

# HANNANS

1 October 2013

ASX & MEDIA ANNOUNCEMENT

## Update on Formal Demand Issued to Avalon

Hannans Reward Ltd (ASX: HNR) (**Hannans**) announced on 3 July 2013 that it had issued a formal demand to Avalon Minerals Limited (ASX:AVI) (**Avalon**) in relation to the Heads of Agreement (**HOA**) that set out the terms for the sale of the Discovery Zone Prospect from Hannans to Avalon.

Hannans has now reached an agreement with Avalon that varies the HOA. That agreement is conditional upon Hannans withdrawing its statutory demand (**Condition 1**) and the discontinuance of the proceedings relating to the demand (**Condition 2**). Condition 1 has been satisfied and Avalon and Hannans are taking steps to satisfy Condition 2 as soon as practicable.

Subject to the satisfaction of Condition 2, pursuant to the terms of the variation (refer Appendix) Avalon will pay Hannans \$1 million within three business days of today and \$3 million within five business days of the Discovery Zone exploitation concession being granted.

For further information please contact:

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## Appendix: Details of Variation to Binding Heads of Agreement (HOA)

Subject to the Condition 1 and Condition 2, the following variations apply.

Clause 3 of the HOA is deleted and replaced with the following:

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

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

In addition to the Consideration, Avalon agrees and acknowledges that it must pay and will be responsible for the Royalty in respect of the Avalon Area, in accordance with the Asset Purchase Agreement.

The Consideration is exclusive of any VAT or GST assessed as being payable by any government.”