13 May 2015

ASX ANNOUNCEMENT

AVALON MINERALS LTD

IRON OXIDE COPPER SYSTEM DRILLED AT NIHKA TARGET

Highlights

- **Drill hole NDD 001 at the Nihka target has been completed at 326.5m.**
- **The drill hole intersected trace levels of chalcopyrite in an alteration sequence consistent with an iron oxide copper system.**
- **Assay results are expected in June, and follow up drilling is being planned for late June.**

Avalon Minerals Limited ('**Avalon**' or '**Company**') (**ASX: AVI**) is pleased to announce the preliminary results from diamond drill hole NDD 001 at the Nihka target, located 2 km south of the Viscaria Project.

The drill hole is a follow up to a bedrock copper anomaly partly co-incident with a 900m x 300m magnetic anomaly, as announced on 9th April 2015. The hole was stopped at 326.5m. The results are based on preliminary logging and the hole is currently being comprehensively logged and sampled for assay. The hole intersected alteration consistent with an iron oxide copper system and assays are expected in June.

The intensity of altered rock, together with the degree of brecciation and shearing suggests that the host rocks have undergone modification from a hydrothermal system. Avalon interprets these observations to support comparison to other magnetite-copper deposits in the district. Therefore further exploration is warranted. The area has no rock outcrop and is completely covered by glacial gravels.

NDD001 intersected a package of altered mafic volcanic rocks with epidote-albite-biotite-magnetite-chlorite-carbonate-sulphide assemblages consistent with an iron oxide copper alteration system. Trace amounts of chalcopyrite have been recognised in the core as veinlets with other sulphides, and isolated larger clusters in K-feldspar veins. The alteration, where present, is a combination of pervasive alteration and clear structurally controlled alteration zones. Local hydrothermal brecciation has been observed.

Avalon's Managing Director, Mr Malcolm Norris said, "This is an encouraging start to our drilling program at Nihka. With the first hole of the program we have drilled into a copper fertile system that appears comparable to other iron oxide copper systems in the surrounding district. This prospect has seen no previous exploration. We will now review the drill core once we receive the assay results, and consider additional exploration datasets to allow for targeting follow-up drill holes at Nihka. "

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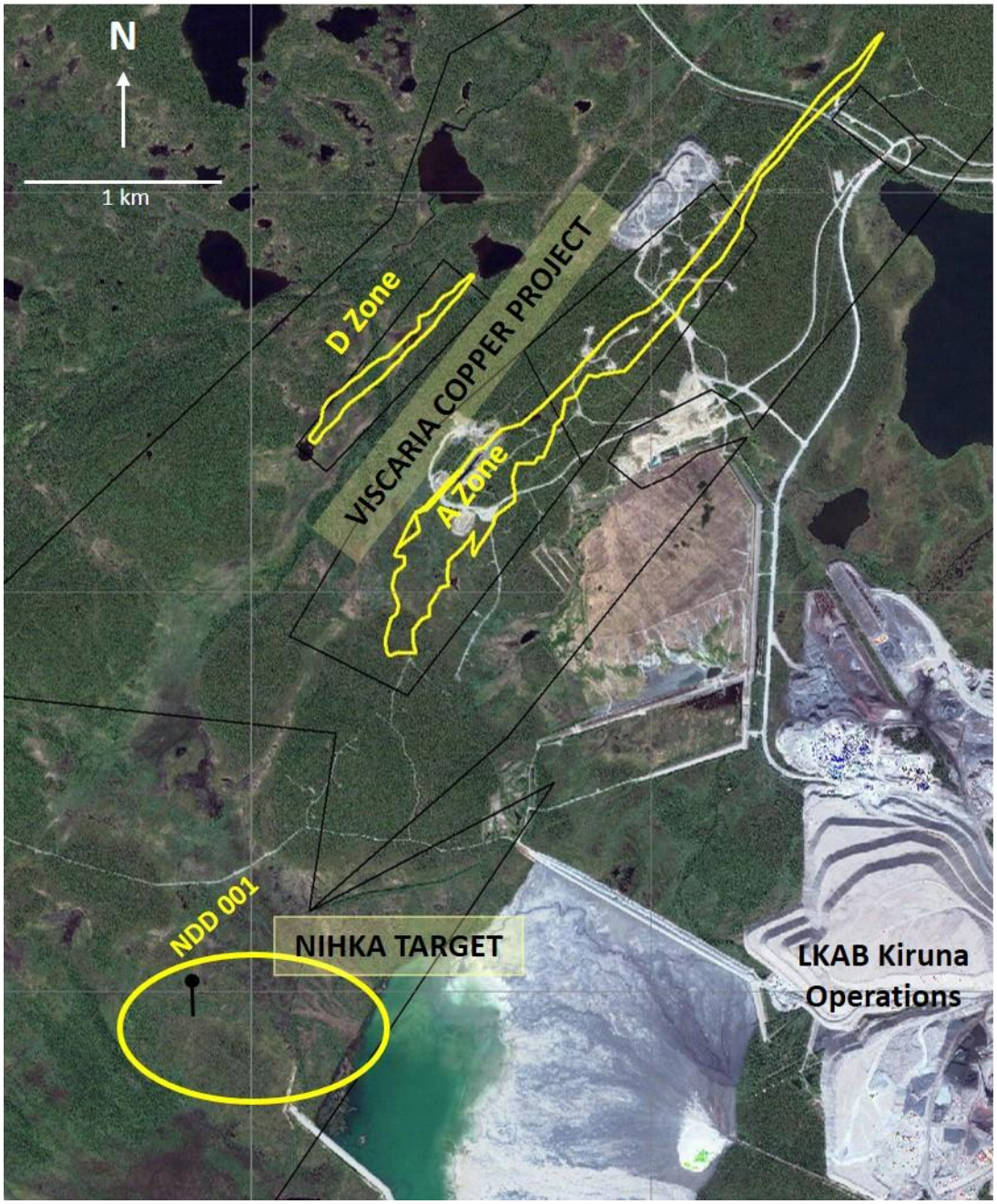

Figure 1 –Location of NDD 001 at the Nihka target, relative to the Viscaria Project location

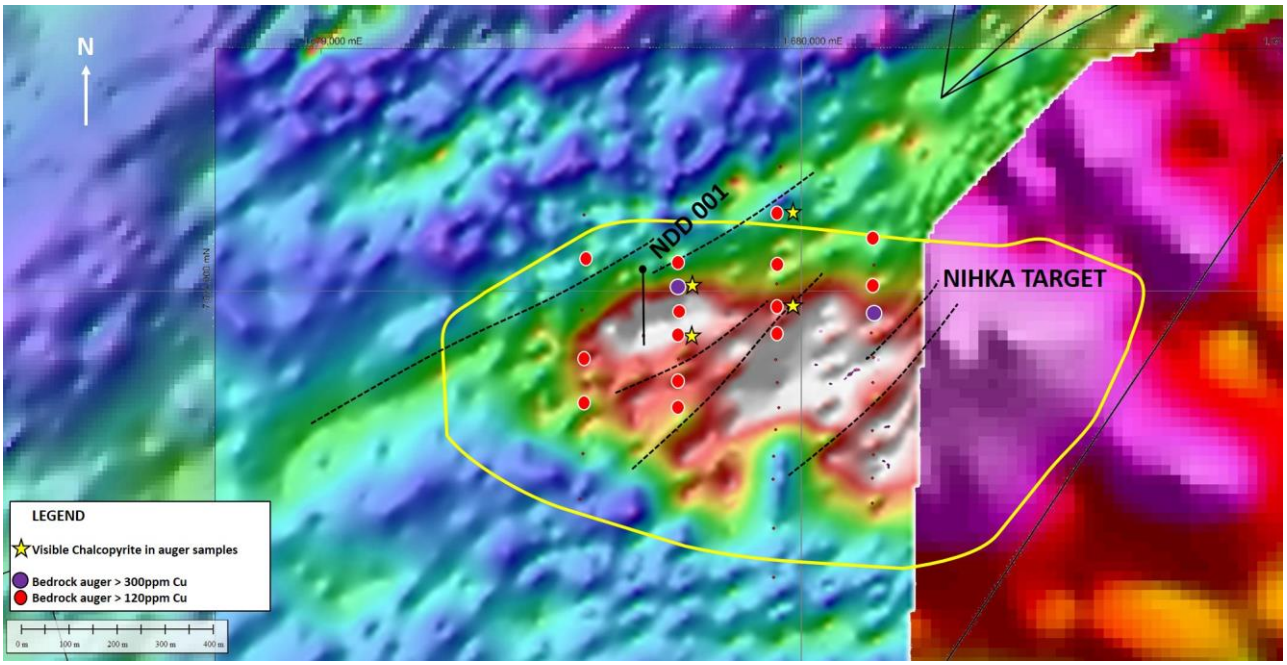

Figure 2 –Location of drill hole NDD 001 at the Nihka target. The background image is ground magnetics (total magnetic intensity, SE shade). For the auger drilling results see announcement dated 9 April 2015.

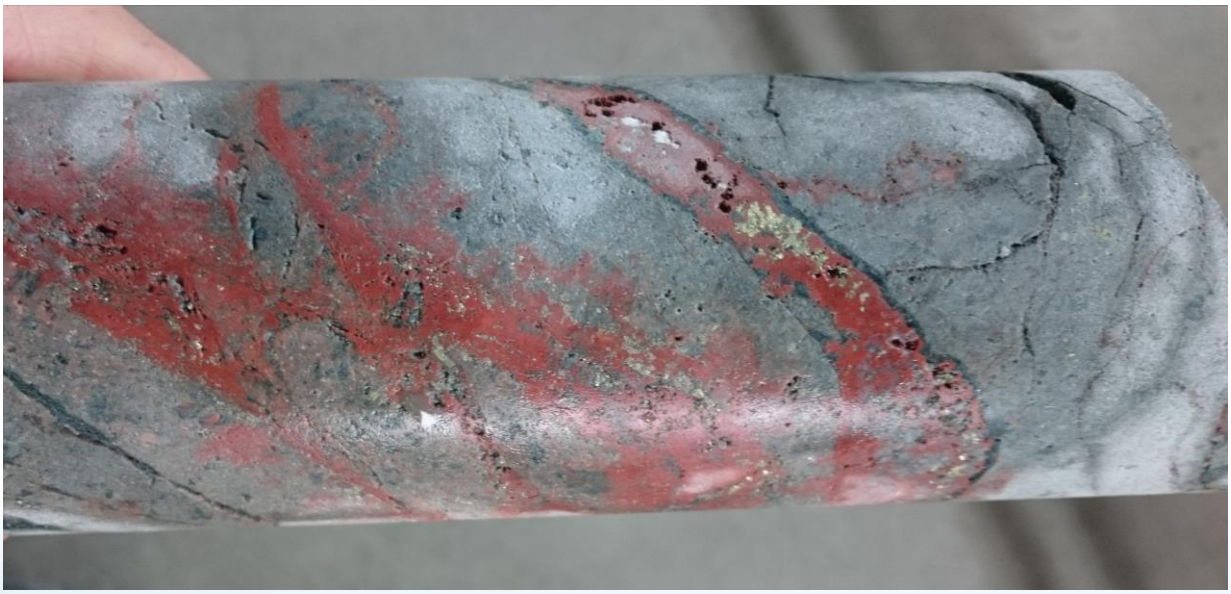

Figure 3 – Drill core from NDD 001 at 81m showing albite alteration and pyrite-chalcopyrite in veins

Table 1: Summary geological log of NDD 001

Interval (m)	Geology	Sulphides
0 – 8m	Glacial till cover	
8 – 81.25	Variably altered basalt; alteration of epidote, albite, magnetite with some chlorite and hematite	Minor Py, tr Cpy
81.25 – 84.5	Sheared and brecciated mafic rock; pervasive albitisation	Minor dissem Py
84.5 - 136	Weakly altered basalts; epidote-magnetite-chlorite with biotite veins	Minor dissem Py, tr Cpy
136 - 138	Shear Zone; strong albite-magnetite epidote veining	Minor dissem Py, tr Cpy
138 – 191.8	Variably altered basalts, some dolerite; late epidote-magnetite-albite veining	Dissem Py, tr Cpy
191.8 – 193.8	Magnetite-epidote-sulphide zone in basalt. Visually estimated 5-8% sulphides	Py, tr Cpy
193.8 - 226.5	Variably altered basalts; late epidote-albite-magnetite shearing	Py, tr Cpy
226.5 - 230	Volcaniclastics	
230 - 272.5	Succession of sheared and brecciated basalt with epidote-carbonate-magnetite-chlorite-albite assemblages	Py, tr Cpy
272.5 - 299.5	Volcaniclastics and variably altered basalts	Minor dissem Py
299.5 - 326.5 (EOH)	Dolerite, gabbro, basalt sequence; epidote, albite, carbonate, magnetite alteration	Minor dissem Py, tr Cpy

Dissem = disseminated; tr = trace; Py = Pyrite; Cpy = Chalcopyrite, a copper bearing mineral.

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.

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

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APPENDIX 1
The following Table and Sections are 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.*	• The results announced here are from diamond drill core samples. The sampling is in progress and will sample half core, generally at one meter intervals except where adjusted to geological boundaries.
	• *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.*	• Core recovery was good and core is aligned prior to splitting.
	• *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.*	• Diamond drilling was used to obtain ~1m samples from which 3-5 kg will be sent to the laboratory to be pulverised to produce a 250g sample. Then a 50g portion of this sample will be used for multi-element analysis.
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.).*	• The diamond core was HQ (63.5mm) and NQ (47.6 mm) in size (diameter).
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.*	• Diamond core recovery data for this drilling was measured for each drill run and captured in a digital logging software package. The data has been reviewed and core recovery was approximately 100% throughout.
	• *Measures taken to maximise sample recovery and ensure representative nature of the samples.*	• Ground conditions at Nihka appear to be good based on this first diamond drill hole; no extra measures were taken to maximise sample recovery.

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.*	• No assay results have been received at this stage. This is the first diamond drill hole into this area.
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.*	• Drill samples are being logged for lithology, weathering, structure (diamond core), mineralogy, mineralisation, colour and other features. Logging and sampling is being 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.*	• Drill samples are logged for lithology, weathering, structure (diamond core), mineralogy, mineralisation, colour and other features. Core is photographed both wet and dry.
	• *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.*	• Half core is being used to provide the samples for assay. Half core is left in the core trays.
	• *If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.*	• Core samples ae being collected.
	• *For all sample types, the nature, quality and appropriateness of the sample preparation technique.*	• Avalon samples will be 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 is using 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 are introduced in the assay batches. • Standards, blanks and duplicates are 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 to be 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.*	• For diamond core, the routine sample procedure is to always take the half/quarter core to the right of the orientation line (looking down hole) or the cut line (in cases where the orientation line was not reliable). • Once assay results are received the results from duplicate samples are compared with the corresponding routine sample to ascertain whether the sampling is 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 will use assay method ME-ICP61, which involves sample decomposition by a four acid digest. They are then analysed by ICP-AES. The lower detection limit for copper using ME-ICP61 is 0.0001% and the upper detection limit is 1%. • This analysis technique is considered suitable for this style of 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 are considered appropriate to monitor performance of values near cut-off and near the mean grade of the deposit. • The check sampling results are monitored and performance issues are communicated to the laboratory if necessary.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.*	• Photographs of sampled intervals are taken and the Competent Person for exploration results for this announcement has viewed photographs of the core.
	• *The use of twinned holes.*	• Twin holes have not been drilled in this area.
	• *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.*	• Avalon sampling data are imported and validated using an Access database package.
	• *Discuss any adjustment to assay data.*	• Assay data have not yet been received.
	• *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).

<table>
<tr><th>Criteria</th><th>JORC Code explanation</th><th>Commentary</th></tr>
<tr><td rowspan="3">Location of data points</td><td></td><td>• 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 at A Zone are supported by accurate location data.
• High quality down-hole dip and azimuth survey data are recorded.</td></tr>
<tr><td>• Specification of the grid system used.</td><td>• 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>
</table>
• RT90 gon vast (west) 2.5 grid north is situated 4.01° to the east of True North.</td></tr>
<tr><td>• Quality and adequacy of topographic control.</td><td>• 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.</td></tr>
</table>

Criteria	JORC Code explanation	Commentary
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.*	• This is the first diamond drill hole in this area and therefore the 3-dimensional geology is poorly understood. 3-dimensional interpretations of geophysical data have been prepared to guide drill targeting. It is expected that further drilling will be undertaken. • Diamond drill sampling was generally taken over 1 meter intervals except when adjusted to geological boundaries.
	• *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.*	• There have not been any Mineral Resource and Ore Reserve estimations undertaken in this area, and it is unknown if the current phase of exploration will lead to the estimation of mineral resources.
	• *Whether sample compositing has been applied.*	• No sample compositing is expected to be 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 orientations were appropriate for the interpreted high angle of the target structures.
	• *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.*	• The company does not believe that any sample bias has been introduced.
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 Viscaria Copper Project (A Zone, B Zone, D Zone). The Viscaria project is located 2km from Nihka and it is considered appropriate for these procedures to be applied at Nihka. 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.

Criteria	JORC Code explanation	Commentary
		• Procedures exist to standardise data entry and senior geological staff from Avalon regularly vet sampling procedures.

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 target 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, and an application for renewal will then be lodged.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• The Nihka target has not been previously explored.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The Nihka target is interpreted to be an iron oxide copper-type (IOCG) ore system. This area has subsequently been modified by shearing associated with a lower amphibolite facies metamorphic event. Subsequent to the lower amphibolite facies metamorphism and associated deformation, these rocks have been overprinted by locally constrained shear zones displaying retrograde, greenschist metamorphic mineralogy.

Criteria	JORC Code explanation	Commentary
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.*	• Details of the drill holes discussed in this announcement are in the body of the text.
	• *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.*	• Information included in announcement.
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.*	• Assay results have not yet been received or reported.
	• *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.*	• Assay results have not yet been received or reported, and it is not expected that any aggregation will be applied.
	• *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• Metal Equivalents have not been applied.
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.*	• The orientation of NDD001 is at a moderate and acceptable angle to the interpreted target zone at the Nihka target.
	• *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').*	• Inadequate drilling has been completed to establish true widths of any units at this stage. Further drilling will need to be completed before this can be established.

Criteria	JORC Code explanation	Commentary
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 Figures for maps of the locations of the drill hole.
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.*	• A report of the summary geological log of this hole is included in this announcement, and identified those intervals where trace levels of chalcopyrite has been observed.
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.*	• A report of the summary geological log of this hole is included in this announcement. Figure 2 also reports on previous auger drilling at this target.
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 exploration of the Nihka target is currently being planned prior to defining additional drill hole locations.
	• *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 2 which shows the location of hole NDD001 and the extent of the magnetic anomaly which outlines the general area of the target for further work.