S&P ASX 200 Index is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement;
- ii. (Offer Document): the Company does not dispatch the Offer Document to Shareholders on the Dispatch Date or the Offer Document or the Offer is withdrawn by the Company;
- iii. (No Quotation Approval): the Company fails to lodge an Appendix 3B in relation to the Underwritten Securities with ASX by the time required by the Corporations Act, the Listing Rules or any other regulation;
- iv. (Non-compliance with requirements): it transpires that the Offer Document does not contain all the information required by the Corporations Act;
- v. (Restriction on allotment): the Company is prevented from allotting the Underwritten Securities within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- vi. (Takeovers Panel): the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, which in the Underwriter's reasonable opinion has a Material Adverse Effect;

- vii. (Hostilities): there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China or any member of the European Union other than hostilities involving Afghanistan, Iraq, Iran, Syria, Lebanon or Israel and the Underwriter believes (on reasonable grounds) that the outbreak or escalation is likely to result in the S&P ASX 200 Index falling by the percentage contemplated by clause 10.2i of the Underwriting Agreement;
- viii. (Authorisation): any authorisation which is material to anything referred to in the Offer Document is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter acting reasonably;
- ix. (Indictable offence): a director of the Company is charged with an indictable offence; or
- x. (Termination Events): any of the following events occurs and in the reasonable opinion of the Underwriter reached in good faith it has or is likely to have a Material Adverse Effect or could give rise to a liability of the Underwriter:
 - A. (Default): default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
 - B. (Incorrect or untrue representation): any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
 - C. (Contravention of constitution or Act): a contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
 - D. (Adverse change): an event occurs which gives rise to a Material Adverse Effect including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company;
 - E. (Public statements): without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer or the Offer Document;
 - F. (Misleading information): any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive;
 - G. (Official Quotation qualified): the official quotation of the New Shares is qualified or conditional;
 - H. (Prescribed Occurrence): a Prescribed Occurrence occurs;
 - I. (Suspension of debt payments): the Company suspends payment of its debts generally;
 - J. (Judgment against a Relevant Company): a judgment in an amount exceeding \$100,000.00 is obtained against a Relevant Company and is not set aside or satisfied within 7 days except any judgment against the Company in relation to the statutory demand issued by Hannans Reward Limited as referred to in section 4.5 of this Offer Document;

- K. (Litigation): litigation, arbitration, administrative or industrial proceedings are after the date of this Agreement commenced against any Relevant Company;
- L. (Board and senior management composition): there is a change in the composition of the Board or a change in the senior management of the Company before the date of issue of the Underwritten Securities without the prior written consent of the Underwriter (such consent not to be unreasonably withheld);
- M. (Change in shareholdings): there is a material change in the major or controlling shareholdings of a Relevant Company (other than as a result of the Issue) or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company;
- N. (Timetable): there is a delay in any specified date in the Timetable which is greater than 5 Business Days;
- O. (Force Majeure): a Force Majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
- P. (Certain resolutions passed): a Relevant Company passes or takes any steps to pass a resolution under Section 257A or Section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- Q. (Capital Structure): any Relevant Company alters its capital structure;
- R. (Market Conditions): a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia.

SECTION 6 – CORPORATE DIRECTORY

DIRECTORS

Crispin Henderson	Chairman
Jeremy Read	Managing Director
Dato Siew Mun Chuang	Deputy Chairman
Paul Niardone	Non-Executive Director
Siew Mun Wai	Non-Executive Director
Seng Han Gary Goh	Non-Executive Director
Ler Leong Keh	Alternate Director (Dato Siew Mun Chuang)

COMPANY SECRETARY

Roslynn Shand

REGISTERED OFFICE

Level 1, 65 Park Road
Milton Qld 4064
Australia

UNDERWRITER

Tan Sri Abu Sahid Mohamed
82 Caspian Way
Brigadoon WA 6069
Australia

SOLICITORS TO THE RIGHTS ISSUE

Bennett & Co
Ground Floor, BGC Centre
28 The Esplanade
Perth WA 6000
Australia

SHARE REGISTRY

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 3001
Australia

CONTACT DETAILS

Web: www.avalonminerals.com.au
Email: info@avalonminerals.com.au
Telephone: +61 7 3368 9888
Facsimile: +61 7 3368 9899

ASX CODE: AVI

SECTION 7 – DEFINITIONS

Adak Project means the Adak Copper-Zinc Project located Northern Sweden.

AEST means Australian Eastern Standard Time

Applicant means a person who submits an Application.

Application means a validly completed Entitlement and Acceptance Form.

Application Monies means monies paid by Eligible Shareholders in respect of New Shares applied for.

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian Securities Exchange or ASX Limited ACN 008 624 691.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors of the Company.

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

CHES means Clearing House Electronic Subregister System.

Closing Date means the date on which the Offer closes, being 5:00pm AEST on 9 September 2013, which may be extended by the Directors in accordance with the Listing Rules.

Company or Avalon means Avalon Minerals Ltd ACN 123 184 412.

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

Directors means the directors of the Company from time to time.

Dollars or \$ means Australian dollars unless otherwise stated.

ECS means Environmental Court of Sweden.

EIA means environmental impact assessment.

Eligible Shareholder means a Shareholder on the Record Date.

Entitlement means the number of New Shares an Eligible Shareholder is entitled to under the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form accompanying this Offer Document.

Existing Shares means Shares of the Company on issue as at the Record Date.

Issue Price means \$0.01 per New Share.

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

Material Adverse Effect means a material adverse effect on the outcome of the Offer or on the subsequent market for the New Shares or a material adverse effect on the condition, trading or financial position and performance, profit and losses, results, prospects, business or operations of the Company and its subsidiaries taken as a whole.

New Share means a Share offered and issued under this Offer Document, the terms and conditions of which are set out at Section 2 of this Offer Document.

Offer or Rights Issue means a non-renounceable, pro-rata entitlement issue to Eligible Shareholders on the basis of 1 New Share for every 1 Existing Shares held by Eligible Shareholders on the Record Date.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Offer Document means this document.

Official List means the Official List of ASX.

Opening Date means the date on which the Offer opens, being 22 August 2013.

Option means an option to acquire a Share.

Performance Right means a performance right to acquire a Share.

Quotation and Official Quotation means official quotation on ASX.

Record Date means 5:00pm AEST on 19 August 2013.

Relevant Company means the Company and each subsidiary of the Company.

Rights Issue means the entitlement to New Shares available for issue under this Offer Document.

Share means a fully paid ordinary share in the Company.

Share Register means the register of Shareholders maintained by Computershare Investor Services Pty Limited.

Share Registry or Computershare means Computershare Investor Services Pty Limited.

Shareholder means a holder of Shares in the Company.

Shortfall or **Shortfall Shares** means the Entitlement Offer Shares not applied for by an Eligible Shareholder under their Entitlement to participate in the Entitlement Offer.

Shortfall Offer means the offer of Shortfall Shares made in accordance with this Offer Document.

Underwriter means Tan Sri Abu Sahid Mohamed.

Underwritten Amount means \$5,885,406.

Underwriting Agreement means the underwriting agreement between the Company and the Underwriter dated 9 August 2013.

Viscaria Project means the Viscaria Copper Iron Ore Project located in Sweden.