

ASX / Media Release

23 February 2012

FULLY UNDERWRITTEN NON-RENOUNCEABLE PRO-RATA RIGHTS ISSUE NOTICE UNDER SECTION 708AA(2)(f) OF THE *CORPORATIONS ACT* 2001 (CTH) AS MODIFIED BY ASIC CLASS ORDER 08/35

Avalon Minerals Ltd (**Avalon** or **Company**) is pleased to announce that it has today lodged an Appendix 3B with ASX in relation to the fully underwritten, non-renounceable pro-rata rights issue it will be undertaking, initially announced on 13 February 2012 (**Rights Issue** or **Offer**).

The Rights Issue will be an offer of 47,812,267 new fully paid ordinary shares (**New Shares**) on the basis of one (1) New Share for every five (5) shares held (**Entitlement**) by Eligible Shareholders (defined below) on the Record Date (defined below) (**Existing Shares**), at a price of \$0.06 per New Share (**Issue Price**) to raise AU\$2,868,736.00 (before the costs of the Offer).

Holders of shares in the Company with a registered address in Australia or New Zealand as well as any other foreign shareholders to whom the Company may make the Offer as at 5pm (WST) on 2 March 2012 (**Record Date**) will be eligible to participate in the Rights Issue (**Eligible Shareholders**).

The Rights Issue is fully underwritten by Indian Ocean Capital Pty Ltd ACN 051 227 877 (**Underwriter**).

Any New Shares not taken up by Eligible Shareholders (**Shortfall Shares**) will be allocated by the Underwriter in consultation with the Company to:

- a) the Underwriter or any sub-underwriter (if appointed) to the Rights Issue (in accordance with Listing Rule 7.2 (exemption 2)); or
- b) any other parties selected by them.

The Company confirms that:

1. The New Shares will be offered for issue without disclosure under Part 6D.2 of the *Corporations Act 2001 (Cth) (Act)*.
2. This notice is being given under section 708AA(2)(f) of the Act in compliance with the requirements of sub-section 708AA(7) of the Act, as modified by ASIC Class Order 08/35.
3. As at the date of this notice, the Company has complied with:
 - (a) the provisions of Chapter 2M of the Act; and
 - (b) section 674 of the Act,as they apply to the Company.

4. As at the date of this notice, the Company confirms that it has no excluded information (as that term is defined in section 708AA(8) of the Act) to disclose.
5. The potential effect the Rights Issue will have on the control of the Company is as follows:
 - (a) if all shareholders take up their Entitlements under the Offer then the Rights Issue will have no effect on the control of the Company;
 - (b) if all shareholders do not take up their Entitlements, the Shortfall Shares will be allocated by the Underwriter in consultation with the Company to the Underwriter or any sub-underwriter (if appointed) to the Rights Issue (in accordance with Listing Rule 7.2 (exemption 2)) or any other parties selected by them. Shareholders may not apply to take up the Shortfall Shares. The effect the placement of the Shortfall Shares may have on control will depend entirely on the allocations made by the Underwriter or any sub-underwriter (if appointed);
 - (c) if some shareholders do not take up their Entitlements, the equity in their Existing Shares will be diluted. The equity of Existing Shareholders who only take up part of their Entitlement will also be diluted, but to a lesser extent;
 - (d) the options the Company currently has on issue (**Options**) are not expected to be exercised prior to the Record Date as the exercise price for these Options exceeds the Issue Price and the share price on 21 February 2012, of \$0.12 per share at close of trade, therefore the Options are expected to have no effect on the Offer or the control of the Company; and
 - (e) given the Rights Issue is fully underwritten, if all shareholders do not take up their Entitlements and assuming the Shortfall Shares are placed entirely with the Underwriter, the Underwriter will hold 17.81% in Avalon.

Further details regarding the Rights Issue will be set out in the Offer Booklet.

Dated this 23 February 2012

Signed for and on behalf of the Company:



Jeremy Read
Managing Director
Avalon Minerals Limited