



AVALON RECEIVES COMMITMENTS FOR \$1.9 MILLION SHARE PLACEMENT

SECURES INTERIM FUNDING TO CONTINUE TO PROGRESS VISCARIA BANKABLE FEASIBILITY STUDY

Key Points

- *Commitments received to raise \$1.9 million through a share placement*
- *Funding to advance Bankable Feasibility Study at the Viscaria Project*
- *BFS timetable modified to enable key items to progress while funding is secured for the remaining 50 per cent of the study*

Australian-based minerals company Avalon Minerals Limited (**Avalon** or **the Company**) is pleased to advise that it has received commitments for a share placement to sophisticated and professional investors to raise up to \$1.9 million (net of fundraising costs).

The placement, comprising approximately 21.5 million shares at 9 cents per share, will be completed within the Company's 15% placement capacity under ASX Listing Rule 7.1. A number of directors of the company subscribed for shares under the placement and allocation of these shares is subject to shareholder approval.

The funds raised will be utilised to advance the Bankable Feasibility Study (BFS) of the Company's Viscaria Project in northern Sweden and to continue discussions with potential customers for the copper and iron ore concentrates to be produced at Viscaria.

The raising will also enable Avalon to pursue existing and new funding options to complete the Bankable Feasibility Study.

Status of Viscaria BFS

The Viscaria Copper-Iron Project in northern Sweden is targeted to supply approximately 80,000 tonnes per annum of copper concentrate at 25% Cu and 700,000 tonnes per annum of high-grade magnetite concentrate at 69.5% Fe, predominantly to European markets, from 2013.

The Project is the subject of a Bankable Feasibility Study (BFS) which is approximately 50 per cent complete. In light of the Company's current funding position, with current cash resources of \$3.5 million (post receipt of placement funding), the study schedule has been modified to enable the Company to continue to progress key resource modelling updates over the next few months prior to the recommencement of BFS drilling and engineering works.

The program of work for the Phase 1 drilling, engineering and customer negotiations was completed prior to July 2011, in preparation for the preliminary resource estimation, mine and process plant design involved in the Viscaria BFS.

Approximately 95 per cent of assay results have been returned from drilling completed in the first half of 2011. Once the assaying is complete, ore body modelling, optimisation and mine design will be undertaken for all ore zones. An updated resource estimate for the Project will be provided when completed.

The Phase 1 drilling has outlined the extent of the mineralisation at both D Zone and B Zone. Intersections encountered to date have been significantly better than expected at D Zone and in line with expectations at B Zone. Both zones will require further drilling, following the resource update to define their full economic extent and to estimate the mining design impacts prior to the completion of the BFS.

This Phase 2 drilling program is expected to take approximately six months to complete and forms the majority of the funding requirement in the BFS.

Engineering of the proposed processing plant and infrastructure is approximately 50 per cent complete. The plant design will be subject to verification following completion of the current resources and mine design work. It is expected that the plant and infrastructure engineering will recommence once current mine design work and additional metallurgical test work is complete. Finalisation of engineering is expected in the second half of 2012.

The approvals process is proceeding on schedule with public submissions currently being received following lodgement of the Environmental Impact Assessment. The Mining Exploitation Concession application is currently being considered by the Bergsstaten (Mines Department of Sweden) and is expected to be approved shortly.

Discussions are in progress with both primary customers for iron ore and copper concentrates and potential secondary customers. Pellet testing for iron ore concentrate at SGA in Germany has been placed on hold pending resolution of the longer term BFS funding issues.

The Company's current expectation is that the June 2011 funding shortfall will result in a six month delay to the previously announced March 2012 completion date of the BFS. However, once sufficient funding is secured, the Phase 2 drilling campaign will commence as quickly as possible.

The Company will inform the market once the timetable for recommencing the BFS is confirmed.

Underwriter's Withdrawal Update

On 8 August, Avalon advised the market of the withdrawal of the Underwriter from the proposed \$10.8 million fundraising announced on 22 June 2011.

The underwriting was subject to a formal agreement.

The Board has appointed a committee of independent directors to consider the actions of the Underwriter with regard to the agreement and to provide recommendations to the Board.

The Company has advised the Underwriter of its acceptance of the repudiation of the agreement by the Underwriter and has reserved the Company's rights under the agreement.

This announcement will bring to an end the current trading halt.

Further Information

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