

DISCOVERY ZONE ACQUISITION

Australian resources company Avalon Minerals Limited ('Avalon' or 'Company') (ASX: AVI) announced on 16 October 2012 that it had signed a binding Heads of Agreement with Hannans Rewards Limited ('Hannans') to purchase the Discovery Zone Prospect, which is located approximately 10km from Avalon's Viscaria Copper Project in northern Sweden. On 26 November 2012, Avalon and Hannans further agreed to extend the Due Diligence period to Friday 21 December 2012.

During the course of the Due Diligence process it became apparent that the sale and purchase arrangements, as detailed in the Heads of Agreement, were not optimal for either Avalon or Hannans. Consequently, the Heads of Agreement has been allowed to lapse, with the consent of both Avalon and Hannans, at the end of the Due Diligence period.

Avalon and Hannans are now working to reach a new arrangement for the Discovery Zone Prospect, the aim of which will be for the ownership of the Discovery Zone Mineral Resource to pass to Avalon for the previously agreed amount of AU\$4M. The details of any new arrangement (which will be subject to the usual board approvals) are expected to be agreed between Avalon and Hannans early in 2013.

Avalon and Hannans will provide a further update to the ASX before the end of January 2013 regarding the status of a new agreement for the Discovery Zone Prospect.

For further information please visit www.avalonminerals.com.au or contact:

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