

AVALON MINERALS LTD
MARCH 2013 QUARTERLY REPORT

HIGHLIGHTS

Viscaria Copper-Iron Project, Sweden (Avalon - 100%)

- Updated Scoping Study results indicate that the potential NPV of the Base Case open pit mining scenario is now US\$97 million dollars (A and D Zone Mineral Resources, using US\$3.25/lb copper price, US\$150/t magnetite concentrate price and 60° pit slope);
- Increase in Base Case NPV relates to revised open pit analysis of the upgraded D Zone Mineral Resource;
- Result shows that converting part of the Development Case A exploration target into Mineral Resources has been achieved and is still ongoing with further drilling at D Zone;
- Updated Scoping Study results indicate that the Base Case open pit mining scenario produces 10,000t of Cu and 343,000t of Fe per annum at a C1 cash cost (net of Fe credits) of US\$0.65/lb, over a 7 year mine life;
- At US\$3.50/lb copper price the NPV of the Base Case open pit mining scenario increases to US\$119M;
- The upgraded D Zone Mineral Resource is currently being subjected to further economic analysis to estimate the value of any potentially underground mineable tonnes (Development Case C);
- Overall D Zone Mineral Resource tonnage increased by 5.2 million tonnes, bringing the overall resource size to 20.7 million tonnes, a 34% Increase;
- Interim Mineral Resource estimate for the D Zone Prospect has increased by 46% in copper resource tonnage and 48% in contained copper;
- Interim Mineral Resource estimate for the D Zone Prospect has also increased by 28% in iron resource tonnage and 33% in contained iron;
- D Zone Mineral Resource is expected to continue to grow as drilling continues to intersect excellent thicknesses and high grades of copper and iron mineralisation;
- Drilling commenced at the highly prospective Tjärro Copper-Gold Prospect, which is the first prospect to be drilled on Avalon's 720km² of regional tenements;
- The aim of the regional drill program is to intersect new bodies of copper-gold or copper-magnetite mineralisation, with priority given to prospects close by to a potential processing plant at the Viscaria Project;

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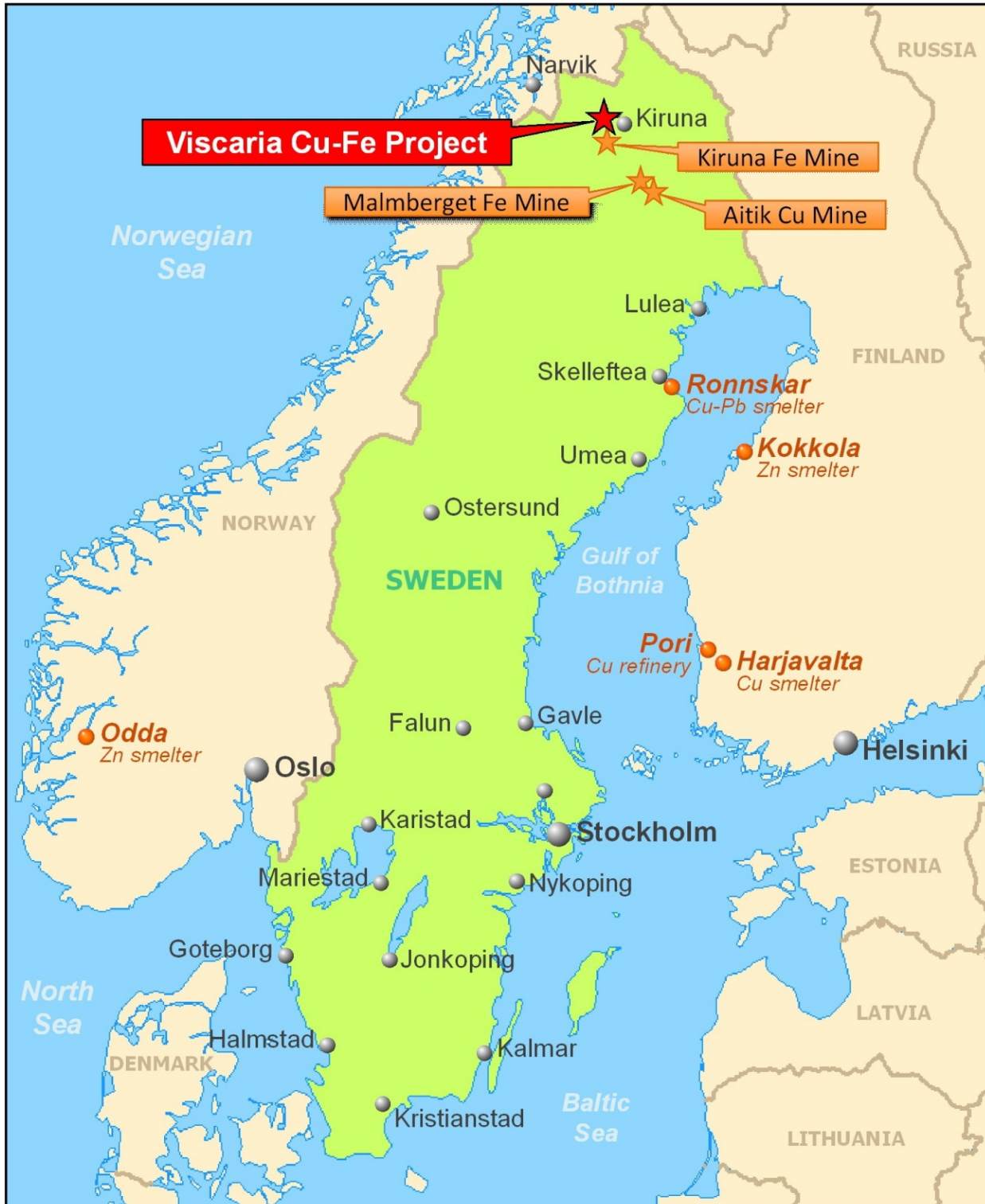
- Latest assay results from D Zone at the Viscaria Project show two thick high-grade copper-iron zones improving at depth and consistently intersecting grades in excess of 2% CuEq;
- Excellent potential for D Zone Mineral Resource to be significantly extended at depth and along strike;
- Drilling results continue to indicate that the D Zone Mineral Resource will be significantly increased in size;
- Drilling at the A Zone Prospect to test two high-priority conductive anomalies, following a Down Hole EM survey;
- Most conducive of the two targets is situated down plunge of the excellent mineralised intersections previously announced in VDD0135B and VD0131.

Corporate

- Completed an institutional placement to raise A\$1.25M (before costs) to progress work at Avalon's flagship Viscaria Copper-Iron Project in northern Sweden;
- Signed Memorandum of Understanding to raise up to a total of A\$25M, fully funding Avalon through to the completion of a Bankable Feasibility Study at Viscaria Copper Project;
- Proceeds will be used by the Company to:
 - Complete studies and undertake a Bankable Feasibility Study on the Viscaria Copper Project;
 - Continue infill and extension drilling at the A and D Zone Mineral Resources on the Viscaria Copper Project;
 - Continue regional exploration in northern Sweden;
 - Pursue acquisition activities; and
 - Provide working capital;
- Appointment of a new, independent non-executive Chairman, a part of Avalon's strategy to access European investor markets;
- General Meeting held 27 March 2013;
- Cash position of the Company at the end of the quarter was \$1.88M.

The Company continued to progress the Viscaria Copper Project (**Viscaria Project**) in northern Sweden during the quarter and into April 2013, with the release of an updated Scoping Study for the Base Case Open Pit scenario, a revised Mineral Resource for D Zone, assay results received from prospects targeted in the current Viscaria drill program and the commencement of regional exploration drilling (Figure 1).

Figure 1 – Viscaria Project Location



VISCARIA PROJECT SCOPING STUDY

On 11 April 2013, Avalon released the results of a revision of the Base Case open pit mining scenario Net Present Value ('NPV') from the Scoping Study completed on the Viscaria Project by Xstract Mining Consultants (announced 11 October 2012).

The updated Scoping Study revised the Base Case open pit mining scenario using the Mineral Resources currently defined on the Viscaria Project, which including the updated D Zone Mineral Resource announced to the ASX on 4 April 2013 (Table 1). The economic assessments used price assumptions of US\$3.25/lb copper and US\$150/t magnetite concentrate as well as a 60° pit slope.

The NPV of the Base Case open pit mining scenario increased to US\$97 million dollars, indicating the Company is well on the way to delivering on Development Case A from the October 2012 Scoping Study. The D Zone resource extension drill program still has approximately 30% to go to complete the planned program, allowing the potential to continue to grow the D Zone Mineral Resource and deliver further value creation through conversion of exploration targets to Mineral Resources, which should further increase the NPV of D Zone.

Various options are being assessed for underground mining the plunging shoots of +2% CuEq mineralisation which occur at D Zone.

Table 1: Currently Defined Mineral Resources on the Viscaria Project

Resource Name	Classification	Tonnes (t)	Cu Grade (%)	Cu Metal (t)
A Zone*	Measured	14,439,000	1.7	240,000
	Indicated	4,690,000	1.2	57,000
	Inferred	2,480,000	1.0	26,000
	Subtotal	21,609,000	1.5	323,000
B Zone*	Measured	123,000	1.3	2,000
	Indicated	4,118,000	0.7	30,000
	Inferred	15,410,000	0.8	118,000
	Subtotal	19,651,000	0.8	150,000
D Zone Cu Resource	Indicated**	5,200,000	0.9	48,000
	Inferred**	2,700,000	0.8	23,000
	Subtotal	7,900,000	0.9	71,000
Overall Cu	Total	49,160,000	1.1	544,000

Resource Name	Classification	Tonnes (t)	Fe Grade (%)	Fe Mass Recovery (%)	Fe Metal (t)
D Zone Fe Resource	Indicated***	12,100,000	27.3	31.3	4,000,000
	Inferred***	6,800,000	25.6	31.6	2,200,000
Overall Fe	Total	18,900,000	26.9	32.6	6,200,000

* 2011 Mineral Resources for A Zone and B Zone are reported above a cut-off grade of 0.4% Cu.

** 2013 Copper Mineral Resource for D Zone above a cut-off grade of 0.4% Cu.

*** 2013 Iron Mineral Resource for D Zone above a cut-off grade of 15% Fe Mass Recovery.

Note that the total Indicated and Inferred Mineral Resource reported for Copper (Table 1) and for above 15% Fe Mass Recovery are not mutually exclusive; the Mineral Resource for above 15% Fe Mass Recovery excludes 1.8 million tonnes at 0.8% Cu above a cut-off grade of 0.4% Cu.

Revised Base Case open pit mining scenario

The revised Base Case open pit mining scenario assessed the viability and potential value of the open pit portion of the A Zone and D Zone Mineral Resources. These Mineral Resources were subjected to open pit optimisations using the parameters and revenue assumptions outlined in Table 2. Using these parameters several open pit shells were generated along the near-surface trends of the A Zone and D Zone Mineral Resources. Figure 2 and Table 3 show the production profile developed for the Base Case scenario.

Table 2: Pit optimisation parameters and revenue assumptions

Parameter	Unit	Value	Comments
Overall pit slope angle	Degrees	55	
Copper Price	US\$/t	US\$7,165	US\$3.25/lb Cu
Magnetite Price	US\$/t	US\$150	Magnetite Concentrate price
Mining Cost (ore)	US\$/t	US\$4.55	
Mining Cost (waste)	US\$/t	US\$4.55	
Mining Recovery	%	95%	
Mining Dilution	%	5%	
Metallurgical Recovery	% Cu	90%	
	% Fe	76%	
Concentrate Grade	% Cu	25%	
	% Fe	69%	
Processing Costs	US\$/t ore	US\$12.04	
Admin Costs	US\$/t ore	US\$3.08	
Payable Copper	% Cu contained	98%	
Payable Magnetite	% Fe contained	98%	
Copper Conc. Treatment charge	c/lb Cu	45	
Copper Conc. Refining charge	c/lb Cu	4.5	
Magnetite Conc. Treatment charge	US\$/dmt	28	

Figure 2: Base Case production profile

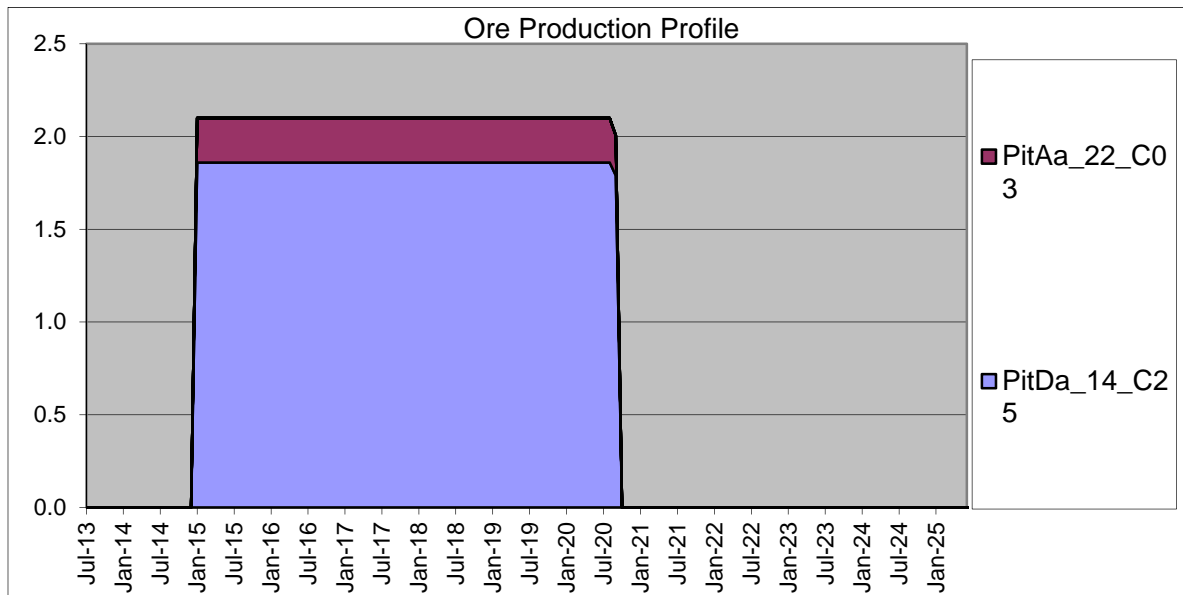


Table 3: Base Case production summary

Year	Tonnes Mined (kt)	% Cu	% Fe	Copper Conc Produced (kDMT)	Contained Copper (kt)	Magnetite Conc Produced (kDMT)	Contained Iron (kt)
2014							
2015	2,100	0.53	20.4	40	10	494	343
2016	2,100	0.53	20.4	40	10	494	343
2017	2,100	0.53	20.4	40	10	494	343
2018	2,100	0.53	20.4	40	10	494	343
2019	2,100	0.53	20.4	40	10	494	343
2020	1,600	0.53	20.4	30	17	369	256
2021							
Total	12,100	0.53	20.4	230	57	2,865	1,971

The economic Base Case open pit mining scenario was assessed using pit slope angles of 55° and 60°. The 55° pit slope angle option is given in Table 4 and the 60° pit slope angle option is given in Table 5.

Table 4: Summary of the economic assessment of the Base Case open pit mining scenario at 55° overall pit wall slope

Base Case	Revised D Zone Open Pit and A Zone Open Pit-A at 55° Overall Pit Slope	
Resource Base	11.5 Mt @ 0.55% Cu 21.4% Fe	Undiluted by mining factors
Optimum Mining Rate	2.1 Mtpa	
Mine Life	6 years	
Pre-Production Capex	US\$138 M	Includes US\$17.2M pre-strip
Life-of-Mine Capex	US\$150 M	Excludes closure costs
NPV _{10% REAL}	US\$76 M	US\$3.25/lb Cu US\$150/t Magnetite concentrate
NPV +	US\$96 M	US\$3.50/lb Cu
NPV -	US\$55 M	US\$3.00/lb Cu

Table 5: Summary of the economic assessment of the Base Case open pit mining scenario at 60° overall pit wall slope

Base Case	Revised D Zone Open Pit and A Zone Open Pit-A at 60° Overall Pit Slope	
Resource Base	13.3 Mt @ 0.54% Cu 22.2% Fe	Undiluted by mining factors
Optimum Mining Rate	2.1 Mtpa	
Mine Life	7 years	
Pre-Production Capex	US\$138.7 M	Includes US\$17.9M pre-strip
Life-of-Mine Capex	US\$152.2 M	Excludes closure costs
NPV _{10% REAL}	US\$97 M	US\$3.25/lb Cu US\$150/t Magnetite concentrate
NPV +	US\$119 M	US\$3.50/lb Cu US\$150/t Magnetite concentrate
NPV -	US\$75 M	US\$3.00/lb Cu US\$150/t Magnetite concentrate

Cost and Revenue Assumptions

The capital costs used in the Base Case open pit mining scenario have been summarised in Table 6, with the operating costs assumptions in Table 7. The C1 copper cash operating costs, net of iron credits,

for the Base Case open pit mining scenario is predicted to be \$0.65/lb Cu, which is in the lower quartile of copper producers.

Table 6: Capital Cost assumptions

Item	Base Case US\$M	Comments
Process Plant	111.7	Scalable on production capacity
Pit D site establishment	2.5	Includes provision of site services and access roads
Pit A site establishment	1.7	
Pre-Strip	17.2	
Tailings Storage Facility	5.0	
Replacement Capital	11.7	
Closure Costs	-	Not Included
Total	150	

Table 7: Operating Cost assumptions

Parameter	Unit	Value	Comments
Mining Cost (ore)	US\$/t	\$4.55	
Mining Cost (waste)	US\$/t	\$4.55	
Processing Costs	US\$/t ore	\$12.04	Variable – assumes 40% fixed costs and 12.04/t @ 1.5Mtpa
Admin Costs	US\$/t ore	\$3.08	
Copper Conc. Transport	US\$/DMT conc	15.75	Assumes local smelter
Magnetite Conc. Transport	US\$/DMT conc	1.50	Assumes slurry pipe to LKAB

Comparison with previous Base Case results

The economic summary of the previous Base Case open pit mining scenario as announced in October 2012 is displayed in Table 8. The current Base Case open pit mining scenario economic summary has an increased resource base of 0.5Mt, though more importantly a higher copper grade of 0.55% Cu, compared to 0.50% Cu previously. The increased grade and size of the potential open pit portion of the D Zone Mineral Resource, as well as a reduction to the pre-production capital costs has increased the Base Case open pit mining scenario NPV from US\$61 million dollars to US\$76 million for the 55° pit slope angle option and the NPV to US\$97M for the 60° pit slope angle option.

Table 8: Summary of the economic assessment of the previous Base Case mining scenario

Base Case	D Zone Open Pit and A Zone Open Pit-A	
Resource Base	11.0 Mt @ 0.50% Cu 22.2% Fe	Undiluted by mining factors
Optimum Mining Rate	2.1 Mtpa	
Mine Life	5.5 years	
Pre-Production Capex	US\$144 M	Includes \$18.3M pre-strip
Life-of-Mine Capex	US\$155 M	Excludes closure costs
NPV _{10% REAL}	US\$61 M	US\$3.25/lb Cu US\$150/t Magnetite concentrate

Further Resource Definition Drill Program

The current resource extension drill program at the D Zone Prospect is only 70% complete. Therefore, there is potential to continue to grow the D Zone Mineral Resource and deliver further value creation through conversion of exploration targets to Mineral Resources.

Economic Analysis of Underground Mining Potential

Currently, the upgraded D Zone Mineral Resource is being subjected to further economic analysis to estimate the value of any potentially underground mineable tonnes (Development Case C from the October 2012 Scoping Study). This estimate is expected to be announced within the next few weeks.

On 4 April 2013, Avalon announced an interim Mineral Resource estimate upgrade at the D Zone Prospect on the Viscaria Copper-Iron Project in northern Sweden. The D Zone Mineral Resource has been reported in terms of both iron and copper Mineral Resources separately in accordance with the guidelines of the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2004; Tables 9 and 10) as:

- 7.9 million tonnes @ 0.9% Cu above a 0.4% copper cut-off grade and is classified as being 5.2 million tonnes @ 0.92% Cu Indicated and 2.7 million tonnes @ 0.84% Cu Inferred;
- 18.9 million tonnes @ 26.9% Fe at a cut-off above a 15% Fe Mass Recovery grade and is classified as 12.1 million tonnes @ 27.3% Fe Indicated and 6.8 million tonnes @ 26.1% Fe Inferred.

Table 9: D Zone Mineral Resource for Copper reported above a 0.4% Cu cut-off grade

Mineral Resource Category	Million Tonnes	Cu (%)	Copper Metal (tonnes)
Indicated	5.2	0.92	48,000
Inferred	2.7	0.84	23,000
Indicated + Inferred	7.9	0.89	71,000

Table 10: D Zone Mineral Resource for Iron reported above a 15% Fe Mass Recovery cut-off grade

Mineral Resource Category	Million Tonnes	Fe Mass Recovery (%)	Fe (%)	Recoverable Iron (million tonnes)
Indicated	12.1	33.1	27.3	4.0
Inferred	6.8	31.6	26.1	2.2
Indicated + Inferred	18.9	32.6	26.9	6.2

Note that the total Indicated and Inferred Mineral Resource reported for Copper (Table 9) and for above 15% Fe Mass Recovery (Table 10) are not mutually exclusive; the Mineral Resource for above 15% Fe Mass Recovery excludes 1.8 million tonnes at 0.8% Cu above a cut-off grade of 0.4% Cu. Therefore, the overall Mineral Resource contains 20.7 million tonnes; 18.9 million tonnes from the Mineral Resource reported at a 15% Fe Mass Recovery cut-off grade and 1.8 million tonnes at 0.8% Cu above a cut-off grade of 0.4% Cu.

Drilling

For the interim Mineral Resource upgrade, Avalon incorporated 37 additional drill holes with assays totalling 10,835 metres for the D Zone deposit. This brings the total drilling at D Zone to 239 drill holes for 32,818 metres. Drill holes are supported by detailed collar records as well as down hole surveys and some quality assurance and quality control (QAQC) data. The D Zone deposit has been drilled on northwest-southeast sections spaced approximately 50 metres apart along the strike of mineralisation extending 1,175 metres. There are generally between five and eight drill holes per section, spaced approximately 25 to 50 metres across strike. The majority of the holes are drilled at an approximate angle of 60° from the horizontal at an azimuth of 135° (90° in local mine grid) in order to intersect the plane of mineralisation at a high angle. Xstract Mining Consultants (Xstract) has reviewed all data provided by Avalon and confirms that the information used for modelling is of sufficient quality to support a Mineral Resource for public reporting purposes.

Mineral Resource Interpretation

The mineralised zone of the D Zone deposit has been interpreted on 50 metre sections coincident with drilling. Mineralisation is generally dipping between 70° to the northwest and 85° to the southeast, and has been intersected from the base of till and extends in places to around 350 metres below surface. Mineralisation is tightly constrained within 19 copper and 4 iron zones comprising high and low grade domains.

Avalon provided all 3-dimensional (3D) interpretations of the zones of mineralisation (domains) to Xtract for use in Mineral Resource estimation. The 3D geological interpretation of the copper mineralisation is based primarily on cut-off grades in the drill hole data. Boundaries for low grade copper were generated where the copper grade was above 0.2% Cu, with high grade copper domains being created where grade was above 0.8% Cu over at least a 2 metre width down hole. Copper grades also exist outside of these domains and within the iron domains.

The interpreted iron domains were created by Avalon using a combination of grades and lithological units. The high grade iron follows the boundary of the ironstone along strike, and extends away from the boundary where the composited grade was greater than 25% Fe. The low grade iron is based on grades of less than 20% Fe and generally forms a shell around the high grade iron domains. Very low grade areas were also interpreted where Fe% is less than 10%, and are commonly found to the west of the low grade domains. There is also one further iron domain occurring in the upper shear zone, where the zone outlines an area of 10% to 20% Fe.

Mineral Resource Estimation Methods

Ordinary Kriging (OK) was used to estimate copper and iron into block models of the mineralisation wireframes/domains. The block model parent cells have dimensions of 5mE by 20 mN by 10m Elevation, with sub-celling used to represent the geometry and volume of the mineralisation models accurately. The estimation parameters were optimised based on the drill hole data spacing and the models of grade continuity produced by an updated variography study of copper and iron.

Specific gravity data provided by Avalon was used to determine dry bulk density factors for estimating material tonnages. A relationship between iron grade and bulk density was derived and the resultant regression formula was applied across the model to determine dry bulk density. Where no iron grade was calculated in the model, a dry bulk density value of 2.9 t/m³ was applied.

The Fe Mass Recovery (%) values within the block model were calculated from total Fe (%) estimates using a regression formula. The regression formula was determined by carrying out a regression analysis between Fe Mass Recovery (%) and total Fe (%) results from Davis Tube Recovery (DTR) test work.

There was no material difference in the bulk density and Fe Mass Recovery regression analyses between the new drilling data used in the March 2013 update and that used for the October 2012 estimation. Therefore the same formulae were used for the two estimates.

Comparison with previously reported D Zone Mineral Resource

The previous D Zone Mineral Resource as announced on 2 October 2012 is displayed in Tables 11 and 12. The overall tonnage of the new revised Mineral Resource is approximately 20.7 million tonnes, compared to approximately 15.5 million tonnes in the previous D Zone Mineral Resource.

This represents an increase of 5.2 million tonnes or 34%. Importantly, the increased tonnage of the overall Mineral Resource has been achieved without any decrease in copper and iron grade.

The tonnage of the copper resource itself increased from 5.4 to 7.9 million tonnes or 46%. As the grade of the copper Mineral Resource remained stable this has also resulted in a 48% increase to the contained tonnes of copper. Importantly for the possibility of mining parts of D Zone via underground methods, if a 0.8% Cu cut-off is used the copper Mineral Resource has grown from 2.0 to 3.1 million tonnes or 55%.

The tonnage of the iron resource itself increased from 14.8 to 18.9 million tonnes or 28%. As the grade of the iron Mineral Resource has increased this has also resulted in a 33% increase to the recoverable iron.

Cu and Fe grade tonnage data and curves comparing the new revised D Zone Mineral Resource and the previous D Zone Mineral Resource in detail are displayed in Tables 13, 14, 15 and 16 and Figures 3 and 4.

Table 11: Previous October 2012 D Zone Mineral Resource for Copper reported above a 0.4% Cu cut-off grade

Mineral Resource Category	Million Tonnes	Cu (%)	Copper Metal (tonnes)
Indicated	3.5	0.9	33,000
Inferred	1.9	0.8	15,000
Indicated + Inferred	5.4	0.9	48,000

Table 12: Previous October 2012 D Zone Mineral Resource for Iron reported above a 15% Fe Mass Recovery cut-off grade

Mineral Resource Category	Million Tonnes	Fe Mass Recovery (%)	Fe (%)	Recoverable Iron (million tonnes)
Indicated	9.5	31.3	25.9	3.0
Inferred	5.3	30.8	25.6	1.6
Indicated + Inferred	14.8	31.1	25.8	4.6

Table 13: March 2013 block model Cu grade tonnage data

CUTOFF (Cu %)	TONNES	Cu (%)
0.01	31,298,000	0.34
0.2	12,605,000	0.68
0.3	10,531,000	0.76
0.4	7,918,000	0.89
0.5	5,680,000	1.07
0.6	4,331,000	1.23
0.7	3,556,000	1.36
0.8	3,146,000	1.44
0.9	2,900,000	1.49
1	2,717,000	1.53
1.1	2,556,000	1.56
1.2	2,309,000	1.60
1.3	1,983,000	1.66
1.4	1,630,000	1.72
1.5	1,284,000	1.80
1.6	982,000	1.88
1.7	678,000	1.98
1.8	447,000	2.10
2	186,000	2.40

Table 14: Previous 2012 D Zone block model Cu grade tonnage data

CUTOFF (Cu %)	TONNES	Cu (%)
0.01	23,473,000	0.30
0.2	7,856,000	0.71
0.3	6,919,000	0.77
0.4	5,369,000	0.89
0.5	3,865,000	1.07
0.6	2,794,000	1.27
0.7	2,258,000	1.41
0.8	1,962,000	1.51
0.9	1,822,000	1.56
1	1,693,000	1.61
1.1	1,602,000	1.64
1.2	1,497,000	1.68
1.3	1,365,000	1.72
1.4	1,240,000	1.76
1.5	1,027,000	1.82
1.6	866,000	1.87
1.7	594,000	1.97
1.8	400,000	2.08
2	189,000	2.30

Table 15: March 2013 D Zone block model Fe Mass Recovery grade tonnage data

CUTOFF (Fe Mass Rec %)	TONNES	Fe Mass Rec (%)
0.01	29,897,000	23.6
3	29,054,000	24.2
5	27,218,000	25.5
10	22,718,000	29.2
15	18,868,000	32.6
20	15,934,000	35.4
25	13,779,000	37.4
30	11,451,000	39.4
35	8,327,000	41.9
40	4,811,000	45.2

Table 16: Previous 2012 D Zone block model Fe Mass Recovery grade tonnage data

CUTOFF (Fe Mass Rec %)	TONNES	Fe Mass Rec (%)
0.01	23,034,000	23.5
3	23,000,000	23.5
5	22,878,000	23.6
10	17,905,000	27.9
15	14,782,000	31.1
20	11,888,000	34.4
25	9,927,000	36.8
30	8,009,000	39.0
35	5,683,000	41.6
40	3,107,000	44.9

Figure 3 - Grade tonnage chart for copper for March 2013 and September 2012 models

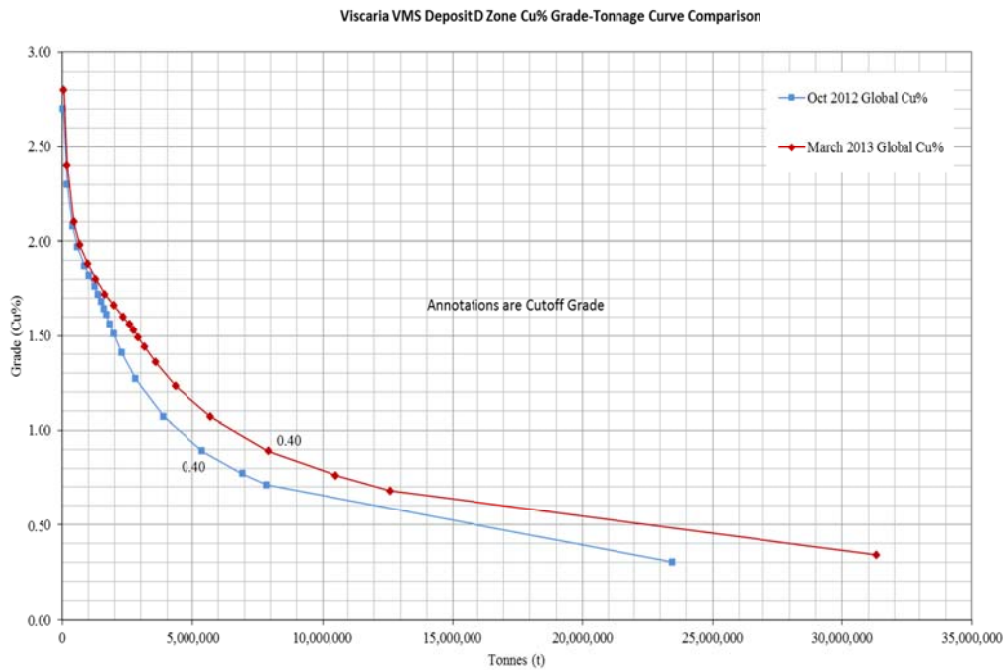
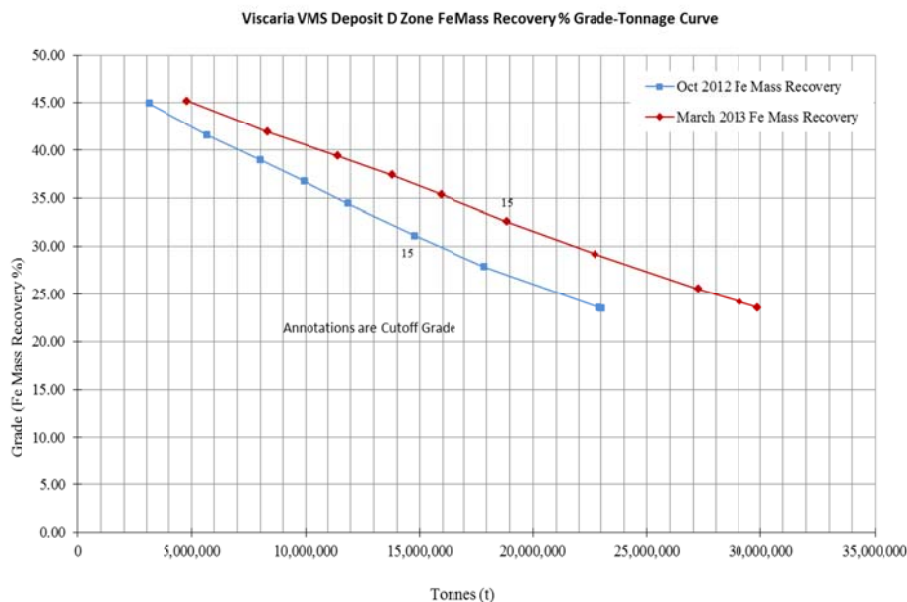


Figure 4 - Grade tonnage chart of iron for March 2013 and September 2012 models



Mineral Resource Extension Continues

The current drill program continues to deliver on the Mineral Resources necessary to achieve the outcomes announced in the Scoping Study on the Viscaria Copper-Iron Project Mineral Resources. An estimate of how much value has been added to the Viscaria Copper-Iron Project from the current drill program is expected to be announced in the next few weeks as the interim D Zone Mineral Resource is currently being used in re-estimating the economics of the D Zone deposit.

EXPLORATION

Drilling A and D Zones

The Company announced during the previous quarter (ASX announcement 11 October 2012), that it was undertaking a drill program comprising approximately 25,000 metres of drilling, with the objective of extending the known Mineral Resources at the A and D Zone prospects and delivering on the potential increases to the project Net Present Value as defined in the Scoping Study.

D Zone Mineral Resource Extension Drill Program

On 21 March 2013, the Company released assay results for the next five drill holes of the current drill program from the D Zone Prospect on the Viscaria Project. Four of the drill holes intersected thick, high-grade copper and iron mineralisation. All five drill holes have extended the area of known mineralisation by up to 150 metres down dip and 150 metres along strike.

Of these five drill holes, four were drilled in the northeast of the D Zone Prospect (VDD0159, VDD0160, VDD0164 and VDD0165), while the other hole was drilled in the southwest of the D Zone Prospect (VDD0161). As highlighted in previous ASX announcements, this drilling was designed to follow up on excellent previous drill intersections that appear to delineate two southwest plunging, relatively thick, high grade copper-iron mineralisation zones in these areas.

The success of VDD0159, VDD0160, VDD0164 and VDD0165 follows the success of the previously announced drill holes VDD0153, VDD00157, VDD0156, VDD0141, VDD0134, VDD0138, VDD0147 and VDD0150 in the northeast of the D Zone Prospect. These drill holes further delineate a relatively thick, moderately plunging, high grade copper-iron mineralisation zone by extending it at least a further 150 metres along strike and at least 150 metres further down dip. At this stage, there is no indication that this mineralisation is diminishing at depth. In fact, the mineralisation is increasing in copper grade with depth.

The success of VDD0161 follows the success of previously announced drill holes VDD0152, VDD0155, VDD0151, VDD0132, VDD0140, VDD0144, VDD0149, VDD0142 and VDD0146 in the southwest of the D Zone Prospect. These drill holes indicate that the second relatively thick, moderately plunging, high grade copper-iron mineralisation zone extends at least 100 metres further down dip and over 70 metres along strike.

The details of the geochemical assay data for these drill holes are shown in Table 17.

Table 17: Drill hole details and assays results

Hole	Easting (RT90, m)	Northing (RT90, m)	Azi. (°)	Dip (°)	From (down hole m)	To (down hole m)	Interval Width (down hole m)	% Cu	% Fe	% CuEq	End of Hole(m)
VDD0159	1,680,952	7,537,620	134.6	-55.2	224.00	236.00	12.00	1.6	27.7	2.1	294.00
					including						
					224.00	232.00	8.00	2.2	29.7	2.7	
VDD0160	1,680,643	7,537,362	135.8	-55	258.00	277.10	19.10	1.1	32.4	1.6	321.00
					including						
					266.40	277.10	10.70	1.7	42.4	2.4	
VDD0161	1,680,222	7,536,926	134.4	-58	302.00	328.00	26.00	0.5	27	0.9	348.00
					Including						
					321.00	328.00	7.00	1.3	30.3	1.8	
VDD0164	1,680,878	7,537,613	134.16	-55	322.00	328.70	6.70	0.7	14.3	0.9	358.50
VDD0165	1,680,590	7,537,399	136.4	-55	339.00	370.00	31.00	0.9	20.9	1.2	402.28
					Including						
					362.00	370.00	8.00	1.8	28.9	2.2	

On 13 March 2013, Avalon released assay results for six drill holes from the D Zone Prospect on the Viscaria Project. All six holes intersected thick high grade copper and iron mineralisation, and the area of known mineralisation has been extended between 30m and 150m down dip and up to 100m along strike.

Of the six drill holes announced, three were drilled in the northeast of the D Zone Prospect (VDD0153, VDD0157 and VDD0156), while three were drilled in the southwest of the D Zone Prospect (VDD0152, VDD0155 and VDD0151). As discussed in previous announcements, this drilling was designed to follow up on excellent previous drill intersections that appear to delineate two southwest plunging, relatively thick, high grade copper-iron mineralisation zones in these areas.

The success of VDD0153, VDD0157 and VDD0156 follows the success of previously announced drill holes VDD0141, VDD0134, VDD0138, VDD0147 and VDD0150 in the northeast of the D Zone Prospect. The success of these drill holes further delineates a relatively thick, moderately plunging, high grade copper-iron mineralisation zone by extending it at least a further 100m along strike and at least 100m further down dip.

Supplementary drilling in this area is necessary to fully define the lateral and depth extent of this high grade mineralisation zone and this will be a major focus of upcoming drill holes. However, currently there is no indication that this mineralisation is diminishing at depth. In fact, the mineralisation actually appears to be improving in copper grade at depth.

The success of VDD0152, VDD0155 and VDD0151, follows the success of previously announced drill holes in the southwest of the D Zone Prospect. The success of these drill holes indicates that the second relatively thick, moderately plunging, high grade copper-iron mineralisation zone extends approximately a further 100m along strike and at least 100m further down dip.

The details of the geochemical assay data for these drill holes are shown in Table 18.

Table 18: Drill hole details and assays results.

Hole	Easting (RT90, m)	Northing (RT90, m)	Azi. (°)	Dip (°)	From (down hole m)	To (down hole m)	Interval Width (down hole m)	% Cu	% Fe	% CuEq	End of Hole (m)
VDD0151	1,680,566	7,537,221	134.4	-55.5	159.85	178.2	18.35	0.5	21.1	0.9	204
					including						
					174.00	178.20	4.20	1.9	38.6	2.5	
VDD0152	1,680,214	7,536,999	134.4	-53	297.00	314.00	17.00	0.5	24.2	0.8	369
					including						
					297.00	301.00	4.00	1.1	18.6	1.4	
					327.00	353.00	26.00	0.4	27.5	0.8	
					including						
343.00	347.00	4.00	1.4	37.0	2.0						
VDD0153	1,680,658	7,537,405	134.6	-55.7	288.00	332.00	44.00	0.6	21.3	0.9	375
					including						
					298.00	303.00	5.00	1.0	20.6	1.3	
					also including						
					320.25	330.92	10.67	1.6	33.9	2.1	
349.25	353.00	3.75	1.7	16.2	1.9						
VDD0155	1,680,222	7,537,057	136.5	-56.3	376.00	399.00	23.00	0.9	21.1	1.2	402
					including						
					380.00	394.00	14.00	1.2	24.8	1.6	
VDD0156	1,680,873	7,537,556	135.7	-57	249.38	303.50	54.12	0.2	25.3	0.6	375
					including						
					292.70	303.50	10.80	1.0	30.7	1.5	
					including						
298.00	302.00	4.00	1.8	29.7	2.2						
VDD0157	1,680,747	7,537,492	134.4	-56.2	363.71	406.00	42.29	0.9	21.2	1.2	420
					including						
					366.00	376.00	10.00	1.4	31.6	1.9	
					Also including						
382.00	386.00	4.00	1.8	36.0	2.3						

Results from extensive metallurgical test work completed by Avalon Minerals Limited indicate that both copper (Cu) and iron (Fe) have a reasonable potential to be recovered from the D Zone mineral resource contained within the Viscaria Project.

On 6 March 2013, the Company announced assay results for seven drill holes of the current drill program from the D Zone Prospect on the Viscaria Project.

Four of the seven holes were drilled in the northeast of the D Zone Prospect (VDD0138, VDD0145, VDD0147 and VDD0150), while the other three were drilled in the southwest of the D Zone Prospect (VDD0142, VDD0146 and VDD0149).

The drilling in the northeast of the D Zone Prospect was designed to follow up the excellent previous drill intersections from VDD0128 (68.5 @ 1.0 % CuEq* including 8.1m @ 2.1% CuEq* and 8.0m at 2.0% CuEq*) and VDD0129 (88.3m @ 0.7% CuEq* including 9.0m @ 2.1% CuEq* and 5.0m at 1.5% CuEq*). It was interpreted that the mineralisation intersected in VDD0128 and VDD0129 plunged moderately to the southwest.

The success of VDD0138, VDD00147 and VDD0150 follows the success of previously announced drill holes VDD0141 and VDD0134 in this area. This represents further proof that the geological model is correct and that a relatively thick, high-grade copper-iron mineralisation zone extends at depth and along strike. Further drilling in this area is necessary to fully define the lateral and depth extent of this high-grade mineralisation zone and this will be a major focus of upcoming drill holes.

The drilling in the southwest of the D Zone Prospect was designed to follow up the very encouraging drill intersections from VDD0111 (44m @ 1% CuEq*, including 7.45m @ 2.7% CuEq*) and VDD0120 (21.62m @ 1.0% CuEq*, including 4.77m @ 2.3% CuEq*). It was interpreted that the mineralisation, intersected in VDD0111 and VDD0120, also plunged moderately to the southwest.

The success of drill holes VDD0142, VDD0146 and VDD0149, follows the positive results of drill holes VDD0132, VDD0140 and VDD0144 in this area. Overall, these drill holes indicate that the second relatively thick, high-grade copper-iron mineralisation zone extends approximately a further 100m along strike and at least 100m further down dip.

The details of the geochemical assay data for these drill holes are shown in Table 19.

Table 19: Drill hole details and assays results

Hole	Easting (RT90, m)	Northing (RT90, m)	Azi. (°)	Dip (°)	From (down hole m)	To (down hole m)	Interval Width (down hole m)	% Cu	% Fe	% CuEq	End of Hole (m)	
VDD0138	1,680,760	7,537,447	133.1	-54.5	239.20	249.20	10.00	1.1	27.7	1.5	234.00	
					including							
					245.00	248.60	3.60	1.8	33.4	2.3		
					270.00	276.80	6.80	0.6	27.5	1.1		
					including							
					274.00	276.80	2.80	1.1	30.0	1.6		
					286.00	289.00	3.00	1.1				
VDD0142	1,680,259	7,536,892	134.5	-55	187.00	220.00	33.00	0.2	24.8	0.6	234.00	
					including							
					217.00	219.00	2.00	2.0	38.5	2.6		
VDD0145	1,681,048	7,537,599	134.3	-55	84.00	96.00	12.00	0.7	23.2	1.1	108.00	
VDD0146	1,680,476	7,537,167	134.1	-55	191.80	220.05	28.25	0.6	26.4	1.0	267.00	
					including							
					193.00	197.00	4.00	1.5	36.3	2.0		
					also including							
					218.00	220.05	2.05	1.6	34.3	2.2		
VDD0147	1,680,806	7,537,543	134.6	-58.3	304.00	342.00	38.00	0.6	25.2	1.0	360.00	
					including							
					321.00	325.30	4.30	1.2	31.4	1.7		
					also including							
					334.00	342.00	8.00	1.2	18.1	1.5		
VDD0149	1,680,192	7,536,818	135.3	-55.5	225.00	259.82	34.82	0.8	27.1	1.2	261.70	
					including							
					225.00	236.20	11.20	1.3	19.2	1.6		
VDD0150	1,680,682	7,537,320	134.5	-55	174.00	189.42	15.42	0.5	27.9	1.0	207.00	
					including							
					186.00	189.42	3.42	1.5	39.5	2.1		

On 13 February 2013, the Company announced the assay results for five drill holes from the D Zone Prospect of the current drill program on the Viscaria Project.

Of these five drill holes, three were drilled in the southwest of the D Zone Prospect (VDD0132, VDD0140 and VDD0144), while two holes were drilled in the northeast (VDD0139 and VDD0141), of the prospect. The drilling in the southwest of the D Zone Prospect was designed to follow up the excellent previous drill intersections from VDD0111 (44m @ 1% Cu Eq*, including 7.45m @ 2.7% CuEq*) and VDD0120 (21.62m @ 1.0% CuEq*, including 4.77m @ 2.3% CuEq*).

It was interpreted that the mineralisation intersected in VDD0111 and VDD0120 plunged moderately to the southwest and therefore VDD0132, VDD0140 and VDD0144 were planned to drill under this plunging mineralisation zone in order to assess its lateral thickness and depth extent. The success of these drill holes indicates that the known mineralisation extends approximately 100 metres along strike and at least 80 metres further down dip.

The drilling in the northeast of the D Zone Prospect was designed to follow up the excellent previous drill intersections from VDD0128 (68.5 @ 1.0 % CuEq* including 8.1m @ 2.1% CuEq* and 8.0m at 2.0% CuEq*) and VDD0129 (88.3m @ 0.7% CuEq* including 9.0m @ 2.1% CuEq* and 5.0m at 1.5% CuEq*).

It was interpreted that the mineralisation intersected in VDD0128 and VDD0129 also plunged moderately to the southwest, similar to the zone defined by VDD0111 and VDD0120 in the southwest. The success of VDD0141 and to a lesser extent VDD01139, indicates that Avalon's geological model for D Zone is correct in that a relatively thick, moderately plunging, high grade copper-iron mineralisation zone extends at depth as well as along strike. Further drilling in this area in the northeast of the D Zone prospect, is necessary to fully define the lateral and depth extent of this high grade mineralisation zone. This drilling will be a major focus of upcoming drill holes.

The details of the geochemical assay data for these drill holes are shown in Table 20.

Table 20: Drill hole details and assays results

Hole	Easting (RT90, m)	Northing (RT90, m)	Azi. (°)	Dip (°)	From (down hole m)	To (down hole m)	Interval Width (down hole m)	% Cu	% Fe	% CuEq	End of Hole(m)			
VDD0132	1,680,255	7,537,084	133	-57	366.00	377.00	11.00	0.5	9.8	0.7	390.2			
					including									
					366.00	369.00	3.00	1.3	14.6	1.5				
VDD0139	1,680,908	7,537,522	134	-55	114.00	117.00	3.00	0.8	16.8	1.0	216.2			
					and									
					136.60	155.00	18.40	0.2	27.2	0.6				
					and									
169.18	189.00	19.82	0.1	28.3	0.6									
VDD0140	1,680,368	7,537,062	136.6	-56.3	198.00	225.00	27.00	0.5	20.0	0.8	234			
					including									
					208.80	213.00	4.20	1.5	31.6	2.0				
					also including									
221.65	225.00	3.35	0.8	12.7	1.0									
VDD0141	1,680,741	7,537,401	136.6	-56.5	182.00	216.00	34.00	0.5	22.8	0.9	242			
					including									
					210.00	216.00	6.00	1.7	31.1	2.2				
VDD0144	1,680,388	7,537,110	134.7	-55	213.60	238.00	24.40	0.6	21	0.9	267			
					including									
					221.00	225.00	4.00	1.1	27.6	1.6				
					also including									
234.00	238.00	4.00	1.8	36.7	2.3									

A Zone Mineral Resource Extension Drill Program

On 24 January 2013, the Company announced the assay results for the first two drill holes from the A Zone Prospect of the current drill program on the Viscaria Project Sweden.

The drill results from the first two holes drilled at the A Zone prospect indicate that the copper resources, which were previously mined at A Zone, in the Viscaria copper mine, extend both at depth

and also down plunge. The results from these first two drill holes have extended the known mineralisation at A Zone at least a further 150 metres further down plunge and appear to be consistent with previous drilling results in these areas. The details of the geochemical assay data for these drill holes are shown in Table 21.

On 19 March 2013, Avalon announced that drilling had resumed at the A Zone Prospect on the Viscaria Project. Drilling at the A Zone Prospect was temporarily paused in order for a Down Hole Electromagnetic (DHEM) Survey to be completed to help target where the mineralisation, encountered in VDD0131 and VDD0135B, extends down plunge. The DHEM Survey results have now been interpreted and a significant EM conductor, down plunge of VDD0131 and VDD0135B, has been identified.

The results of the DHEM survey were also constrained by the results of some strongly mineralised historic drill holes in this area: D-3437 intersected a high grade copper zone of 8m at 2.3% Cu, within 19m at 1.7% Cu from 326m; and D-6535 intersected a high grade copper zone of 3.8m at 2.1% Cu.

The DHEM results also identified a second significant EM conductor above drill hole VDD0131. This second conductive anomaly could represent an additional, parallel mineralisation zone to the west of the main A Zone mineralisation zone. Historic drilling has not tested this area. This is a significant result as the discovery of a second parallel mineralisation zone could strongly improve the economics of mining.

Table 21: Drill hole details and assays results

Hole	Easting (RT90, m)	Northing (RT90, m)	Azi. (°)	Dip (°)	From (down hole m)	To (down hole m)	Interval Width (down hole m)	% Cu	g/t Au	End of Hole (m)
VDD00135B	1,682,134	7,537,238	312	-57	294.00	321.00	27.00	1.2	0.2	486
					Including					
					295.00	303.30	8.30	2.0	0.5	
					also including					
					313.00	319.00	6.00	1.4	0.1	
					And					
					432.00	435.00	3.00	0.6	-	
VDD00131	1,682,154	7,537,110	314	-54.3	411.00	416.50	5.50	1.2	N/A	546
					Including					
					412.00	415.50	3.55	1.6	N/A	

Drilling - Regional

During the quarter, drilling commenced at the Tjärro Prospect ('**Tjärro**'), which is considered one of the most prospective copper-gold regional prospects closest to Avalon's flagship Viscaria Project in northern Sweden (Figure 1). Tjärro is situated approximately 20km northeast of the Viscaria Project and is part of Avalon's 720km² exploration tenement package.

The Tjärro Prospect was favoured for exploration because of the excellent historic drilling results obtained from this area. Historic drill holes from Tjärro area intersected:

- 15m of 1.3% Cu from 80m, including 8m @ 1.7% Cu;
- 17m @ 1% Cu, including 7m @ 1.4% Cu; and
- 34.45m @ 0.6% Cu & 0.4g/t Au from 85.15m, including 3.6m @ 1.6% Cu & 1.2g/t Au.

These results indicate that this area contains significant amounts of high grade copper and also gold mineralisation at shallow depths.

Helicopter electromagnetic/magnetic ('Heli-EM') survey data from the Tjärro area showed several significant zones of conductivity that strike north-south over a strike length of 2.3kms. The 3D modelling of the EM and magnetic data indicates that the shallow historic drilling did not intersect the dominant EM conductor. The main EM conductor has not yet been drill tested.

Following consultation with stakeholders and approval of the drill program by the various Swedish regulatory bodies, the drill holes were planned to target both the dominant EM conductor and the magnetic anomaly. The aim of this drill program is to intersect new bodies of copper-gold or copper-magnetite mineralisation, with priority given to prospects that could possibly be mined and trucked to the processing plant Avalon is planning to build at the A Zone and D Zone prospects in the south-west corner of its Viscaria Project tenement package.

Tjarro Prospect

The Tjarro Prospect was first selected for exploration because of the excellent historic drilling results obtained from this area. Historic drill holes from Tjarro intersected 15m of 1.3% Cu from 80m, including 8m @ 1.7% Cu; 17m @ 1% Cu, including 7m @ 1.4% Cu; and 34.45m @ 0.6% Cu & 0.4g/t Au from 85.15m, including 3.6m @ 1.6% Cu & 1.2g/t Au. These results indicate that this area contains significant amounts of high grade copper and gold mineralisation at shallow depths.

Tjavelk Prospect

The Tjavelk Prospect was first selected as an exploration target because of the excellent historic surface geochemistry and drilling results obtained from this area. Surface rock chip samples taken in the vicinity of the Tjavelk prospect returned 12.4% Cu, 6.8% Cu, 6.3% Cu, 5.6% Cu and 1.2% Cu and gold values of 3.1g/t Au, 3.7g/t Au, 1.8g/t Au, 1.3g/t Au and <0.01% Au. Historic drilling intersected 34m @ 39.4% Fe and 0.2% Cu from 50m and 39m @ 38.4% Fe and 0.1% Cu from 135m.

The assays from these holes indicate that mineralisation similar to the thick copper-iron mineralisation that Avalon is currently drilling at the D Zone Prospect, was intersected at Tjavelk, but not systematically followed up. Possibly, the Tjavelk area is analogous to Avalon's D Zone Prospect.

The Heli EM/Mag survey data from the Tjavelk area shows two significant zones of conductivity at the Tjavelk and Lulip Borri prospects. The conductor at the Tjavelk prospect strikes east-west, while the conductor at the Lulip Borri prospect strikes north-south. Both anomalies are about 2000 metres in strike length however, the EM anomaly at the Tjavelk prospect is the stronger conductor, is coincident with a significant magnetic anomaly and is associated with excellent historic geochemistry and drilling results indicating that it is the most prospective.

Modelling of the EM data from the Tjavelk prospect suggests that the EM conductor dips to the north and plunges to the west and that it is coincident with the source of a strong magnetic anomaly. The source of the magnetic anomaly appears to be near surface and has been drill tested with the two historical drill holes returning 38-39% Fe. However, the EM conductor occurs below 100 metres depth and appears not to have been tested by two drill holes drilled to the east of the drill holes which tested the near surface source of the magnetic anomaly. Therefore, it appears that the EM conductor has not yet been drill tested and this EM conductor will be the target of Avalon's drilling.

Arrangement – Discovery Zone Prospect

Avalon announced on 28 February that it would not be proceeding with the proposed purchase of the Discovery Zone prospect from Hannans Reward Ltd as the parties were unable to reach agreement on the terms of a new arrangement.

Bankable Feasibility Study

The BFS of the Viscaria Copper-Iron Project commenced in October 2010 and remains suspended pending further review and analysis of the project economics.

Approvals

a) MEC

The Mining Exploitation Concession (MEC) for the Viscaria Project was submitted to the Bergsstaten (Mines Department) in April 2010 and was significantly amended in early 2011 following submissions from the city of Kiruna. The Bergsstaten approved the MEC for Viscaria in two licences; Viscaria K3 and Viscaria K4. The two MEC's granted cover the D zone and the southern area of the A Zone and B Zone mining areas.

A third MEC application (Viscaria K7) remains under consideration by Bergsstaten pending an amendment to the Kiruna town planning act to allow for the grant of a mining lease which includes the power generation windmills and a power line affected by the northern parts of A Zone and B Zone. Avalon has commenced the process to have the amendment to the Kiruna town planning act ratified by the Kiruna Kommun, hence allowing the MEC K7 to be granted.

The granting of the MEC is a precursor to consideration by the regulator of the Environmental Impact Assessment and permits access to the historical underground mining openings to check present day geotechnical conditions and groundwater levels.

b) Environment Impact Assessment

The Environment Impact Assessment (EIA) was submitted to the Environmental Court of Sweden (ECS) in April 2011. Following the suspension of the BFS, the Company sought suspension of consideration of the EIA by the ECS for up to 12 months to reduce expenditure. A response from the ECS to the request is yet to be received. Avalon is currently making preparations to resubmit the EIA before the end of 2013.

CORPORATE

New Chairman

On 25 March 2013, the Company announced the appointment of experienced company director, Crispin Henderson, as a new independent, non-executive director and Chairman. The new appointment reflects the continuing focus of the Company on its important tenements in northern Sweden and the future development of its European investor base. With an extensive background and experience in global asset and fund management, Mr Henderson's credentials will add considerable depth to the diversity of skills on the Company's Board and also bring the highest standards of governance.

Crispin Henderson has more than 45 years of experience in the financial services and fund management sectors, principally with PricewaterhouseCoopers and Threadneedle Investments (since 2002). Mr Henderson is based in London and is currently the Vice Chairman of Ameriprise Financial's Global Asset Management business, Ameriprise Financial is the parent company of Threadneedle Investments ('**Threadneedle**').

Threadneedle is an investment management company, fully owned by Ameriprise Financial, a leading, US diversified, financial services company and one of the 30 largest asset management firms globally, with a market capitalisation of \$13bn and \$650bn in assets under management. Threadneedle is a leading international asset manager, actively managing around \$127bn in equities, fixed income, property and commodities, with 700 staff in 16 countries.

Mr Henderson replaced the Company's non-executive Chairman, Tan Sri Abu Sahid Bin Mohamed who retired to focus on his other extensive business commitments. Tan Sri Abu Sahid Bin Mohamed is a significant shareholder and has confirmed his enthusiasm for the Company and that he will maintain his investment in and support of Avalon. The Board recorded their thanks to the outgoing non-executive Chairman, Tan Sri Abu for his outstanding contribution, his leadership and his continued support of Avalon during the Company's transformation.

Funding

On 24 April 2013, the Company announced the completion of a placement to raise A\$1.25 million (before costs) at a price of 5 cents per share to support the continued exploration and advancement of its flagship Viscaria Copper-Iron Project in northern Sweden. Foster Stockbroking Pty Ltd acted as Lead Manager to the placement and shares will be issued to institutional and cornerstone investors in the Company.

The funding will be primarily applied to progress work at the Viscaria Copper-Iron Project in northern Sweden and for general working capital.

On 15 April 2013, the Company announced that it had signed a Memorandum of Understanding (MoU) with international advisory group ZJ Advisory Sdn Bhd (ZJ), acting on behalf of its clients, to provide funding of up to A\$25M to the Company.

Under the terms of the MoU, ZJ will procure subscriptions for Avalon shares from ZJ clients in two tranches as follows:

- Tranche 1 - 100,000,000 Avalon shares for an aggregate consideration of A\$5M; and
- Tranche 2 - 400,000,000 Avalon shares for an aggregate consideration of A\$20M.

Tranche 1 funds are to be received and shares issued 31 days after the execution of the MoU (executed on 12 April 2013), subject to Avalon and ZJ agreeing on the performance hurdles for the provision of the Tranche 2 funding and ZJ completing due diligence. During the initial 31 day period, Avalon and ZJ are to agree the performance hurdles which need to be met prior to the Tranche 2

funding being provided. The performance hurdles will relate to, amongst others, a Bankable Feasibility Study being justified for the Viscaria Copper Project and other terms to be agreed upon by both parties.

It is intended that the provision of the funding and issue of shares under Tranche 2 is to occur by 31 August 2013 (or such later date as the parties agree) and is subject to Avalon satisfying the agreed performance hurdles and ZJ completing due diligence and obtaining any member, regulatory or other approval required.

The financing package with ZJ is a significant milestone for Avalon and proceeds from the financing agreed with ZJ will be used by the Company to:

- Complete studies and undertake a Bankable Feasibility Study on the Viscaria Copper Project;
- Continue infill and extension drilling at the A and D Zone Mineral Resources on the Viscaria Copper Project;
- Continue regional exploration in northern Sweden;
- Pursue acquisition activities; and
- Provide working capital.

Avalon and ZJ are progressing discussions to agree the performance hurdles and the Company will provide updates as required.

Avalon also intends to undertake a non-renounceable pro-rata rights issue of one (1) new share for every ten (10) existing shares held by shareholders at an issue price of \$0.05 per share, to raise approximately \$3 million (Rights Issue). The Rights Issue is subject to prevailing market conditions and an underwriting agreement on acceptable terms being signed. ZJ has the first right of refusal to underwrite the Rights Issue. Further information, including the proposed timetable, will be announced as soon as documentation is finalised.

General Meeting – 27 March 2013

On 27 March 2013, a general meeting of the Company was held to consider 2 resolutions, namely the ratification of the prior issue of 49,285,714 shares and approval to issue an additional 70M shares in the 3 month period following the general meeting. The 2 resolutions were successfully passed.

Cash Resources

As at 28 March 2013, the Consolidated Entity had cash reserves of \$1.88M.

Shareholder Information

At 28 March 2013, the Company had 464,838,511 fully paid ordinary shares on issue and approximately 1,000 shareholders.

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

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***Copper Equivalent Formula**

$\% \text{ CuEq} = \% \text{ Cu} + ((\% \text{ Fe} \times \text{Fe price US\$/tonne} \times \text{Fe recovery}) / (\text{Cu price US\$/tonne} \times \text{Cu recovery}))$

Cu price US\$/tonne = \$7,163.00 (US\$3.25/lb)

Cu Recovery = 90%

Fe price US\$/tonne = \$144.93 (calculated from US\$100 Net Price per tonne of magnetite concentrate containing 69% Fe)

Fe Recovery = 70%

Results from extensive metallurgical test work completed by Avalon Minerals Limited indicate that both copper (Cu) and iron (Fe) have a reasonable potential to be recovered from the D Zone Mineral Resource contained within the Viscaria Project.

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 the D Zone Prospect was compiled and prepared by Matthew Readford (MAusIMM) of Xstract Mining Consultants 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.

The Scoping Study results were compiled and prepared by Tim Horsley (MAusIMM) of Xstract Mining Consultants 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.

The Scoping Study referred to in this announcement is based on low level technical and economic assessments and is insufficient to support Ore Reserves or to provide assurance of an economic development case at this stage or to provide certainty that the conclusions of the Scoping Study will be realised.

The Base Case includes material that from Inferred Mineral Resources and therefore, exploration drilling and re-estimation may result in changes to the economically minable portion of the resources.

Development Case A, B and C includes material that has not yet been discovered or defined and is considered an exploration target.

JORC – Exploration Targets

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information relating to exploration targets should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient work completed to define them beyond exploration targets and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

Company Directory

AVALON MINERALS LIMITED
ABN 68 123 184 412

Web site: www.avalonminerals.com.au

Email: info@avalonminerals.com.au

Stock Exchange Listing

Australian Stock Exchange – ASX Code: AVI

Investor Information Contacts:

Mr Jeremy Read - Managing Director
Avalon Minerals Limited
Tel: 07 3368 9888
Mob: 0409 484 322
Em: jeremy.read@avalonminerals.com.au

Mr James Harris
Professional Public Relations
Tel: 08 9388 0944
Mob: 0400 296 547
Em: james.harris@ppr.com.au

Shareholder Enquiries:

Share registry matters should be directed to:

Computershare Investor Services
Phone: 1300 850 505
Website: computershare.com.au

Registered Office:

Level One
65 Park Road
Milton Queensland 4064
Phone: 07 3368 9888
Fax: 07 3368 9899

Issued capital:

Ordinary shares: 464,838,511 (AVI)

Directors:

Crispin Henderson – Chairman
Jeremy Read – Managing Director
Dato Philip Siew – Deputy Chairman
Edward Siew – Non-Executive Director
Paul Niardone – Non-Executive Director
Gary Goh – Non-Executive Director

Company Secretary:

Roslynn Shand

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Avalon Minerals Limited

ABN

68 123 184 412

Quarter ended ("current quarter")

31 March 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(4,552)	(8,052)
(b) development	-	-
(c) production	-	-
(d) administration	(574)	(1,892)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	38	103
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(5,088)	(9,841)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(52)	(253)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(52)	(253)
1.13 Total operating and investing cash flows (carried forward)	(5,140)	(10,094)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(5,140)	(10,094)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	11,861
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Capital raising costs	-	(627)
	Net financing cash flows	-	11,234
	Net increase (decrease) in cash held	(5,140)	1,140
1.20	Cash at beginning of quarter/year to date	7,020	740
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,880	1,880

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	118
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Director's remuneration.	118

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(1,951)
4.2 Development	-
4.3 Production	-
4.4 Administration	(555)
Total	(2,506)

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,880	7,020
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,880*	7,020

*Subsequent to the end of the quarter, A\$1.25M was raised by the Company via a Placement (issue of equity).

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Nil			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

6.2 Interests in mining tenements acquired or increased	Nil		
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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter				
7.3 +Ordinary securities	464,838,511	464,838,511		
7.4 Changes during quarter (a) Increases Placement Performance Rights Issued (c) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter				
7.7 Options <i>(description and conversion factor)</i>	1,000,000	Nil	<i>Exercise price</i> 40 cents	<i>Expiry date</i> 31/01/2014
	500,000	Nil	30 cents	1/07/2014
	300,000	Nil	40 cents	27/04/2015
	6,000,000	Nil	5 cents	30/09/2015
	7,800,000	Nil	5 cents	30/09/2015
	12,200,000	Nil	5 cents	30/09/2015
Performance Rights	9,750,000	Nil	Nil	5/06/2019
	15,550,000	Nil	Nil	5/06/2019
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	500,000	-	<i>Exercise price</i> 30 cents	<i>Expiry date</i> 31/01/2013
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
(Company Secretary)

Date: 30 April 2013

Print name: Ros Shand

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.