

15 APRIL 2013

ASX ANNOUNCEMENT



AVALON SIGNS MOU TOTALLING A\$25M TO FULLY FUND VISCARIA COPPER PROJECT TO POINT OF DEVELOPMENT

Highlights

- **Signed Memorandum of Understanding to raise up to a total of A\$25M, fully funding Avalon through to the completion of a Bankable Feasibility Study at the Viscaria Copper Project in Sweden;**
- **Proceeds will be used by the Company to:**
 - **Complete studies and undertake a Bankable Feasibility Study on the Viscaria Copper Project;**
 - **Continue infill and extension drilling at the A and D Zone Mineral Resources on the Viscaria Copper Project;**
 - **Continue regional exploration in northern Sweden;**
 - **Pursue acquisition activities; and**
 - **Provide working capital.**

Australian resources company Avalon Minerals Limited ('Avalon' or 'Company') (ASX:AVI) is pleased to announce that it has signed a Memorandum of Understanding (MoU) with international advisory group ZJ Advisory Sdn Bhd (ZJ), acting on behalf of its clients, to provide funding of up to A\$25,000,000 to the Company.

Under the terms of the MoU, ZJ will procure subscriptions for Avalon shares from ZJ clients in two tranches as follows:

- Tranche 1 - 100,000,000 Avalon shares for an aggregate consideration of A\$5M; and
- Tranche 2 - 400,000,000 Avalon shares for an aggregate consideration of A\$20M.

Tranche 1 funds are to be received and shares issued 31 days after the execution of the MoU (executed on 12 April 2013), subject to Avalon and ZJ agreeing on the performance hurdles for the provision of the Tranche 2 funding and ZJ completing due diligence. During the initial 31 day period, Avalon and ZJ are to agree the performance hurdles which need to be met prior to the Tranche 2 funding being provided. The performance hurdles will relate to, amongst others, a Bankable Feasibility Study being justified for the Viscaria Copper Project and other terms to be agreed upon by both parties.

It is intended that the provision of the funding and issue of shares under Tranche 2 is to occur by 31 August 2013 (or such later date as the parties agree) and is subject to Avalon satisfying the agreed performance hurdles and ZJ completing due diligence and obtaining any member, regulatory or other approval required.

Proceeds from the financing agreed with ZJ will be used by the Company to:

- Complete studies and undertake a Bankable Feasibility Study on the Viscaria Copper Project;
- Continue infill and extension drilling at the A and D Zone Mineral Resources on the Viscaria Copper Project;
- Continue regional exploration in northern Sweden;
- Pursue acquisition activities; and
- Provide working capital.

ASX: AVI

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Avalon's Managing Director, Jeremy Read said, "The financing package with ZJ is a significant milestone for Avalon and confirms the strong financial support for the Company, the Viscaria project and the Company's strategy to add value by completing a Bankable Feasibility Study on the Viscaria Copper Project. Under the arrangement with ZJ, Avalon will be provided substantial funding for the Company to progress the work underway at the Viscaria Project in Sweden through to the completion of the Bankable Feasibility Study. In the current difficult financial market conditions, it is an extremely pleasing result for Avalon to obtain such a significant injection of funds and to be fully funded through to the completion of the Viscaria BFS."

Avalon and ZJ will progress discussions to agree the performance hurdles and the Company will provide updates as required.

Avalon is also pleased to announce that it intends to undertake a non-renounceable pro-rata rights issue of one (1) new share for every ten (10) existing shares held by shareholders at an issue price of \$0.05 per share, to raise approximately \$3 million (**Rights Issue**). The Rights Issue is subject to prevailing market conditions and an underwriting agreement on acceptable terms being signed. ZJ has the first right of refusal to underwrite the Rights Issue. Further information, including the proposed timetable, will be announced as soon as documentation is finalised.

This announcement will now bring to an end the current trading halt and suspension from quotation of Avalon shares.

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 it has delineated a global resource of 49.2 million tonnes of copper mineralisation, containing 544,000 tonnes of copper and 18.9 million tonnes of iron mineralisation containing 6.2 million tonnes of recoverable 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:

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