2 PLUNGING HIGH GRADE COPPER ZONES DEFINED AT AVALON'S D ZONE PROSPECT ON THE VISCARIA COPPER PROJECT

Highlights

- **Assays results received for a further 5 drill holes from D Zone at Viscaria Project;**
- **Best intersections include:**
  - **VDD0141: 34m @ 0.9% CuEq*, including 6.0m @ 2.2% CuEq*.**
  - **VDD0144: 24.4m @ 0.9% CuEq*, including 4.0m @ 2.3% CuEq* and 4.0m @ 1.6% CuEq*.**
  - **VDD0140: 27.0m @ 0.8% CuEq*, including 4.2m @ 2.0% CuEq*.**
- **All 5 drill holes have intersected copper and iron mineralised intervals from 11m to 34m down hole thickness;**
- **Intersections have extended the known mineralisation zones between 30m and 80m down dip and up to 100m along strike;**
- **Drilling at D Zone appears to have defined 2 relatively thick, high grade copper-iron plunging zones;**
- **Excellent potential for D Zone Mineral Resource to be significantly extended at depth and along strike;**
- **Drilling results indicate Avalon is on track to deliver Development Cases A and C (see ASX Announcement 11 Oct 2012) for D Zone, which could potentially increase the NPV of the D Zone Mineral Resource by $78M;**
- **Drill program will comprise ~25,000 metres of drilling, of which 9647m has been completed to date, with the objective of extending the Mineral Resources at the A and D Zone prospects and delivering on the potential increases to the project NPV outlined in the Scoping Study; and**
- **Further drill results will be released within the next 2 to 3 weeks.**

Australian resources company Avalon Minerals Limited ('**Avalon**' or '**Company**') (**ASX: AVI**) is pleased to announce assay results for the next five drill holes from the D Zone Prospect of the current drill program on the Viscaria Project ('**Viscaria**'), in northern Sweden (**Figure 1**).

This drill program will comprise approximately 25,000 metres of drilling, of which 9647m has been completed to date, with the objective of extending the known Mineral Resources at the A and D Zone prospects and delivering on the potential increases to the overall

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project Net Present Value as outlined in the 2012 Scoping Study (see ASX announcement 11 October 2012). The drill results achieved to date at D Zone suggest Avalon is on track to deliver Development Cases A and C, which could potentially increase the Net Present Value ('NPV') of the D Zone Mineral Resource by $78M.

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 Company's Managing Director Mr Jeremy Read said, "These five new drill holes have extended the known mineralisation at D Zone between 30 metres to 80 metres at depth and appear to be consistent with previous drilling results. This indicates that there is excellent potential for the D Zone Mineral Resource to be significantly extended at depth."

"The drilling is also beginning to define two relatively thick, moderately plunging, high grade copper-iron mineralisation zones at D Zone, which should enhance the economics of the D Zone Mineral Resource and deliver Development Cases A and C, which would result in a $78M increase to the NPV of D Zone. Assessing the significance of the plunging mineralisation zones will be a major focus of the upcoming drilling," he added.

The details of the geochemical assay data for these drill holes are shown in Table 1, with the location of each drill hole outlined in Figure 2.

Drilling is continuing and further geochemical results are expected to be available with the next 2 to 3 weeks.

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VDD0132: Southwest D Zone (Figure 3)
Drill hole VDD0132 intersected 11.0m @ 0.7% CuEq*, including a higher grade interval of 3.0m @ 1.5% CuEq*. This drill hole was completed 80 metres down dip of VDD0111. Therefore, VDD0132 could potentially result in a significant increase to the D Zone Mineral Resource.

VDD0140: Southwest D Zone (Figure 4)
Drill hole VDD0140 intersected 27.0m @ 0.8% CuEq* from 198m down hole, including 4.2m @ 2.0% CuEq*. It was drilled 50 metres along strike to the northeast of VDD0111, as well as 30 metres down dip of VDD0042, VDD0040 and VDD0038. Therefore, the success of VDD0140 could potentially result in a significant increase of the D Zone Mineral Resource.

The results of the previously announced Viscaria Project Scoping Study indicate that the thickness and grade of this relatively shallow mineralised intersection has the potential to increase the tonnes of mineralisation which could be extractable using open pit methods at D Zone (Scoping Study Development Case A).

VDD0144: Southwest D Zone (Figure 5)
Drill hole VDD0144 intersected 24.4m @ 0.9% CuEq* from 213.60m down hole, including 4.0m @ 2.3% CuEq* and 4.0m @ 1.6% CuEq. It was drilled 50 metres along strike to the northeast of VDD0140 and 30 metres down dip of drill holes VDD0120, VDD091, VDD0087 and VDD0105. Therefore, the success of VDD0144 is interpreted to have extended the known mineralisation 100 metres along strike (from VDD0111) and 30 metres down dip and could potentially result in a significant increase of the D Zone Mineral Resource.

VDD0141: Northeast D Zone (Figure 6)
Drill hole VDD0141 intersected 34m @ 0.9% CuEq* from 182m down hole, including 6.0m @ 2.2% CuEq*. It was drilled 100 metres along strike to the southwest of VDD0129 and 30 metres down dip of drill holes VDD0014, VDD0016 and VDD0018. Therefore, VDD0141 is interpreted to have extended the known mineralisation 100 metres along strike and 30 metres down dip and could potentially result in an increase of the D Zone Mineral Resource.

This hole demonstrates that the mineralisation is thickening at depth in this area. The thickening at depth is interpreted to be the result of VDD0141 intersecting the interpreted southwest plunging, high grade copper-iron mineralisation zone that was first identified in VDD0128 and VDD0129. This trend is expected to continue to develop with additional drilling at depth and along plunge in this area.

VDD0139: Northeast D Zone (Figure 7)
Drill hole VDD0139 intersected two separate zones, 18.4 @ 0.6% CuEq* and 19.8m @ 0.6% CuEq*. These drill hole intersections contained very high grade iron mineralisation, but only minor copper mineralisation. The upper mineralised intersection extended the known mineralisation from previous drill holes VDD0114, VDD0088 and VDD0085 by approximately 30 metres down dip and therefore, could potentially result in an increase of the D Zone Mineral Resource.

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Table 1: Drill hole details and assays results

Hole	Prospect	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	D Zone	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	D Zone	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	D Zone	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	D Zone	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	D Zone	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	

*Copper Equivalent Formula

% CuEq = % Cu + ((%Fe x Fe price US$/tonne x Fe recovery)/(Cu price US$/tonne x 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.

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Table 2: Currently Defined Mineral Resources on the Viscaria Project

Resource Name	Classification	Tonnes (t)	Cu Grade (%)	Cu Metal (t)
A Zone*	Measured	14,439,000	1.66	239,000
	Indicated	4,690,000	1.22	57,000
	Inferred	2,480,000	1.03	26,000
	Subtotal	**21,609,000**	**1.49**	**322,000**
B Zone*	Measured	123,000	1.33	2,000
	Indicated	4,118,000	0.72	30,000
	Inferred	15,410,000	0.77	118,000
	Subtotal	**19,650,000**	**0.76**	**150,000**
D Zone Cu Resource	Indicated**	3,500,000	0.94	32,900
	Inferred**	1,870,000	0.80	14,960
	Subtotal	**5,370,000**	**0.89**	**47,860**
Overall Cu	**Total**	**46,629,000**	**1.01**	**519,860**

Resource Name	Classification	Tonnes (t)	Fe Grade (%)	Fe Mass Recovery (%)	Fe Metal (t)
D Zone Fe Resource	Indicated***	9,470,000	25.90	31.3	2,964,110
	Inferred***	5,320,000	25.60	30.8	1,638,560
Overall Fe	**Total**	**14,790,000**	**25.80**	**31.1**	**4,602,670**

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

**** 2012 Copper Mineral Resource for D Zone above a cut-off grade of 0.4% Cu.**

***** 2012 Iron Mineral Resource for D Zone above a cut-off grade of 15% Fe Mass Recovery.**

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-magnetite project located 1,200km north of Stockholm where the Company has delineated a global resource of 66.2 million tonnes of mineralisation, containing 51,000 tonnes of copper and 2.4 million tonnes of 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.

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ABOUT SWEDEN

Sweden has a 1,000 year mining history, is a leading producer of base metals (copper, zinc, lead) and precious metals (gold and silver) and is the largest producer of iron ore in the European Union.

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 or contact:

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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 Stefan Mujdrica (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.

Figure 1 – Project Location

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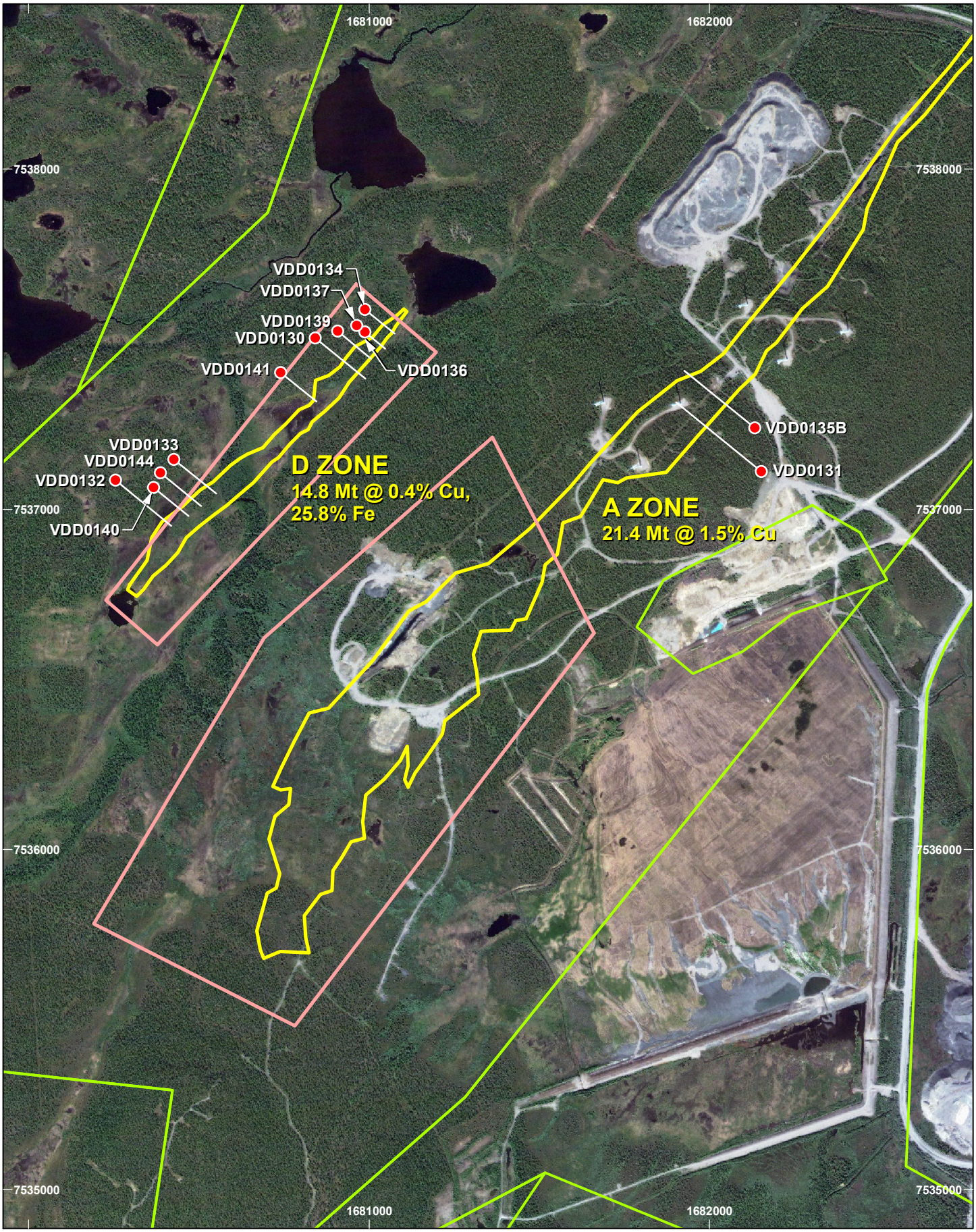

0 200 400 600 m

Transverse Mercator Projection
RT90 gon vast 2.5 (standard)

- Exploration Permit
- Exploitation Concession
- Resource Zone boundary (surface projection)
- Drill hole

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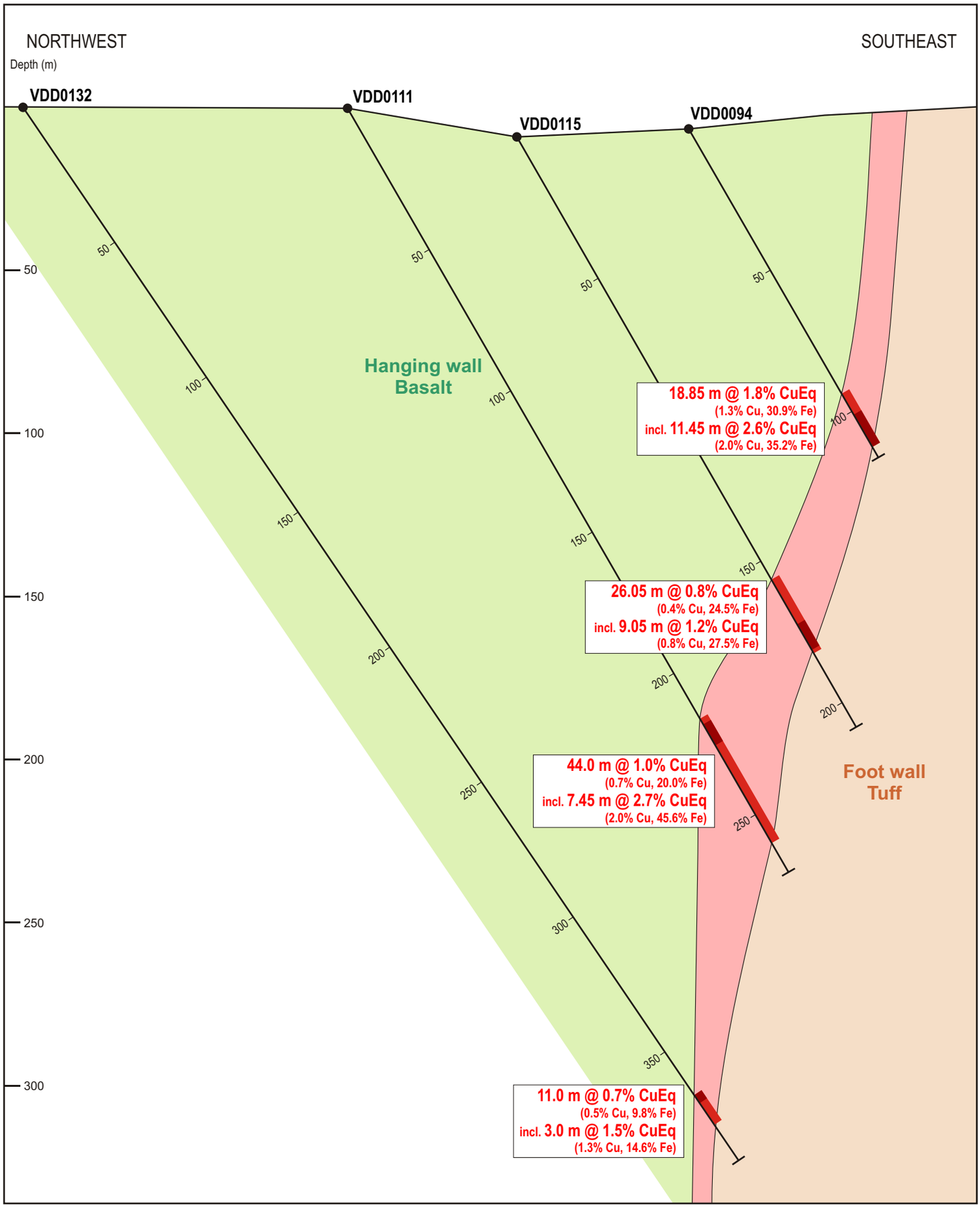
VISCARIA PROJECT, SWEDEN

LOCATION OF DRILL HOLES

Prepared: QH	Date: 07.12.2012
Revised: 03.02.2013	Drwg: AV-002

FIGURE 2



V/H = 1

0 20 40 m

Drill hole showing mineralised intersection

assayed interval

Hanging wall basalt

Mineralised zone

Foot wall tuff

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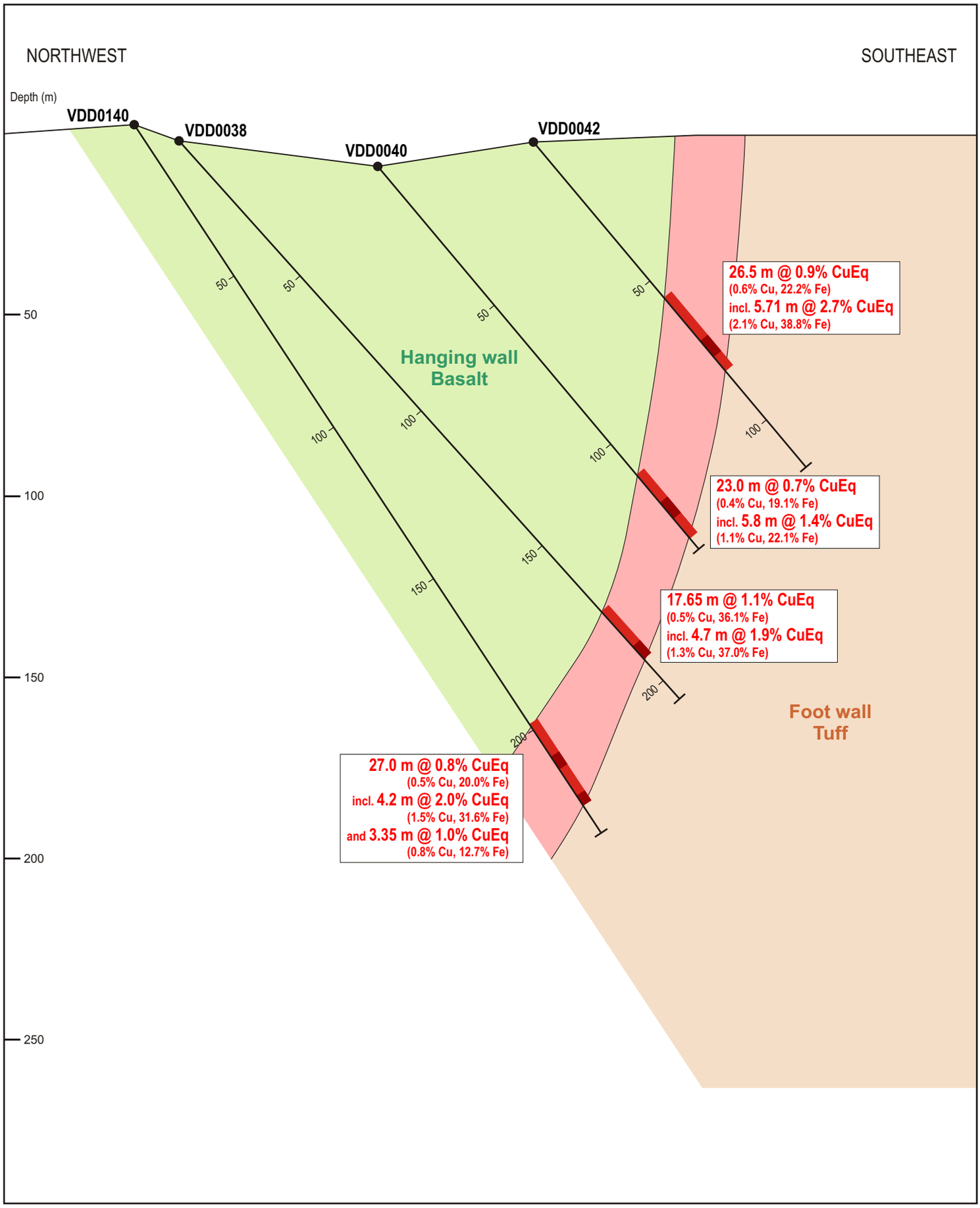
D ZONE PROSPECT - VISCARIA PROJECT, SWEDEN

SCHEMATIC CROSS-SECTION SHOWING VDD0132

Prepared: QH	Date: 03.02.2013
Revised:	Drawing: AV-016

FIGURE 3



V/H = 1

0 20 40 m

Drill hole showing mineralised intersection

assayed interval

Hanging wall basalt

Mineralised zone

Foot wall tuff

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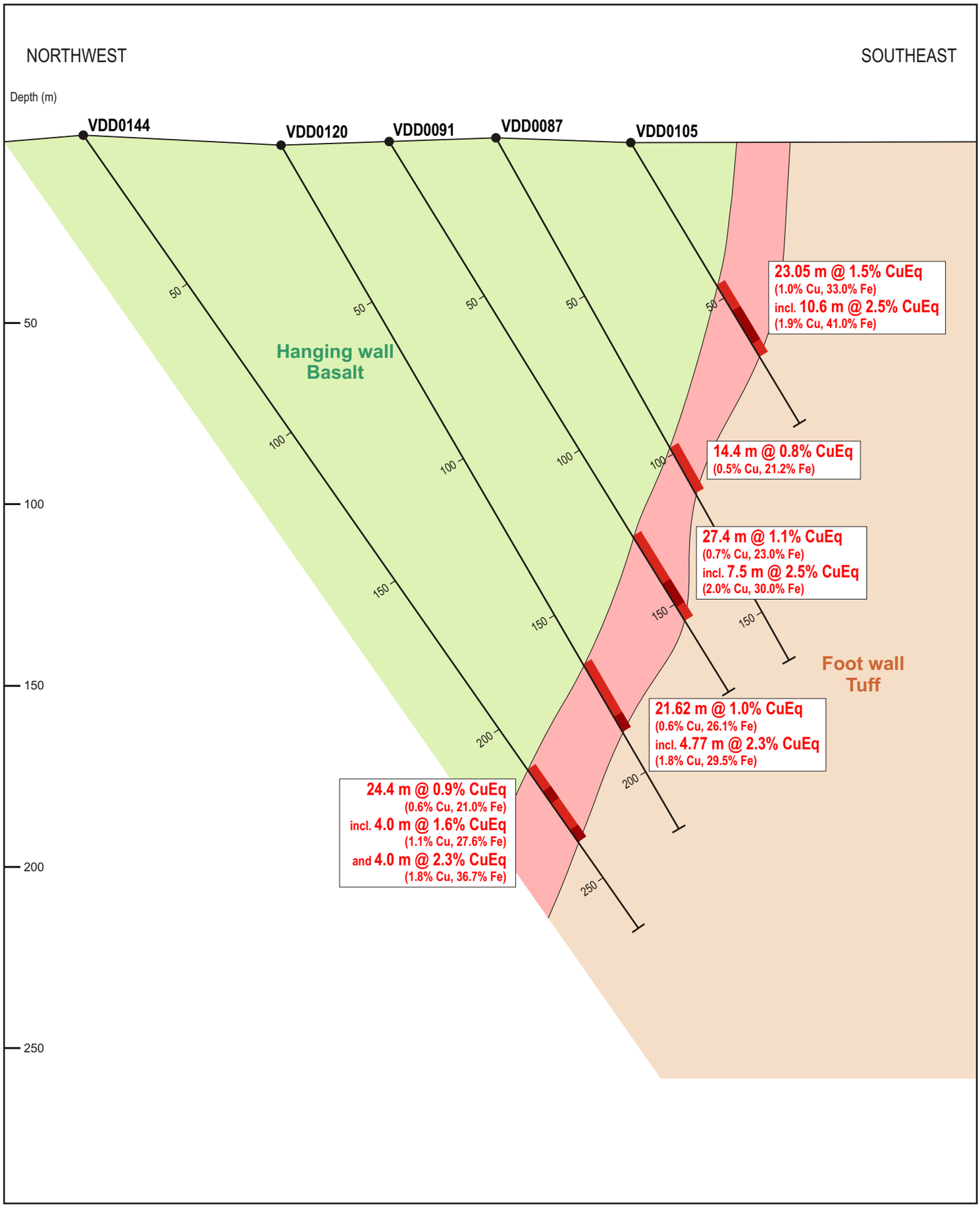
D ZONE PROSPECT - VISCARIA PROJECT, SWEDEN

SCHEMATIC CROSS-SECTION SHOWING VDD0140

Prepared: QH	Date: 03.02.2013
Revised:	Drawing: AV-018

FIGURE 4



V/H = 1

0 20 40 m

Drill hole showing mineralised intersection

assayed interval

Hanging wall basalt

Mineralised zone

Foot wall tuff

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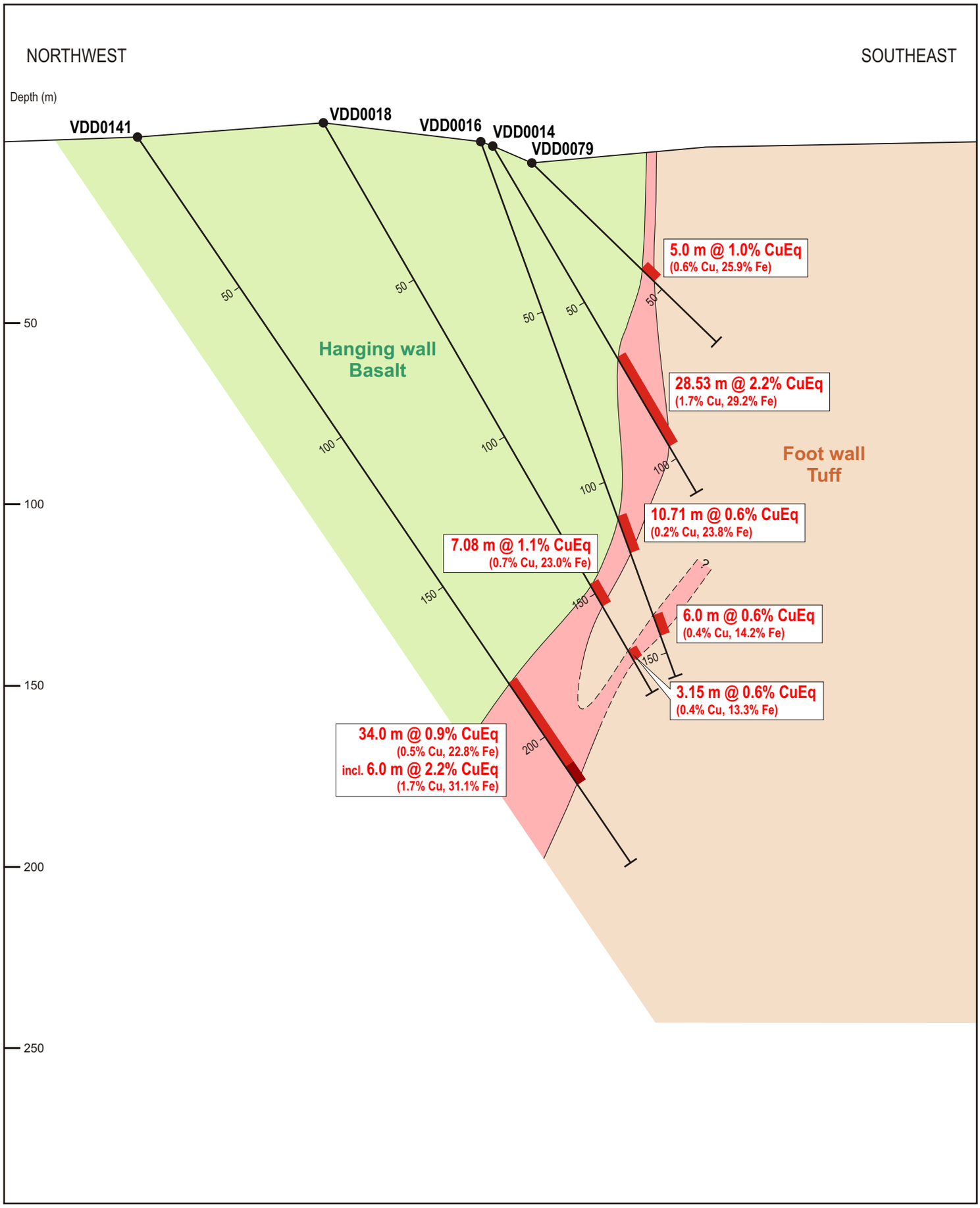
D ZONE PROSPECT - VISCARIA PROJECT, SWEDEN

SCHEMATIC CROSS-SECTION SHOWING VDD0144

Prepared: QH	Date: 03.02.2013
Revised:	Drawing: AV-020

FIGURE 5



V/H = 1

0 20 40 m

Drill hole showing mineralised intersection

assayed interval

Hanging wall basalt

Mineralised zone

Foot wall tuff

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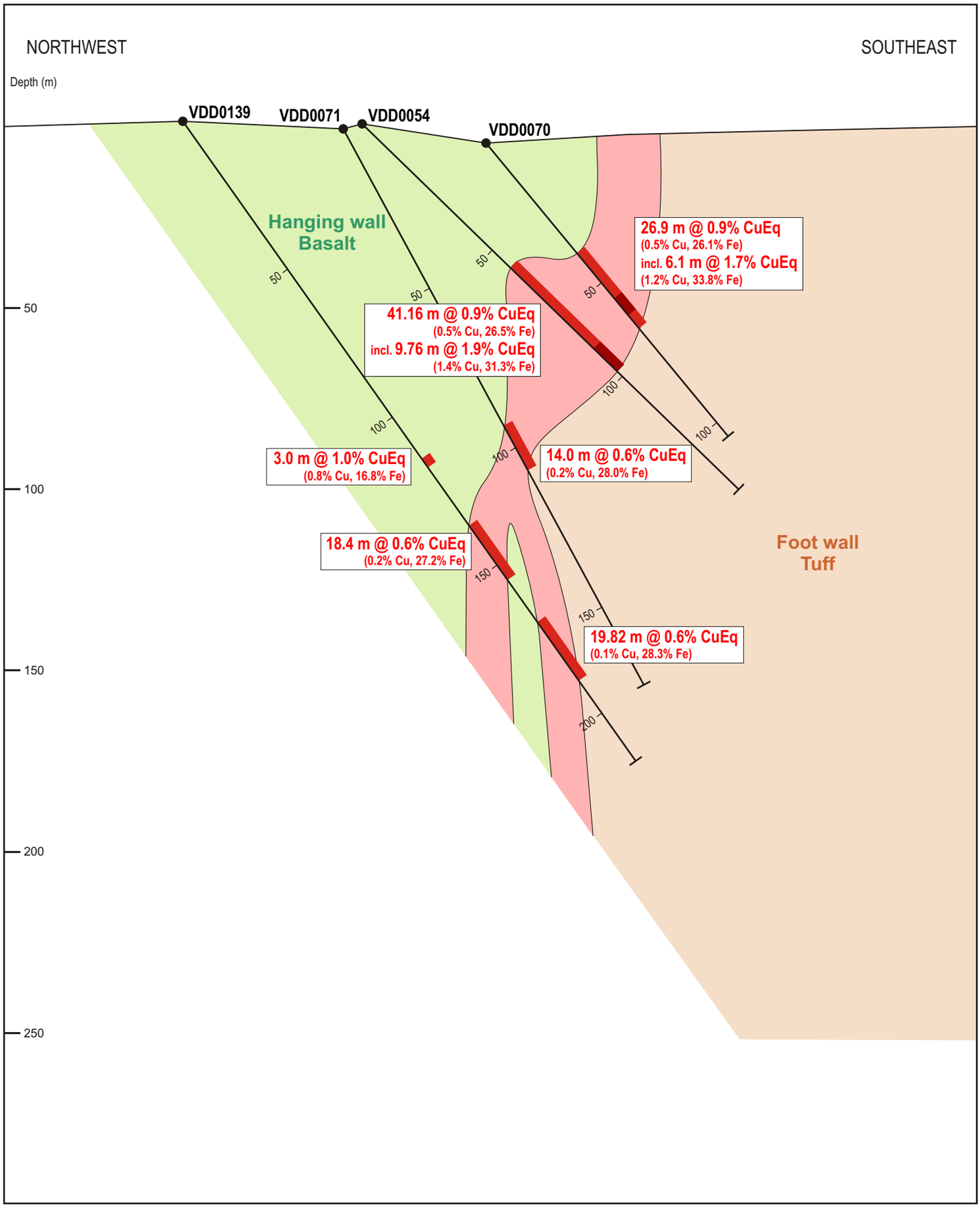
D ZONE PROSPECT - VISCARIA PROJECT, SWEDEN

SCHEMATIC CROSS-SECTION SHOWING VDD0141

Prepared: QH	Date: 03.02.2013
Revised:	Drawing: AV-019

FIGURE 6



V/H = 1

0 20 40 m

Drill hole showing mineralised intersection

assayed interval

Hanging wall basalt

Mineralised zone

Foot wall tuff

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D ZONE PROSPECT - VISCARIA PROJECT, SWEDEN

SCHEMATIC CROSS-SECTION SHOWING VDD0139

Prepared: QH	Date: 03.02.2013
Revised:	Drawing: AV-017

FIGURE 7