

19 May 2016

ASX ANNOUNCEMENT



AVALON BUILDS LITHIUM PORTFOLIO IN FINLAND

ASX: AVI

Highlights

- Avalon Minerals has secured interests in a portfolio of lithium projects in Finland.
- Avalon has lodged and had registered an Exploration Reservation application covering approximately 500km² in the Kaustinen district, host to some of Europe's largest lithium deposits. The areas under application include areas in close proximity to lithium deposits at the drilled, resource definition and PFS stages held by Finnish company Keliber Oy.
- Avalon has also finalised a joint venture with Canadian company Nortec Minerals Corp. over the Kietyönmäki lithium occurrence in southern Finland, and secured additional ground in the area. Lithium mineralisation at Kietyönmäki is hosted in a spodumene-bearing pegmatite dyke swarm. Assays from drill holes drilled by the Geological Survey of Finland, and confirmed by Nortec, included 9m at 1% lithium within a broader zone of 24m at 0.61% lithium.
- Avalon's move into the lithium sector builds on its Scandinavian expertise and network, and is a complimentary business to its flagship Viscaria Copper Project.
- Avalon continues to advance its 100% owned Viscaria Copper Project in Sweden and is proceeding with permitting for a 2-3Mtpa operation producing >20,000t per annum of copper in concentrate.

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Avalon Minerals Ltd (**ASX: AVI**) ('Avalon') is pleased to announce that it has secured interests in several highly prospective lithium exploration opportunities in Finland.

Avalon has secured interests in the two main areas of known lithium occurrences.

- In the Somero district in southern Finland, Avalon has lodged 2 Exploration Reservation applications, and has entered into an earn-in joint venture with Canadian company Nortec Minerals Corp. over the Kietyönmäki lithium occurrence and surrounding areas.
- In the Kaustinen district in central Finland, Avalon has lodged an Exploration Reservation application over areas prospective for lithium bearing pegmatites. The Kaustinen district is host to some of Europe's largest known lithium pegmatite deposits.

All areas are supported by high quality infrastructure and located close to potential final customers. Good quality open file data exists and this is currently being accessed. Avalon's exploration program will involve an initial phase of data compilation and interpretation, with an expectation that drill targets will be defined

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relatively quickly. Low sovereign risk in Finland, and Avalon's operating base from Kiruna in northern Sweden, together with partnerships with Finnish entities, makes this a compelling opportunity.

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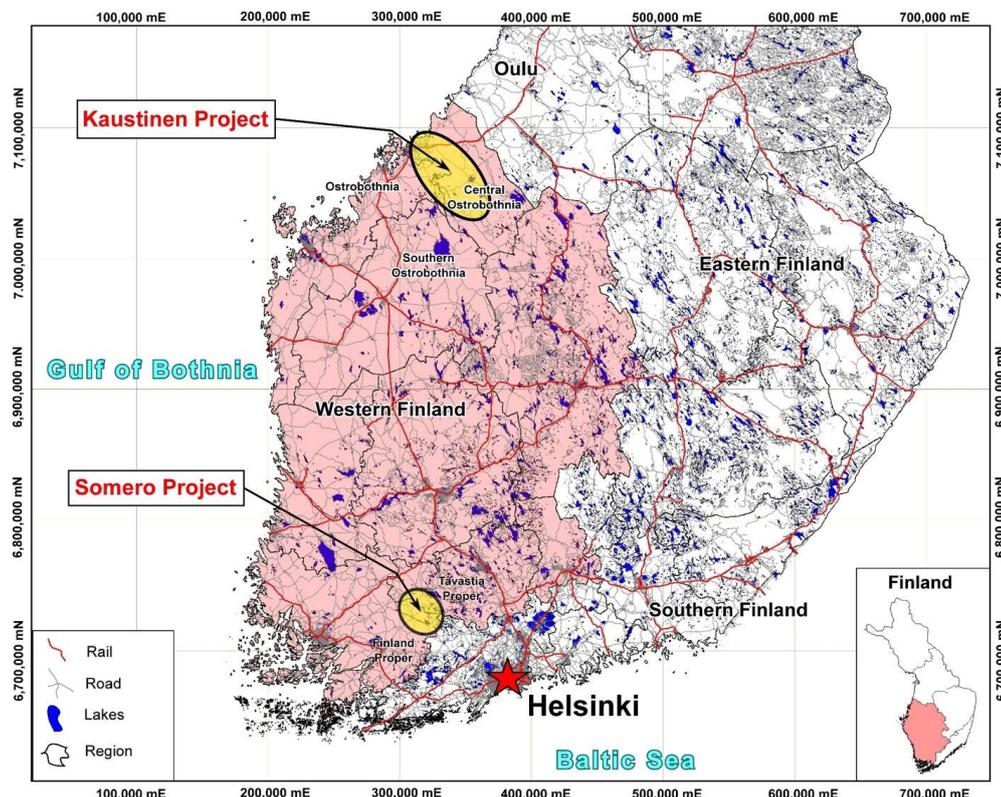


Figure 1: Regional locations of lithium projects within the Avalon portfolio.

All of Avalon's lithium assets are to be held within the newly established subsidiary Scandian Metals Pty. Ltd. ('Scandian'), to provide flexibility for future growth and funding of the lithium portfolio.

Somero: Avalon has lodged applications for two Exploration Reservations over an area of 117 km². Avalon has also entered into an earn-in joint venture with Nortec Minerals Corp. covering the adjacent Kietyönmäki lithium occurrence and surrounding areas held under approved claims.

Historical drilling by the GTK (Geological Survey of Finland) was undertaken at Kietyönmäki. Re-logging and re-sampling by Nortec returned results including 9m at 1% lithium within a broader zone of 24m at 0.61% lithium (<http://www.nortecminerals.com/tammela.php>). The drilling is within the Kietyönmäki Main Dyke, a large spodumene-bearing pegmatite dyke that can be traced for over 400m, has a width of up to 18 metres, and is known to extend vertically for at least 100m. The dyke is part of a swarm. GTK historically drilled only 17 holes on three closely spaced traverses.

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Prospectivity mapping in the Somero district has also been undertaken by GTK, and has identified many areas considered highly prospective for lithium pegmatite occurrences, primarily to the south-east of the Kietyönmäki occurrence. These areas have been covered in the ground acquired by Avalon for the Somero lithium project.

The Somero area is supported by high quality infrastructure (figure 2).

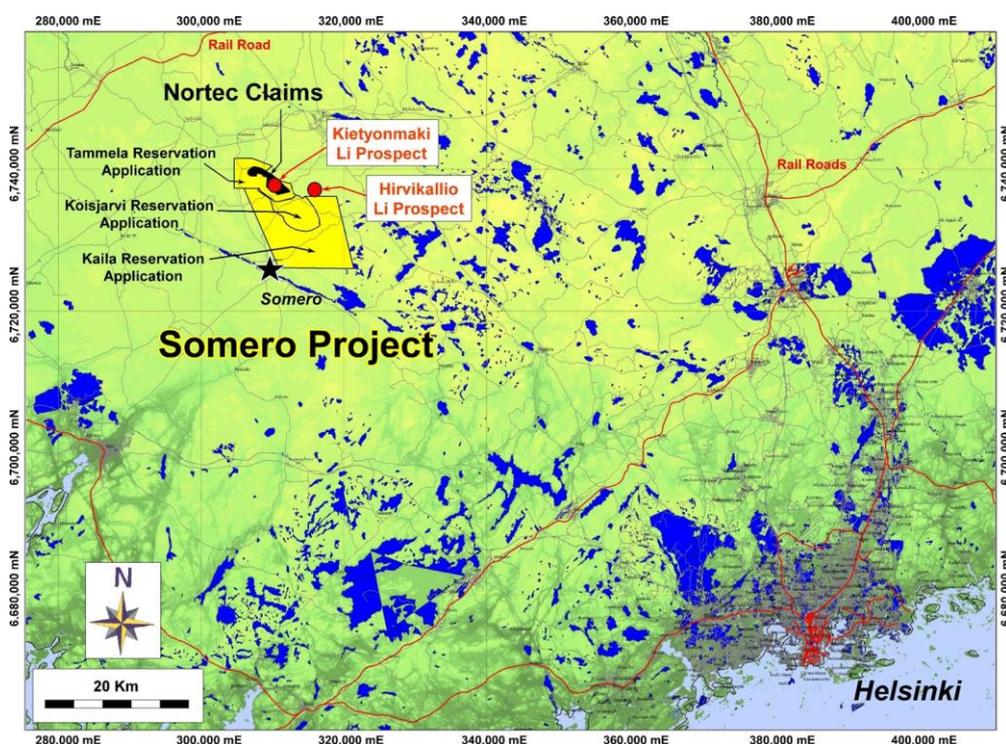


Figure 2: Areas of Exploration Reservation Applications by Avalon, and claims held through the Nortec JV. The Hirvikallio lithium prospect is surrounded by Natura 2000 environmental areas and hence is excluded from the current claim areas.

Kaustinen: Avalon has lodged, and had registered, one Exploration Reservation application covering 527 km², within the Central Ostrobothnia district, home to several known lithium pegmatites some of which are at an advanced stage of PFS and held by private Finnish company Keliber Oy.

The exploration area is supported by high quality infrastructure (figure 3).

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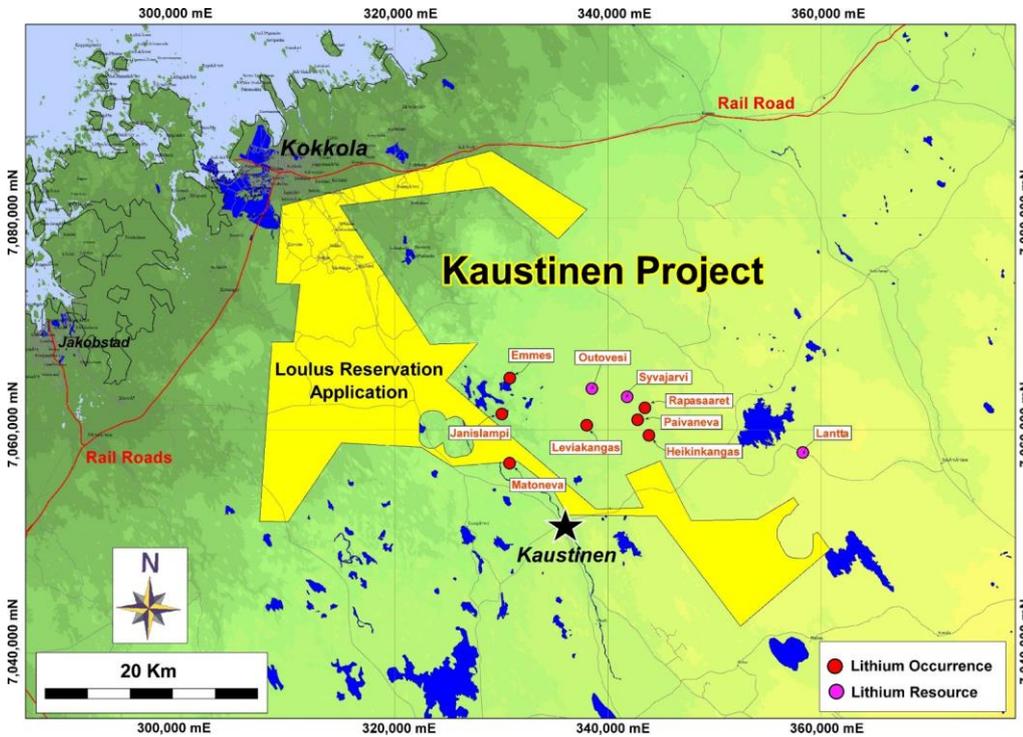


Figure 3: Area of Exploration Reservation Application by Avalon in the Kaustinen area. The area is host to several lithium occurrences held by Finnish company Keliber Oy shown here in red and pink.

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Key Terms of the Somero Joint Venture with Nortec Minerals Corp:

Avalon, through Scandian Metals, has entered into an earn-in joint venture with Nortec Resources Corp. (TSX.V-NVT). Avalon will fund exploration on Nortec's approved claims and an area of interest in two stages to earn an 80% interest. Stage 1 comprises expenditure of EUR 500,000 over a 24-month time period to earn a 51% interest, followed by an option to move to Stage 2 which allows for expenditure of EUR 1,000,000 over an additional two years to earn an additional 29% taking the Scandian holding to 80%.

Avalon will pay to Nortec EUR 20,000 and issue 1,000,000 Avalon shares upon signing of the Heads of Agreement, and if Scandian elects to move to Stage 2 then it will pay Nortec EUR200,000 in either cash or shares or a combination of both.

Standard dilution clauses apply once the parties hold 80% and 20%. If a party's interest falls below 10% then that interest will automatically convert to a 1.5% net smelter royalty.

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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> The results announced here are from historical diamond drill core samples drilled in 1985 by the Geological Survey of Finland (GTK) and subsequently re-logged and selectively re-sampled by Nortec Minerals Corp. 17 drill holes were completed by GTK and Nortec's check sampling was from one drill hole, R310.
	<ul style="list-style-type: none"> Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. 	<ul style="list-style-type: none"> No reports of core recovery have been sighted.
	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Diamond drilling was used to obtain ~1m samples (see first point above) from which 3-5 kg were sent to the laboratory to be pulverised to produce a 250g sample. Then a 50g portion of this sample was used for multi-element analysis.
Drilling techniques	<ul style="list-style-type: none"> Drill type (eg 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). 	<ul style="list-style-type: none"> Diamond drill core.
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. 	<ul style="list-style-type: none"> Diamond core recovery data for this historical drilling has not been sighted.
	<ul style="list-style-type: none"> Measures taken to maximise sample recovery and ensure representative nature of the samples. 	<ul style="list-style-type: none"> Details of geological logs suggest good core recovery.

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> No relationship between sample recovery and grade has been established.
Logging	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Drill samples were logged for lithology. No further studies were undertaken.
	<ul style="list-style-type: none"> Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography. 	<ul style="list-style-type: none"> Drill samples were logged for lithology and hence logging is qualitative.
	<ul style="list-style-type: none"> The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> All drill holes were logged in full from start to finish of the hole, based on historical reports. Nortec then re-logged selected intervals.
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. 	<ul style="list-style-type: none"> Half core was sampled and the remaining core is stored in GTK's core storage facility.
	<ul style="list-style-type: none"> If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry. 	<ul style="list-style-type: none"> Core samples.
	<ul style="list-style-type: none"> For all sample types, the nature, quality and appropriateness of the sample preparation technique. 	<ul style="list-style-type: none"> The check samples were processed and analysed at a recognised laboratory and sample preparation was carried out according to industry standard practices.
	<ul style="list-style-type: none"> Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. 	<ul style="list-style-type: none"> There is no record of specific QAQC processes during the historical drilling or on the check assays, although assays from both were consistent with one another hence providing some confidence in the results.
	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> No record of these procedures
	<ul style="list-style-type: none"> Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> Sample sizes are considered to be appropriate and correctly represent the style and type of mineralisation.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. 	<ul style="list-style-type: none"> Nortec samples were submitted to ALS Chemex in Outokumpu for 48 element ICP-MS finish. Ore grade results for lithium were analysed using a 4-acid digest method and an AAS finish. This analysis technique is considered suitable for this style of mineralisation.
	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> No handheld XRF measurements were taken on this hole.

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> <i>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.</i> 	<ul style="list-style-type: none"> Re-sampling by Nortec confirmed earlier assay results received by the Geological Survey of Finland.
Verification of sampling and assaying	<ul style="list-style-type: none"> <i>The verification of significant intersections by either independent or alternative company personnel.</i> 	<ul style="list-style-type: none"> Verification of GTK results by subsequent sampling by Nortec.
	<ul style="list-style-type: none"> <i>The use of twinned holes.</i> 	<ul style="list-style-type: none"> Twin holes have not been drilled in this area.
	<ul style="list-style-type: none"> <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> 	<ul style="list-style-type: none"> Nortec data and the Finnish Geological Survey data have been sighted in reports.
	<ul style="list-style-type: none"> <i>Discuss any adjustment to assay data.</i> 	<ul style="list-style-type: none"> Assay data were not adjusted.
Location of data points	<ul style="list-style-type: none"> <i>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.</i> 	<ul style="list-style-type: none"> Hole locations are shown on detailed maps from 1985 reports.
	<ul style="list-style-type: none"> <i>Specification of the grid system used.</i> 	<ul style="list-style-type: none"> The current projection used for map preparation in Finland is ETRS-TM35FIN, with Datum EUREF89
	<ul style="list-style-type: none"> <i>Quality and adequacy of topographic control.</i> 	<ul style="list-style-type: none"> No reports of topographic control have been sighted.
Data spacing and distribution	<ul style="list-style-type: none"> <i>Data spacing for reporting of Exploration Results.</i> 	<ul style="list-style-type: none"> The historical drilling was comprised of 17 drill holes on three traverses at approximately 30 and 60m apart.
	<ul style="list-style-type: none"> <i>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.</i> 	<ul style="list-style-type: none"> Sufficient continuity in both geology and mineralisation has been established based on geological mapping and cross-section representation.
	<ul style="list-style-type: none"> <i>Whether sample compositing has been applied.</i> 	<ul style="list-style-type: none"> No sample compositing was done.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> 	<ul style="list-style-type: none"> Drilling orientations were appropriate for the predominantly high angle of the mineralised intersections providing representative samples.
	<ul style="list-style-type: none"> <i>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.</i> 	<ul style="list-style-type: none"> The company does not believe that any sample bias had been introduced which could have a material effect.
Sample security	<ul style="list-style-type: none"> <i>The measures taken to ensure sample security.</i> 	<ul style="list-style-type: none"> Nortec's sampling procedures indicate individual samples were given due attention.

Criteria	JORC Code explanation	Commentary
Audits or reviews	<ul style="list-style-type: none"> <i>The results of any audits or reviews of sampling techniques and data.</i> 	<ul style="list-style-type: none"> No audits were completed.

TABLE 1 – Section 2: Exploration Results

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> <i>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.</i> 	<ul style="list-style-type: none"> The Kietyönmäki lithium occurrence is covered by approved exploration claims, under the Finnish Mining Act.
	<ul style="list-style-type: none"> <i>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.</i> 	<ul style="list-style-type: none"> Exploration claims are valid and are held by Nortec Minerals Corp. Avalon has a joint venture with Nortec to explore the claims.
Exploration done by other parties	<ul style="list-style-type: none"> <i>Acknowledgment and appraisal of exploration by other parties.</i> 	<ul style="list-style-type: none"> The historic drilling at Kietyönmäki was undertaken by the Finnish Geological Survey in 1985, and was re-logged and re-sampled by Nortec Minerals Corp. in 2010.
Geology	<ul style="list-style-type: none"> <i>Deposit type, geological setting and style of mineralisation.</i> 	<ul style="list-style-type: none"> The Kietyönmäki lithium occurrence occurs in a pegmatite dyke swarm.
Drill hole Information	<ul style="list-style-type: none"> <i>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:</i> <ol style="list-style-type: none"> <i>easting and northing of the drill hole collar</i> <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> <i>dip and azimuth of the hole</i> <i>down hole length and interception depth</i> <i>hole length.</i> 	<ul style="list-style-type: none"> Details of the drill holes discussed in this announcement are referenced to Nortec Minerals Corp reports at http://www.nortecminerals.com/index.php. 17 drill holes were completed by GTK on 3 traverses. Holes were drilled at -60 and -45 degree angles, and orthogonal to one another so good cross section representation of the geology was established. The deepest hole was to 130m EOH at -45 degrees which tested to ~90m below surface.

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> <i>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.</i> 	<ul style="list-style-type: none"> Information included above.
Data aggregation methods	<ul style="list-style-type: none"> <i>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.</i> 	<ul style="list-style-type: none"> The Weighted Averaging method is used to calculate drill hole intersections for the lithium grade based on the assay results received, and the down hole width of the assayed interval.
	<ul style="list-style-type: none"> <i>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.</i> 	<ul style="list-style-type: none"> The results from the Nortec re-assays show both aggregated intercepts and specific higher grade intercepts within the broader interval.
	<ul style="list-style-type: none"> <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> 	<ul style="list-style-type: none"> Metal Equivalents have not been applied.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> <i>If the geometry of the mineralisation with respect to the drill-hole angle is known, its nature should be reported.</i> 	<ul style="list-style-type: none"> The orientations of the mineralised horizons is interpreted to be sub-vertical based on geological mapping and cross-sectional interpretation.
	<ul style="list-style-type: none"> <i>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').</i> 	<ul style="list-style-type: none"> See above – estimated true widths are approximately 60% of intersected widths based on cross section construction.
Diagrams	<ul style="list-style-type: none"> <i>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.</i> 	<ul style="list-style-type: none"> Reporting of historical holes only. No significant discovery reported here.
Balanced reporting	<ul style="list-style-type: none"> <i>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.</i> 	<ul style="list-style-type: none"> Historical results only and this is stated in the text
Other substantive	<ul style="list-style-type: none"> <i>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</i> 	<ul style="list-style-type: none"> No other significant geological data has been reviewed at this stage..

Criteria	JORC Code explanation	Commentary
exploration data	<i>density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i>	
Further work	<ul style="list-style-type: none"> <i>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> 	<ul style="list-style-type: none"> Comprehensive data compilation will commence immediately. The GTK have extensive open file data available and field work is expected to commence in July 2016.
	<ul style="list-style-type: none"> <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<ul style="list-style-type: none"> Additional exploration reservation areas have been applied for which cover the interpreted extensions of the prospective domains..