



Tuesday, 7 May 2013

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Second go at Discovery for Avalon

Monday, 6 May 2013
Hannah Vickers

AVALON Minerals has signed a binding heads of agreement to acquire the Discovery Zone copper-iron prospect in Sweden from Hannans Reward for \$A4 million.

The companies originally struck a \$4 million deal in October regarding Discovery Zone, but during the course of due diligence they decided the sale and purchase agreements were not optimal for either party and allowed the heads of agreement to lapse.

In December, Hannans and Avalon said they were working to reach a new arrangement, before announcing in February that they were unable to agree on terms.

The new deal announced today comprises the Rakkurjarvi exploration permit and the Discovery Zone exploitation concession, which cover the Discovery Zone and Tributary zone prospects, as well as the exploration area surrounding the Discovery Zone located near Kiruna.

Avalon will have rights to minerals at the Discovery and Tributary prospects and Hannans will retain rights and title to all minerals within a specified area in the Rakkurjarvi permit.

The agreement has no conditions precedent and is not subject to due diligence.

Discovery Zone, which is just 10km from Avalon's Viscaria copper project, has an inferred mineral resource of 10.9 million tonnes at 0.31% copper, 38.7% iron and 0.08 grams per tonne gold, using a 20% iron cut-off grade, and mineralisation remains open at depth.

Avalon managing director Jeremy Read said the companies worked for a few months to strike a deal.

"I am pleased to be able to announce that Avalon and Hannans have reached agreement and the purchase of the Discovery Zone by Avalon will now proceed, which is a very positive outcome for Avalon and will greatly strengthen the overall economics of the Viscaria copper project," he said.

Read said that a 2012 scoping study suggested that trucking Discovery Zone ore the 10km to Viscaria and processing it through the planned processing plant may add up to \$140 million in value to Viscaria and extend the overall project to 9.5 years.

This would be achieved so long as 70% of the current Discovery Zone resource was able to be mined using open pit methods, annual production hit 2.6 million tonnes per annum and Discovery Zone was able to support a three year mine life.

The first \$2 million payment will be made once Avalon becomes the registered holder of the Rakkurjarvi exploration permit and the Discovery Zone exploitation concession application, with the second instalment due for the grant of the exploitation concession.

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after the grant of the exploitation concession.

Avalon will also be responsible for a 1.5% net smelter return royalty to an unrelated third party.

If the exploitation concession is not granted within two years, Hannans will refund the initial \$2 million payment.

The companies will complete a sale and purchase agreement by the end of the month.

Avalon shares were untraded at 4.3c while Hannans jumped 11.8% to 1.9c.

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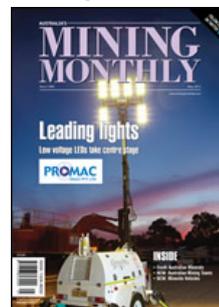
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