



AVALON FUNDRAISING UPDATE AUGUST 2011

Background

Avalon Minerals Limited (**Avalon** or **the Company**) advised the ASX on 22 June 2011 that it was undertaking a fully underwritten \$10.8 million capital raising (**the June placement**) in 2 tranches. Funds of \$1.5 million from the first tranche were received and shares issued accordingly in early July.

On the weekend of 30 and 31 July the underwriter advised the Company that he intended not to proceed with the underwriting of the balance of the placement.

A trading halt in AVI shares was requested and granted from the ASX prior to the commencement of trading on Monday 1 August. Subsequently, a suspension from quotation was also requested from and granted by the ASX on Wednesday 3 August. This trading halt and suspension was required while the company sought alternative parties to replace the commitments of the underwriter of the June placement. Unfortunately the significant deterioration of market conditions particularly on Friday 5 August now makes the successful negotiation of an alternative underwriter very unlikely.

Current Position

As at 5 August 2011 the net cash reserves of the Company totalled \$1.3 million.

The Board has instructed Management to seek to conclude a new placement and to seek additional funding for the Company from new sources to progress the Viscaria Bankable Feasibility Study and exploration targets.

The Company has taken steps to focus on the high priority areas of the BFS while the funding situation is clarified.

Avalon is currently in discussion with a number of parties to provide additional funding to the Company.

These discussions include

- (a) Short term funding from investors from within the Company's current placement capacity of approximately 23 million shares.
- (b) Longer term funding from potential cornerstone investors that would be subject to shareholder approval if the placement(s) exceeded the current capacity of 23 million shares.

Avalon will advise the Market as to the impact on its business once discussions with potential investors are more advanced. This announcement will now bring to an end the current voluntary trading suspension.

Further Information

For further information on this release and Avalon Minerals generally, please contact:

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