31 March 2015

ASX ANNOUNCEMENT

AVALON MINERALS LTD

DRILLING AND CORPORATE UPDATE

Highlights

- **Diamond drilling has commenced at Viscaria;**
- **A$1.54 million net Research & Development tax incentive received;**
- **Exploration at Nihka prospect advancing;**
- **Environmental and Social Impact Assessment (ESIA) process on track.**

Avalon Minerals Limited ('**Avalon**' or '**Company**') (**ASX: AVI**) is pleased to announce updates in several key areas of the Viscaria Copper Project (Figure 1). Field activities have commenced following the successful capital raising announced on March 2, 2015.

D Zone drilling

Diamond drill hole VDD183 has commenced at D Zone. The drill hole is targeting high grade copper mineralisation approximately 120m down plunge from the previously drilled hole VDD166 (Figure 2), which intersected 5.9m at 1.5% Cu and 13m at 1.6% Cu. Hole VDD183 is expected to intersect the target zone at approximately 570m down hole.

Further drilling will be undertaken at D Zone and then the drill rig will move to A Zone targeting high grade mineralisation in the southern area. Specifically, a shallow zone where historical drill holes have returned intersections including 4.7m at 3.5% Cu in D-7843 and 3.4m at 2.9% Cu in D-6114, and in the deeper main down plunge domain where structural interpretation suggests a shallowing of the plunge orientation, and adjacent historical holes have intersected up to 6.5m at 3.4% Cu in hole VDD127.

The drilling program is aimed at further definition of high grade copper zones to support an updated resource estimate and an optimised Scoping Study, to be delivered later in 2015, on a high grade copper only development scenario at Viscaria.

Research & Development tax incentive

A tax incentive of net A$1.54 million has been received for eligible Research & Development expenditure for the 2012-13 financial year. This takes the Company's unaudited cash position to approximately A$3.4 million.

Nihka Exploration Target

As previously reported, a significant magnetic anomaly, referred to as 'Nihka', has been defined ~3km south of D Zone, and ~2 km south of A Zone (Figure 2). The anomaly has geophysical similarities to the D Zone Prospect. Avalon has recently completed a 42 hole program of shallow auger drilling to test 'base of till' and uppermost bedrock (see Table 1 in Appendix 1). Geological logging of the holes identified that some holes contain magnetite and sulphides in variably altered mafic rocks. These results, while preliminary, are encouraging and justify planning of further work once assay results are received.

Samples have been submitted to the assay laboratory. Results are expected in mid-April 2015.

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Environmental and Social Impact Assessment (ESIA)

The Viscaria ESIA process has commenced. These activities deliver the necessary documents for application for a Permit to Mine from the Swedish Land and Environmental Court. The process is focussed on the immediate Viscaria area and supports planning for mine development within Exploitation Concessions K3, K4, and K7.

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

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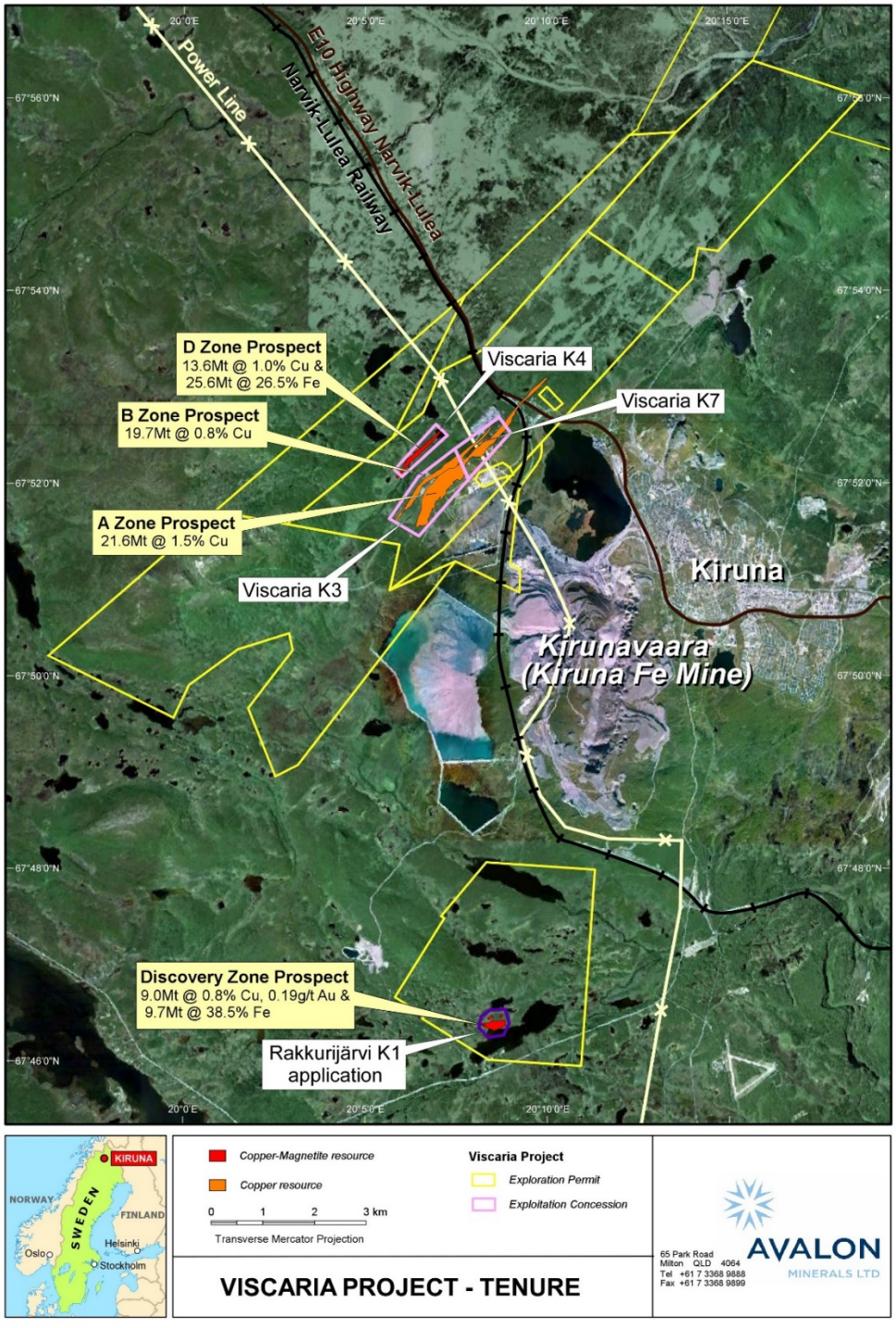

Figure 1 – Project Location

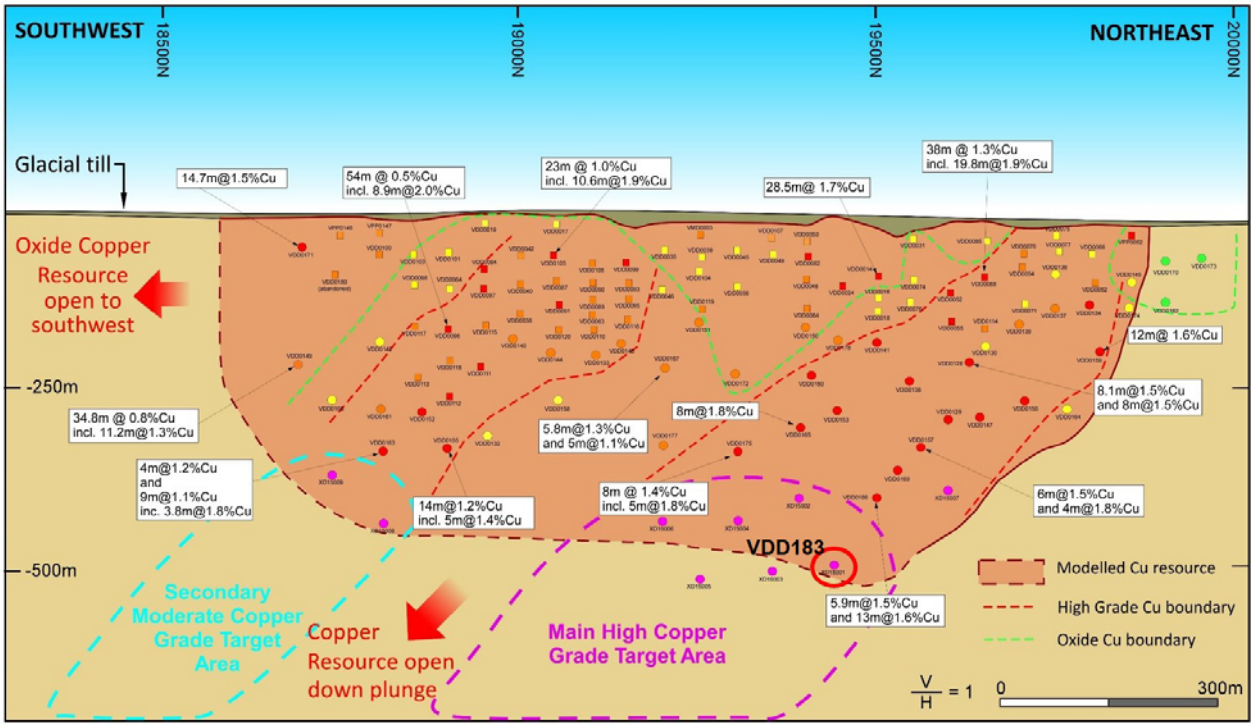

Figure 2: Schematic long section of D Zone showing current drill hole VDD183 (circled red). Other proposed holes are shown in purple.

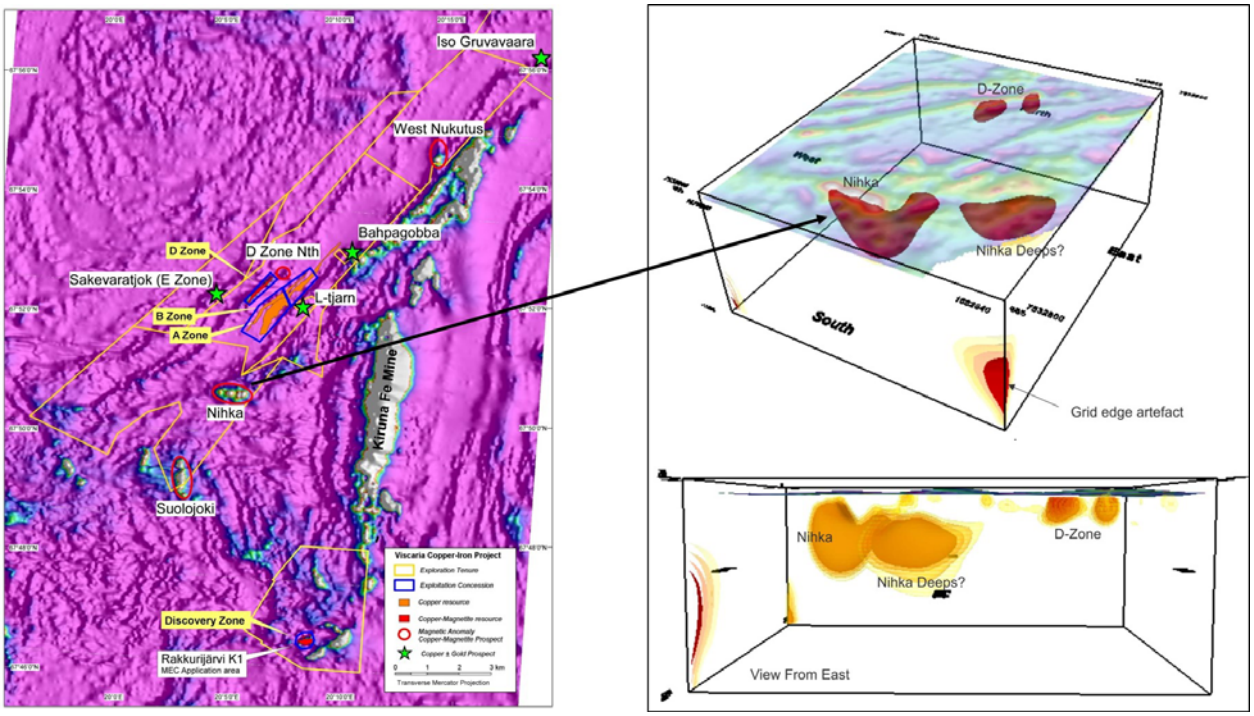

Figure 3: 3-D inversion modelling of magnetic data showing the location of the Nihka target in relation to the D Zone magnetic anomaly

Competent Persons Statement

The information in this report that relates to exploration results is based upon information reviewed by Mr Malcolm Norris who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Norris 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". Mr Norris consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

APPENDIX 1
The following Table is provided to ensure compliance with the JORC Code (2012 Edition)

TABLE 1 – Section 1: Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as downhole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.*	• Drilling was base of till and uppermost bedrock auger drilling. Samples generated were chip samples.
	• *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.*	• Full samples were sent to the assay laboratory where they will be split to ensure adequate representivity.
	• *Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.*	• Auger chip samples were collected over 1m and 1.5m intervals. These samples were then split and a 250g pulverised sample was produced. Then a 50g portion of this sample was then used for multi-element analysis. A small portion of the auger chips were retained for reference purposes.
Drilling techniques	• *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).*	• Auger drilling, vertical drill holes, targeting top of bedrock only.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.*	• Auger chip data for this drilling was measured for each interval and captured in a digital logging software package.
	• *Measures taken to maximise sample recovery and ensure representative nature of the samples.*	• Experienced drilling contractor and frequent cleaning of drill hole.

Criteria	JORC Code explanation	Commentary
	• *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• Assay data not yet received.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	• Auger chips were logged for lithology, weathering, mineralogy, mineralisation, colour and other features. Logging and sampling was carried out according to Avalon's internal protocols and QAQC procedures which comply with industry standards.
	• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.*	• Logging was qualitative in terms of color, lithology, weathering; mineralogy and mineralisation.
	• *The total length and percentage of the relevant intersections logged.*	• All drill holes are logged in full from start to finish of the hole.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.*	• N/A.
	• *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.*	• Split at laboratory.
	• *For all sample types, the nature, quality and appropriateness of the sample preparation technique.*	• Avalon samples were sent to the ALS Sample Preparation Facility in Pitea, Sweden for sample preparation. The standard ALS sample preparation for drilling samples is: drying the sample, crushing to size fraction 75% >2mm and split the sample to 250g portion by riffle or Boyd rotary splitter. The 250g sample is then pulverised to 85% passing 75 microns and then split into two 50g pulp samples. Then one of the pulp samples was sent to the Vancouver ALS laboratory for base metal analysis. • The sample preparation is carried out according to industry standard practices.
	• *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.*	• Avalon used an industry standard QAQC programme involving Certified Reference Materials "standards" (with Cu grades ranging from near cut-off, average resource grades and very high grades) and blank samples, which were introduced in the routine sample batches. • Standards, blanks and duplicates were submitted at a rate of 1 in 20 samples or one standard, blank and duplicate per hole if the hole has less than 20 samples. • The check assay results are reported along with the sample assay values in the preliminary and final analysis reports.

Criteria	JORC Code explanation	Commentary
	• *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.*	• Full samples submitted to the laboratory where the samples were split. • The results from duplicate samples are to be compared with the corresponding routine sample to ascertain whether the sampling was representative.
	• *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• Sample sizes are considered to be appropriate and correctly represent the style and type of mineralisation.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*	• Avalon used assay method was ME-ICP61, which involves sample decomposition by four acid digest. The digests are then analysed by ICP-AES. The lower detection limit for copper using ME-ICP61 is 1ppm Cu and the upper detection limit is 1% Cu. • This analysis technique is considered suitable for this style of sample and mineralisation.
	• *For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.*	• No other measurement tools/instruments were used.
	• *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.*	• The values of the standards range from low to high grade and were considered appropriate to monitor performance.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.*	• N/A, samples submitted for assay, results not yet received.
	• *The use of twinned holes.*	• No twin holes were drilled
	• *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.*	• The sampling intervals and sample numbers are recorded/generated directly in the acQuire™ database package. Then assay data directly from the laboratory is brought together with the sampling data and validated within the acQuire™ database package.
	• *Discuss any adjustment to assay data.*	• No adjustments or calibrations were made to assay data.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.*	• Surface collar co-ordinates are surveyed by Differential GPS in Swedish co-ordinate system RT90 gon vast (west) 2.5 by qualified local contract surveyors to a high level of accuracy (1-3cm).

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<tr><th>Criteria</th><th>JORC Code explanation</th><th>Commentary</th></tr>
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It has been standard procedure to use the same contract surveyors to survey collar points since Avalon’s involvement, so there is high confidence that all the surface drill holes are supported by accurate location data.
No down hole surveys were completed for these shallow, vertical holes (maximum depth 16.5m)

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Specification of the grid system used.

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RT90 Map projection parameters:

<table>
<tr><th>Parameter</th><th>Value</th></tr>
<tr><td>Reference Ellipsoid</td><td>Bessel 1841</td></tr>
<tr><td>Semi Major Axis</td><td>6377397.155 m</td></tr>
<tr><td>Inverse Flattening (1/f)</td><td>299.1528128</td></tr>
<tr><td>Type of Projection</td><td>Gauss-Krüger (Transverse Mercator)</td></tr>
<tr><td>Central Meridian:</td><td>E15°48'29.8" (2.5 gon West of the Stockholm Observatory)</td></tr>
<tr><td>Latitude of Origin</td><td>0°</td></tr>
<tr><td>Scale on Central Meridian</td><td>1</td></tr>
<tr><td>False Northing</td><td>0 m</td></tr>
<tr><td>False Easting</td><td>1500000 m</td></tr>
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RT90 gon vast (west) 2.5 grid north is situated 4.01° to the east of True North.

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Quality and adequacy of topographic control.

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The topographic surface was taken from LIDAR data (airborne laser scanning) that was purchased from Lantmäteriet (the Swedish mapping, cadastral and land registration authority). Data point resolution is 0.5 per metre square and is specified as accurate to 20cm in elevation on distinct surfaces and 60cm in planimetry. The level of accuracy of the LIDAR topographic surface was considered adequate for the purposes of resource estimation. The LIDAR topographic surface has also been verified by the many Differential GPS collar survey co-ordinates.

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Criteria	JORC Code explanation	Commentary
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.*	• Drill spacing was relatively regular at either 50m or 100m on north-south aligned traverses, spaced 200m. Four traverses were completed. • Sampling was generally taken over 1 meter intervals in the cover till and 1.5m in the top of bedrock.
	• *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.*	• N/A
	• *Whether sample compositing has been applied.*	• No sample compositing was done.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.*	• Drilling and drilling traverse orientations were appropriate for the orientation of the geophysical anomaly being explored.
	• *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• N/A.
Sample security	• *The measures taken to ensure sample security.*	• Avalon sampling procedures indicate individual samples were given due attention. • ALS is an internationally accredited laboratory that has all its internal procedures heavily scrutinised in order to maintain their accreditation.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• Avalon's sampling techniques and data have been audited multiple times by independent mining consultants during the process of reporting a JORC Compliant Mineral Resource on the various mineral deposits that make up the nearby Viscaria Copper Project (A Zone, B Zone, D Zone and Discovery Zone). These audits have always resulted in the conclusion that Avalon's sampling techniques and data are industry standard and suitable for the purposes of reporting a JORC Compliant Mineral Resource.

TABLE 1 – Section 2: Exploration Results

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.*	• The Nihka Prospect is covered by Exploration Permit Viscaria nr 107.
	• *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• Exploration Permit Viscaria nr 107 is valid till the 10/08/2015.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• There has been no historical exploration of the Nihka Prospect.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The Nihka Prospect comprises a magnetic anomaly that exhibits geophysical similarities to the nearby D Zone prospect. This recent drilling indicates that the host rock is a mafic rock, exhibiting varying degrees of alteration, and that it contains magnetite and some sulphides.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* *a. easting and northing of the drill hole collar* *b. elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* *c. dip and azimuth of the hole* *d. down hole length and interception depth* *e. hole length.*	• 42 shallow (max depth 16.5m) auger holes were completed covering the western two thirds of the magnetic anomaly shown in Figure 3. The holes were drilled on 4 x 200m spaced traverses, and holes along traverses were spaced at either 50m or 100m intervals.
	• *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	• N/A

Criteria	JORC Code explanation	Commentary
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.*	• N/A
	• *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.*	• N/A.
	• *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• N/A
Relationship between mineralisation widths and intercept lengths	• *If the geometry of the mineralisation with respect to the drill-hole angle is known, its nature should be reported.*	• N/A
	• *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').*	• N/A
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• See Figure 3 for location of the Nihka prospect.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• N/A
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported) including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• N/A

Criteria	JORC Code explanation	Commentary
Further work	• *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).*	• Further work will be planned once assay results are received.
	• *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• See Figure 3 in the main announcement.