

12 September 2013

ASX ANNOUNCEMENT



COMPANY UPDATE FOLLOWING TAKEOVERS PANEL APPLICATION

**Avalon Minerals Limited (ASX: AVI)
(‘Avalon’ or ‘Company’)**

Highlights

- **Rights issue funds delayed by interim orders of Takeover Panel**
- **Outcome of those proceedings may impact the control effects of the Offer and the Company’s financial position**

Details

Avalon’s fully underwritten rights issue closed on 9 September 2013 (**Offer**). However pursuant to interim orders granted by the Takeover Panel (**Panel**) (as announced on 9 September 2013), (**Interim Orders**) the Company is unable to issue any shares pursuant to the Offer without approval of the Panel.

As a consequence Avalon wishes to update its shareholders regarding the potential effects on the Company.

Potential Control Effects

Avalon provided disclosure regarding the potential control effects of the Offer in its rights issue offer booklet released through ASX on 22 August 2013 (**Offer Booklet**). The Offer Booklet provided that the maximum potential control effect that may be gained by the underwriter, Abu Sahid Bin Mohammed (**Underwriter**) was 59.5%.

Depending on the outcome of the Panel proceedings the potential control effects may in fact be different to the control effect scenarios detailed in the Offer Booklet. However Avalon will not be in a position to confirm the control effects until the conclusion of the Panel’s proceedings. Avalon will update the market as soon as it is able regarding the control effects of the Offer.

Financial update

Due to the Interim Orders, the receipt of funds from the Offer has been delayed.

There is also a possibility that some or all of the proceeds from acceptances of entitlements under the Offer, or from proceeds from the Underwriter, may not be available to the Company.

Since the release of the Offer Booklet on 22 August 2013, the Company has also incurred additional expenditure (including unbudgeted items) and is also incurring costs in connection with the Panel proceedings.

Avalon raised \$689,614 through share placements in August and September 2013. As of 11 September 2013 and prior to receipt of rights issue funds, Avalon had cash at bank of \$1.04 million and creditors and accrued expenditure of \$847,000 resulting in a forecast working capital balance of \$193,000. This excludes any provision for monies the subject of the statutory demand (see below).

ASX: AVI

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Roslynn Shand

If the Company does not get access to some or all of the Offer proceeds, it will likely require alternative funding from another source in order to remain a going concern and will need to re-direct available funds to priority items.

Hannans Statutory Demand update

As set out in the Company's Quarterly Activities Report released to ASX on 31 July 2013 and in the Offer Booklet for the Rights Issue, the Company's application to the Supreme Court of Western Australia to set aside the Statutory Demand was listed for a First Court Hearing in late August 2013. Further directions have now been agreed between the parties in relation to filing of evidence and submissions, with the parties due to file submissions by 29 October 2013. A court hearing date has not yet been determined but will occur after this date.

Further updates

The Company will provide further updates to the market as appropriate and having regard to the confidentiality undertakings given to the Panel.

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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