

6 JANUARY 2015

ASX ANNOUNCEMENT



DRILLING AND CORPORATE UPDATE

Highlights

- **Recent drilling at the Viscaria Project A Zone intersects visible copper sulphides. Results will deliver improved definition of the newly defined footwall copper zone and potentially an increase in the A Zone Mineral Resource estimate. Assay results are expected in mid-January 2015.**
- **A\$1.23 million Research & Development net tax rebate received.**
- **Introduction of new European investors provide strong support for advancement of the Viscaria project.**
- **Optimised Scoping Study has commenced with focus on a copper only start up project.**
- **Exploration targets defined in proximity to the A Zone, B Zone and D Zone deposits.**
- **Drilling copper oxide targets expected to resume in early 2015.**

Avalon Minerals Limited ('Avalon' or 'Company') (**ASX: AVI**) is pleased to announce updates in several key areas of the Viscaria Copper Project (Figure 1).

A Zone drilling

Drill hole VDD0182 was completed in mid-December 2014 at 174m. The hole targeted the main A Zone mineralisation within the proposed open pit development and a newly defined footwall mineralised zone. The footwall zone has not been previously defined and could be a significant contributor to future mineral resource estimates. Additional drilling is planned to further define this zone, with the potential for modification of pit shell designs to incorporate additional mineralisation.

Hole VDD0182 intersected visible copper sulphide mineralisation from 36 to 93m in the main mineralised zone and in the footwall from 136 to 145m (see figure 2 below). Drill core is currently at the assay laboratory and assay results are expected in mid-January 2015.

Drilling at Viscaria targeting further oxide copper mineralisation is expected to resume in early 2015.

Research & Development tax rebate

A tax rebate of net A\$1.23 million was received in December 2014 for approved R&D expenditure for the 2013-14 financial year. The Company's unaudited cash position for December 31, 2014 is A\$1.8 mill.

ASX: AVI

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New European Investors

The Company is very pleased to introduce new European investors to its share register. This provides good long term support for the Company's plans to develop the Viscaria Copper Project.

We welcome Valbonne II and Marilei International as substantial shareholders.

This supports Avalon's ongoing strategy of developing a significant European focussed copper development and exploration company, to deliver superior returns to shareholders.

Optimised Scoping Study commenced

An optimised Scoping Study assessing a lower CAPEX, copper only start-up scenario has commenced. It is expected that this study will be completed in March 2015 and provide the basis for the ongoing 2015 work program of additional drilling, further studies, expanded Environmental Impact Assessment activities, and stakeholder engagement. The latter activities are key to advancing the environmental and development permitting required to develop a mine at Viscaria.

This program is supported by the recent grant of the Exploitation Concession K7, which combined with adjacent Exploitation Concessions K3 and K4, delivers the precursor requirements to consideration by the regulator of the Environmental Impact Assessment and development permits required prior to the commencement of mining.

New Exploration Targets defined

The Company is very encouraged by recent work on developing exploration targets within the immediate belt of prospective rocks in a 'near mine' environment at Viscaria.

- An Electromagnetic (EM) anomaly has been defined to the east of A Zone which will be drill tested in 2015.
- A significant magnetic anomaly, referred to as 'Nihka', has been defined ~3km south of D Zone, and ~2 km south of A Zone (figure 3). The anomaly has geophysical similarities to the D Zone Prospect and it will also be drill tested in 2015.

Avalon's Managing Director, Mr Malcolm Norris said, "we are pleased with progress at Viscaria. During 2014 we made very good progress in advancing the technical aspects of the project, including significant updates to the mineral resource estimates, in parallel with advancements in permitting.

2015 will allow us to advance the copper focussed development scenarios and test our highly rated exploration targets."

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

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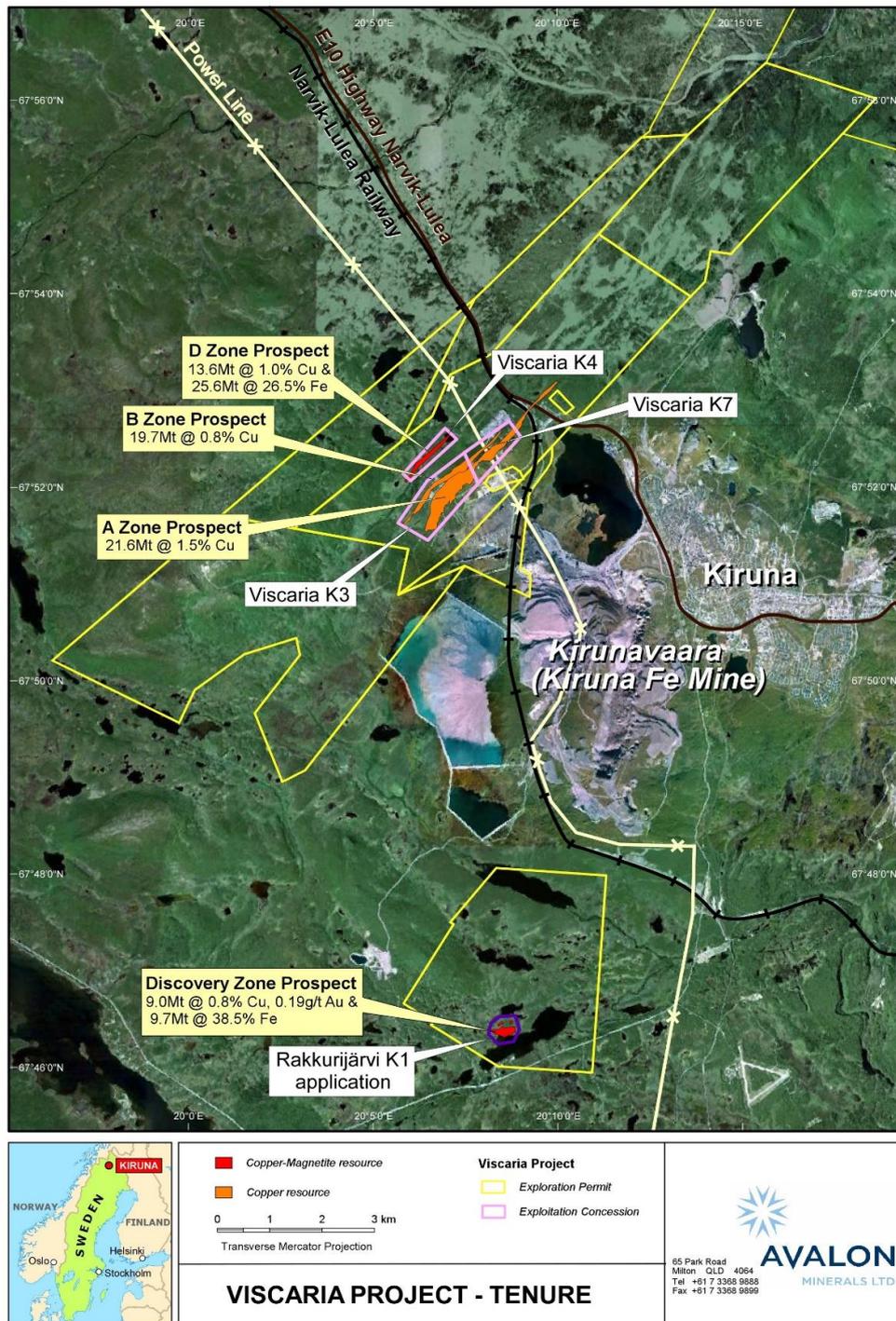


Figure 1 – Project Location



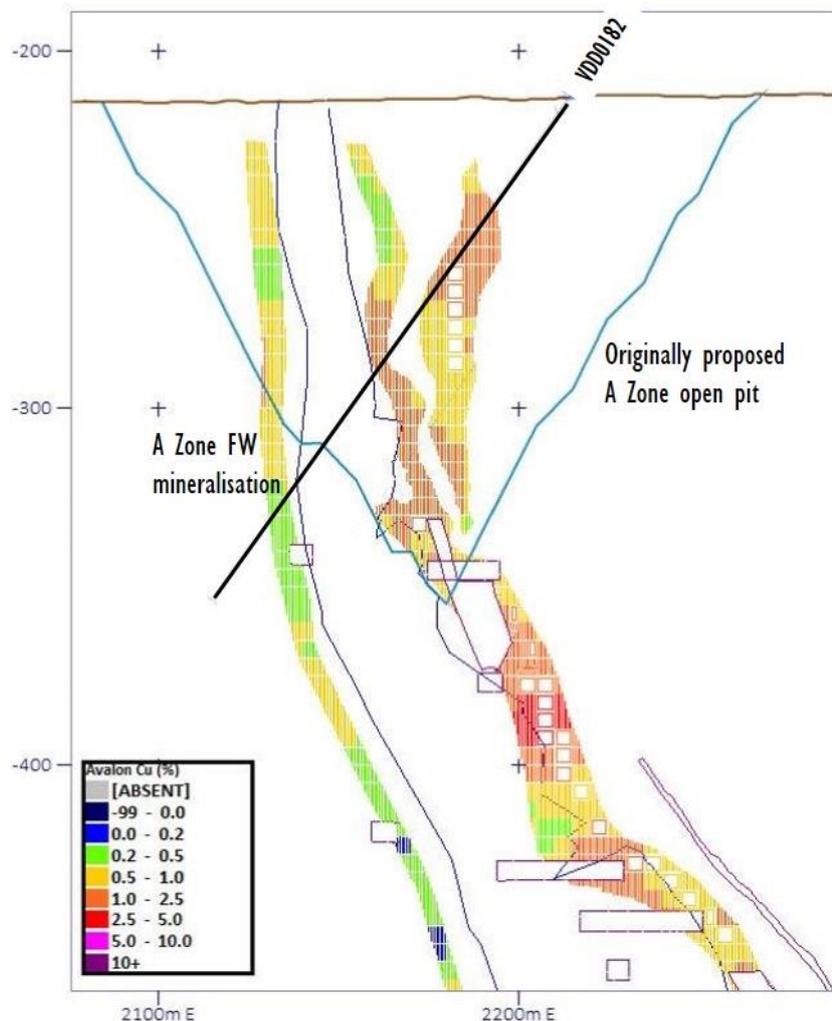


Figure 2: Cross-section representation of hole VDD0182 that was drilled into the southern portion of A Zone. The hole targeted the main A Zone mineralisation and the newly defined footwall mineralisation that may have an impact on future pit shell design.



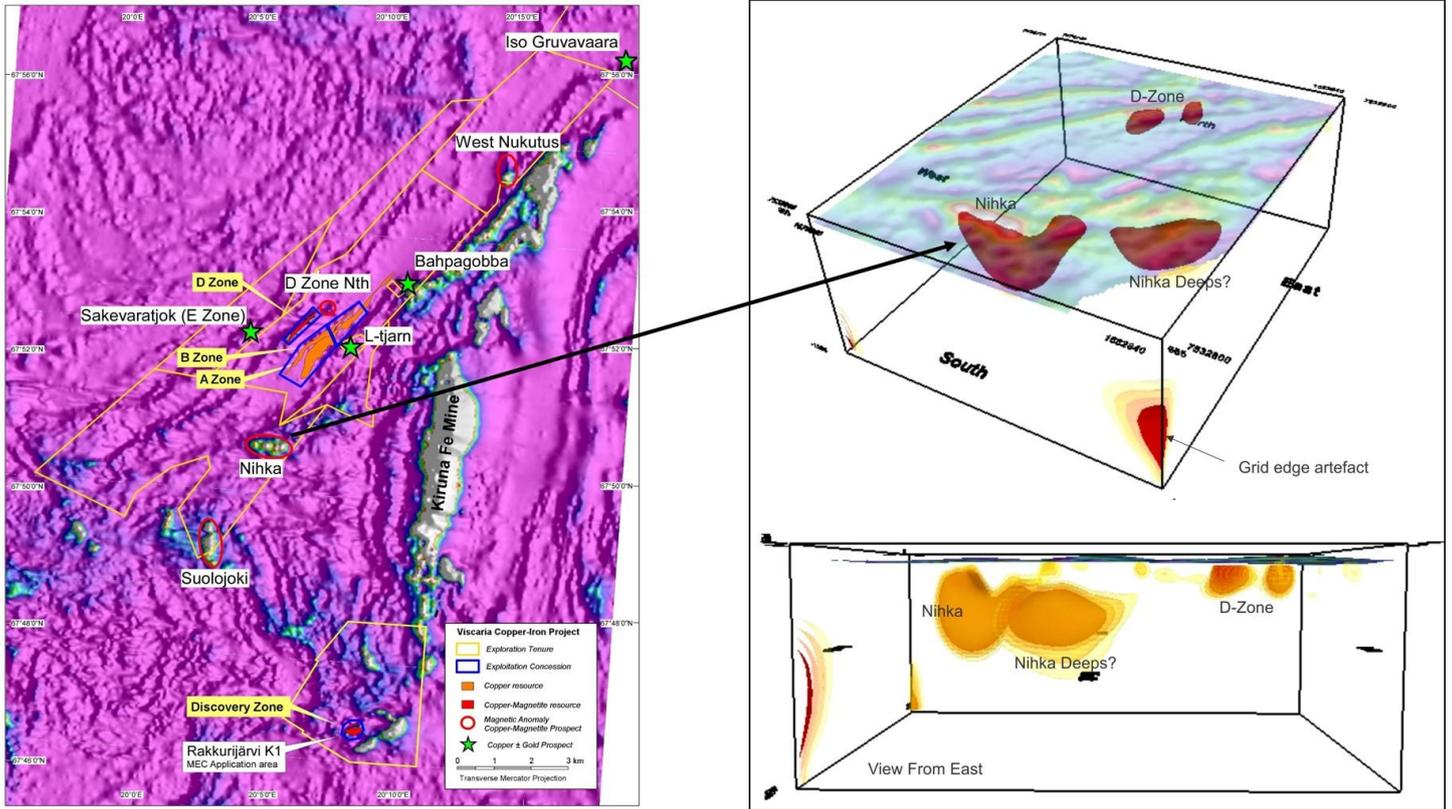


Figure 3: 3-D inversion modelling of magnetic data showing the location of the Nihka target in relation to the D Zone magnetic anomaly.

Competent Persons Statement

The information in this report that relates to exploration results is based upon information reviewed by Dr Quinton Hills who is a Member of the Australasian Institute of Mining and Metallurgy. Dr Hills 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 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Dr Hills consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

