

1 October 2013

# ASX ANNOUNCEMENT



## SETTLEMENT WITH HANNANS

Australian resources company Avalon Minerals Limited ('**Avalon**' or '**Company**') (**ASX: AVI**) is pleased to announce that it has reached agreement with Hannans Reward Limited (**Hannans**) regarding the variation of payment terms under a Heads of Agreement (**HOA**) dated 2 May 2013 and the formal demand as announced on 4 July 2013.

Under a variation of the HOA terms, Avalon and Hannans have agreed as follows (the **Variation**):

"In consideration for the Sale, Avalon agrees to pay, and Hannans agrees to accept as full and final payment for the Sale, the sum of \$4,000,000 (**Consideration**) as follows:

- (a) subject to Avalon gaining access to a sum of at least AUD\$2,100,000 of the funds raised from a rights issue pursuant to an offer document dated 22 August 2013 (**Rights Issue**) (which for the avoidance of doubt will only occur once Avalon issues shares which correspond to that amount (**Relevant Shares**)), Avalon agrees to pay into Hannans' Nominated Bank Account AUD\$1,000,000 on or before the date that is 3 Business Days after the issue of the Relevant Shares (**First Payment**);
- (b) in the event that the Relevant Shares are not able to be issued by Avalon (due to a restriction imposed by any regulatory body), Avalon agrees to make the First Payment into Hannans' Nominated Bank Account on or before 31 October 2013; and
- (c) within 5 Business Days of the Discovery Exploitation Concession being granted (**Concession Grant Date**), Avalon will deposit a cash payment of AUD\$3,000,000 into Hannans' Nominated Bank Account (**Final Payment**) within 5 business days of the Discovery Zone Exploitation Concession being granted to Avalon.

Avalon agrees and acknowledges that it must pay and will be responsible for the Royalty in respect of the Avalon area. The payment is exclusive of any VAT or GST assessed as being payable by any government.

The Variation is conditional upon Hannans advising Avalon in writing of the withdrawal of its statutory demand for payment (for a sum of AUD\$2,000,000) (**Condition 1**) and consenting to the discontinuance of related court proceedings (with no order as to costs) (**Condition 2**).

At the time of this announcement Condition 1 has been satisfied and Hannans have provided a written undertaking to take steps to satisfy Condition 2 as soon as reasonably practicable. Avalon also confirms that it has today issued the Relevant Shares.

**ASX: AVI**

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### **Discovery Zone Prospect**

The Discovery Zone Prospect is located approximately 6km southwest of Kiruna and approximately 10km from Avalon's Viscaria Project. Its proximity to Avalon's Viscaria Project makes it an ideal acquisition and fits with the expansion strategy for the Company. The Discovery Zone Prospect will enhance the Company's asset portfolio and potentially will significantly improve the economics of the Viscaria Copper Project.

### **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](http://www.avalonminerals.com.au)**

