

FULLY UNDERWRITTEN NON-RENOUNCEABLE RIGHTS ISSUE

Summary

- **1 for 1 non-renounceable pro-rata rights issue to raise approximately A\$5.62 million at an offer price of A\$0.01 per new share;**
- **The offer is fully underwritten by Avalon's largest shareholder, Tan Sri Abu Sahid Mohamed, who currently holds a 19.9% interest in Avalon;**
- **Proposed placement of additional shares to raise up to approximately \$700,000;**
- **Proceeds from the Fund Raising will be primarily used by the Company to:**
 - **fund preparatory work required for the Bankable Feasibility Study on the Company's Viscaria Copper-Iron Project in Sweden;**
 - **investigate and advance business development opportunities for the Company, with the goal of creating value for shareholders;**
 - **provide funds towards the acquisition of tenements; and**
 - **provide working capital**

Avalon is pleased to announce that it will be undertaking a fully underwritten, non-renounceable pro-rata rights issue (**Rights Issue** or **Offer**) to raise A\$5.62M million from its existing shareholders. Avalon is also seeking to place additional shares from its available placement capacity to raise up to approximately A\$700,000.

Rights Issue Details

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

The Rights Issue Price represents a discount of 29% to the last closing price of the Company's shares prior to the date of this announcement.

The volume weighted average price for the Company's shares on the ASX over the 30 trading days preceding the date of this announcement was \$0.0167.

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

The Rights Issue Shares issued under the Rights Issue will rank equally with Existing Shares of the Company.

Holders of shares in the Company on 19 August 2013 (**Record Date**) will be eligible to participate in the Rights Issue (**Eligible Shareholders**). The Company will also make available a shortfall facility to enable Eligible Shareholders to subscribe for additional shares from any shortfall under the Rights Issue if they wish to do so.

The Rights Issue is non-renounceable meaning that Eligible Shareholders who do not take up their Entitlement will not be able to transfer or receive any value for those Entitlements, and their equity interest in the Company will be diluted. Eligible Shareholders may choose to accept all or part of their Entitlement or none at all. Entitlements of Eligible Shareholders which are not taken up will lapse upon the close of the Rights Issue.

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

The Offer Document will be lodged with the ASX on or before 22 August 2013 and will be sent to Eligible Shareholders together with a personalised Entitlement and Acceptance Form on that date. A copy of the Offer Document will also be available for review on ASX's website (www.asx.com.au) and on the Company's website (www.avalonminerals.com.au) after it is lodged with ASX.

Use of proceeds from the Rights Issue

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

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

Rights Issue is fully underwritten

The Rights Issue is fully underwritten by Tan Sri Abu Sahid Mohamed (**Underwriter**), the largest shareholder in the Company, holding a 19.9% interest. If no other shareholders take up their shares under the Rights Issue and all Rights Issue Shares are issued to the Underwriter, this will result in Tan Sri Abu Sahid Mohamed holding a 61% interest in Avalon. The Underwriter will be entitled to an underwriting fee of 5% of the amount underwritten.

Further information on the underwriting arrangements will be set out in the Offer Document.

Proposed Placement

In addition to the Rights Issue Avalon is also seeking to place additional shares from its available placement capacity to raise up to approximately A\$700,000 at a price of A\$0.013 per new share pursuant to section 708 of the Corporations Act. If any of these shares are placed before the Record Date for the Rights Issue the allottees will be entitled to participate in the Rights Issue and the amount to be raised under the underwritten Rights Issue will therefore increase accordingly.

Timetable

The current proposed timetable for the Rights Issue is set out below. These dates are indicative only and the Company reserves the right to vary the dates (subject to the Corporations Act and the ASX Listing Rules).

| 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.*

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

