

2012 Exploration and Corporate Update

Highlights

Board of Avalon Minerals Limited restructured and a new management team appointed in February 2012;

- Rights Issue successfully completed raising \$2.86M at 6 cents per share, with 88% of shareholders participating, in March 2012.
- Placement completed raising a further \$3.6M at 9 cents per share, attracting new institutional investors onto the Avalon share register, in July 2012;
- Between April and July 2012, a four hole drill program was undertaken at the Viscaria Copper Project aiming to extend high-grade shoots of copper mineralisation outside the existing boundaries of the A and D Zone Mineral Resources;
- The four hole drill program was extremely successful intersecting high-grade copper and copper-iron mineralisation in all drill holes;
- Scoping Study initiated to determine the economics of a combined open pit and underground project at the Viscaria Copper Project in June 2012;
- Planning is well advanced for a large drill program, the objective of which is to significantly extend the known copper-iron mineralisation at the Viscaria Copper Project;
- Drill testing of a number of regional exploration targets will also occur during this drill program commencing in November 2012.

Australian resources company Avalon Minerals Limited ('Avalon' or 'Company') (ASX: AVI) is pleased to provide an update on its corporate activities and summarise progress during 2012 on its flagship Viscaria Copper Project in northern Sweden.

Corporate Activities

In February 2012, the Board of Avalon was restructured and a new management team lead by Jeremy Read, the ex-Managing Director of Discovery Metals Limited and Meridian Minerals Limited was appointed. The immediate goal of the new management team was to stabilise the capital base of the Company and to refocus activities on the Viscaria Copper Project ('Viscaria' or 'Project') to create shareholder value by extending the high-grade copper Mineral Resources and copper-iron Mineral Resources, at the A and D Zone prospects, respectively.

In March 2012, a successful Rights Issue was completed, raising \$2.86M at 6 cents per share. This Rights Issue was very well supported with 88% of Avalon's shareholders participating. In July 2012, a further Placement was completed, raising \$3.6M at 9 cents per share and attracting new institutional investors onto Avalon's share register.

The combined proceeds of the two capital raisings are being applied to:

- commence a regional exploration program including a Heli-EM survey;
- complete a Scoping Study to determine the economics of a combined open pit and underground mining operation at Viscaria;
- complete planning for a major resource extension drill program; and
- replenish the Company's working capital.

Progress on the Viscaria Copper Project

Immediately following its appointment, the new Avalon management team undertook a review of the Project (Figure One) and the surrounding regional exploration tenements. Avalon holds 720km² of ground prospective for copper, copper-gold and copper-iron mineralisation. The Project contains the A, B and D Zone Mineral Resources (Figure Two), which currently total 53.8Mt @ 1.0% Cu and is classified as having 22.6Mt @ 0.7% Cu Inferred, 15.2Mt @ 0.8% Cu Indicated and 16.0 Mt @ 1.6% Cu Measured, according to the guidelines of the JORC Code (2004).

Avalon's activities to date and into the future will be concentrated on the A and D Zone Mineral Resources. The current Mineral Resource for A Zone comprises 21.6Mt at 1.5% Cu, reported above a 0.4% copper grade cut-off and is classified as having 2.5Mt @ 1.5%Cu Inferred, 4.7Mt @ 1.2% Cu Indicated and 14.4Mt @ 1.7% Cu Measured according to the guidelines of the JORC Code (2004).

The current Mineral Resource for D Zone comprises 11.9Mt at 0.6% Cu and 24% Fe. The Mineral Resource is reported above a 15% mass recovery for magnetite and a 0.0% Cu grade cut-off and is classified as having 4.46Mt @ 0.49% Cu, 23.52% Fe Inferred, 6.1Mt @ 0.6% Cu, 24.82% Fe Indicated and 1.379Mt @ 0.48% Cu, 23.13% Fe Measured, according to the guidelines of the JORC Code (2004).

Following a review of the Project by Jeremy Read and the new management team, it was decided that rather than recommence the Viscaria Bankable Feasibility Study ('BFS'), which was suspended in August 2011, drilling would be undertaken with an objective of significantly increasing the A and D Zone Mineral Resources. Should this objective be achieved, then the BFS will be recommenced in the middle of 2013, with the Mineral Resource base for the Project significantly expanded.

Avalon's management decided to take a two-stage approach to expanding the Mineral Resources on the Project by completing a small initial drill program to test ideas relating to the extension of high-grade copper mineralisation, followed by a larger drill program to be commenced in November 2012. Knowledge gained from the initial drill program would be applied to the design of the larger drill program with the objective of greater success in targeting high-grade copper mineralisation.

The initial drill program comprised four holes, two drilled at the A Zone prospect and two drilled at the D Zone prospect.

Drill hole VDD0125, drilled at the A Zone prospect, intersected a succession of basaltic units and tuffaceous, volcanic sediments. There are several occurrences of shear zone hosted, mineralised veins primarily within tuffaceous, volcanic sediments between 450.4m and 469m. The mineralisation is characterised by chalcopyrite (copper sulphide) and pyrrhotite (iron sulphide). VDD0125 returned an intersection of 18.6m @ 1% Cu from 450.4m (down hole intersection), including 7.8m @ 1.9% Cu from 453.2m.

Drill hole VDD0127, drilled 1.2km south of hole VDD0125, intersected copper mineralisation over 42 metres down hole with similar characteristics as the copper mineralisation in VDD0125. The best copper mineralised interval, in VDD0127, comprised 6.5m @ 3.4% Cu from 767.5m (down hole).

Drill hole VDD0128, drilled at the D Zone Prospect, intersected copper-iron mineralisation over a broad 68.5m (down hole depth) interval from a depth of 177.0m. The chalcopyrite is characterised by disseminations, stringers and veins and is associated with skarn-like alteration. The magnetite (iron oxide mineralisation) is characterised by fine to coarse-grained disseminations that increase in abundance to massive magnetite in some zones. A high grade copper-mineralised interval extended 5.1m down hole from 189.9m and returned an intersection of 5.1m @ 2.1% Cu and 42% Fe. A second high grade copper interval extended 6.4m down hole from 216.0m and returned an intersection of 6.4m @ 1.8% Cu and 34.5% Fe. To follow up on the copper-iron intersection recorded in drill hole VDD0128, drill hole VDD0129 was drilled on the same section, 50m down-dip from drill hole VDD0128.

Drill hole VDD0129 intersected copper-iron mineralisation over a broad 88.3m (down hole width) interval from a depth of 229.7m. This mineralisation has two dominant copper enriched zones. The first copper zone extended 16.3m down hole from 229.7m and returned an intersection of 0.5% Cu and 24.4% Fe. The second copper zone extended 17.0m down hole from 300.0m and returned an intersection of 1.3% Cu and 23.3% Fe.

The drilling at D Zone indicated that the copper-iron mineralisation increases in thickness at depth and within the broad zone (68-88m thickness) of copper-iron mineralisation two high-grade zones of copper mineralisation occur. Both these features suggest that D Zone will have the potential to be mined using both open pit and underground methods, which ultimately should increase the amount of resources able to be economically extracted from D Zone.

All four holes, VDD0125, VDD0127, VDD0128 and VDD0129 (VDD0126 was abandoned due to drilling issues) completed as part of the initial drill program for 2012 (Table One), intersected significant intervals of copper mineralisation, which has increased Avalon's confidence to follow the higher grade intervals of copper mineralisation at depth at both the A and D Zones.

The success of the initial drill program indicates that Avalon's exploration team has a good understanding of the controls on the higher-grade copper mineralisation at Viscaria and hence the initial drill program was viewed as being successful. Developing the understanding of the control on the high-grade copper mineralisation is an important step prior to undertaking the larger drill program later in 2012, with the aim of significantly increasing the Mineral Resources on the Project.

Viscaria Scoping Study

The previous management team of Avalon completed a Pre-feasibility Study of the Project and then commenced a BFS. This study was suspended in August 2011, due to funding issues. Upon taking over management of Avalon, the new management team made the decision to not immediately recommence the BFS. Management determined that more shareholder value could be created over the medium term, by undertaking a drill program to extend the existing Mineral Resources at the A and D Zone prospects and conducting a Scoping Study into a combined open pit/underground mining operation at Viscaria. The BFS previously did not consider the potential of increasing copper production by mining underground the high-grade copper mineralisation at A Zone.

Avalon contracted Xstract Mining Consultants to undertake the Scoping Study. The Scoping Study is currently well advanced and the results from the study should be released during September 2012.

Heli-EM Survey

Surrounding the Mineral Resources at the A, B and D Zone prospects, Avalon has 720km² of exploration tenements covering geology prospective for the discovery of copper, copper-gold, copper-iron and iron deposits. During the past several years, Avalon has completed desktop studies and conducted some geological reconnaissance of this package of regional exploration tenements. This work has led to the identification of a number of prospects interpreted to be prospective for copper and copper-gold mineralisation. Prioritisation of the regional prospects has been based upon historical drilling, surface geochemical surveys and aeromagnetic data. Historical drilling has previously intersected copper mineralisation related to several aeromagnetic anomalies and in geology analogous to the rocks hosting the A, B and D Zone Mineral Resources. For example, at the Tjarro prospect historical drilling intersected 8m @ 1.7% Cu within a larger intersection of 15m @ 1.3% Cu (down hole width).

In order to assist with the prioritisation of the regional exploration targets and also to generate new targets, a Heli-EM survey was flown over the regional exploration tenements. A total of 1185 line/km of Heli-EM data was collected. Preliminary data has been delivered and final data is expected to be received by mid-September. The interpretation of the Heli-EM data will be integrated with the existing geological and geophysical data sets. Regional exploration targets will then be prioritised for drilling. It is expected that up to 4 regional exploration targets will be drill tested early in 2013.

Planning for Viscaria Resource Extension Drill Program

As a part of the Viscaria Scoping Study, Xstract Mining Consultants will estimate the increase to the Net Present Value ('NPV') of the Project due to increases in the Mineral Resources at the A and D Zone prospects. This quantification of potential NPV increases to the A and D Zone Mineral Resources will provide clear goals for a major drill program to be undertaken at the A and D Zone prospects, commencing in November 2012.

Currently, Avalon is estimating that 25,000 - 30,000m of drilling will be conducted at the A and D Zone prospects with the goal of significantly increasing both Mineral Resources. This drill program will take place during the northern hemisphere winter and is expected to be completed by May 2013. Updates on the drill program will be provided to the market as required.

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

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Table One

A Zone VMS Copper Mineralisation

Hole	Easting (RT90)	Northing (RT90)	RL (m)	Azimuth (degrees)	Inclination (degrees)	From (down hole m)	To (down hole m)	Intersection Width (down hole m)	% Cu	End of Hole(m)
VDD00125	1,681,119	7,535,701	525.2	310	-65	451.0	468.0	18.6	1.0	503.9
						Including				
						453.2	461.0	7.8	1.9	
VDD00127	1,680,995	7,535,479	533	314	-65	747.0	789.0	42.0	0.9	846.0
						Including				
						767.5	773.0m	6.5	3.4	
						And				
						783.0	786.0	3.0	1.2	

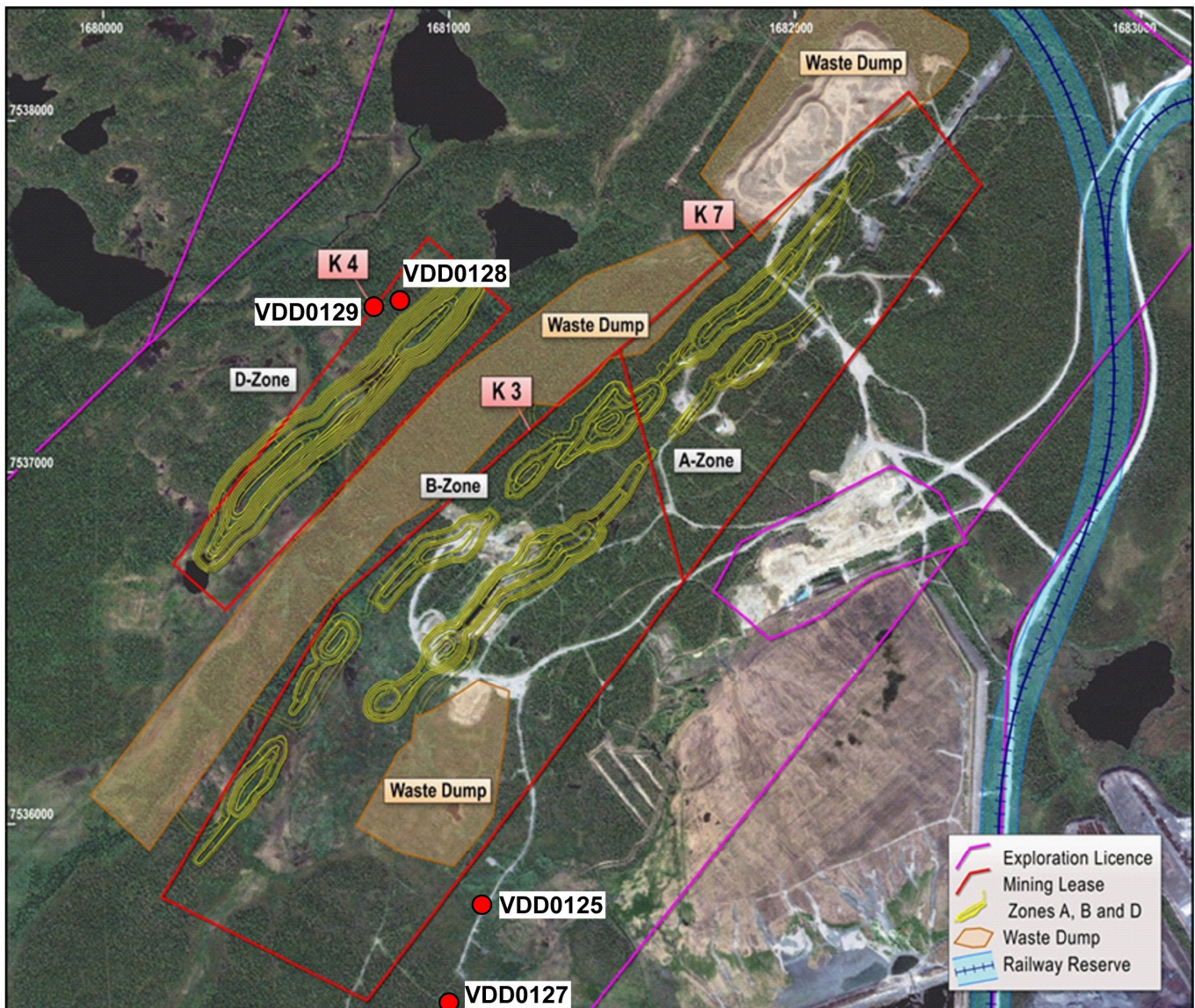
D Zone Copper-Iron Skarn Mineralisation

Hole	Easting (RT90)	Northing (RT90)	RL (m)	Azimuth (degrees)	Inclination (degrees)	From (down hole m)	To (down hole m)	Intersection Width (down hole m)	% Cu	% Fe	End of Hole(m)
VDD0128	1,680,854	7,537,470	510.8	134	-55	177.0	245.5	68.5	0.6	28.2	250.7
						Including					
						189.9	198.0	8.1	1.5	39.2	
						And					
						216.0	224.0	8.0	1.5	33.0	
VDD00129	1,680,822	7,537,463	510.8	134	-60	229.7	318.0	88.3	0.4	21.9	348.0
						Including					
						235.0	240.0	5.0	1.0	30.6	
						And					
						300.0	309.0	9.0	1.8	23.0	

Figure One - Project Location



Figure Two - Location of Drill Hole VDD0129, as well as previously announced holes VDD0125, VDD0127 and VDD0128



Competent Persons Statement

The information in this report that relates to Mineral Resources and exploration targets is based upon information reviewed by Mr Jeremy Read BSc (Hons) who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Read is a full time employee of Avalon Minerals Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Read consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Mineral Resource estimate for A, B and D Zones was compiled and prepared by Dr Bielin Shi (MAusIMM, MAIG) of CSA Global Pty. Ltd. who is a Competent Person as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2004 Edition and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.