

26 July 2016

ASX ANNOUNCEMENT



DRILLING TO COMMENCE INTO HIGH GRADE KIETYÖNMÄKI LITHIUM PROJECT

ASX: AVI

Highlights

- **Drilling set to commence on the high grade Kietyönmäki Lithium Project in Finland, scheduled for the second half of August.**
- **Drilling will follow-up prior activities of the Geological Survey of Finland (GTK), which reported a number of high grade intersections from shallow drilling, including:**
 - **12.9m @ 1.83% Li₂O within a broader zone of 23M @ 1.53% Li₂O (drill hole R307)**
 - **9m at 2.2% Li₂O within a broader zone of 24m at 1.3% Li₂O (drill hole R310)**
 - **1m @ 3.9% Li₂O within a broader zone of 13m at 1.66% Li₂O (drill hole R316)**
 - **Peak value of 3m @ 4.35% Li₂O (drill hole R310)**
- **Field work is already in progress over the project area and data compilation of historical results is continuing.**
- **Initial reconnaissance has also been completed over other highly prospective lithium projects within the portfolio in Sweden and Finland.**
- **Data compilation and field review is also in progress over the Riukka and Satulinmäki gold occurrences, and further details will be provided in a separate release.**

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Avalon Minerals Ltd (**ASX: AVI**) ('**Avalon**') is pleased to provide an update on progress towards the Company's first drilling at the high grade Kietyönmäki Lithium deposit.

A drilling contract has been signed with Finnish drilling contractor, Kati Drilling, to complete approximately 3,000m of diamond drilling at the Kietyönmäki deposit which sits within the Tammela Project. Approximately 17 holes will be completed, and will test a strike extent of up to 400m and a depth extent of 250m below surface.

Mobilisation to site will commence during the second week of August and drilling is expected to start during the second half of August. Plans for logging and sampling of core have been prepared and accredited laboratories in Sweden and Finland are being assessed for sample assay. Assay results are expected to start being received from late September.

The drilling is aimed at enabling the estimation of a maiden Mineral Resource prior to the end of 2016. Drill samples will also allow for preliminary metallurgical testwork to be completed in late 2016.

Access to the drill site requires minimal logistical planning as it is located in a timbered area adjacent to farmland and supported by a good road network and local towns.

The diagram below shows the proposed Avalon drill holes and the first 4 holes are shown in priority order.

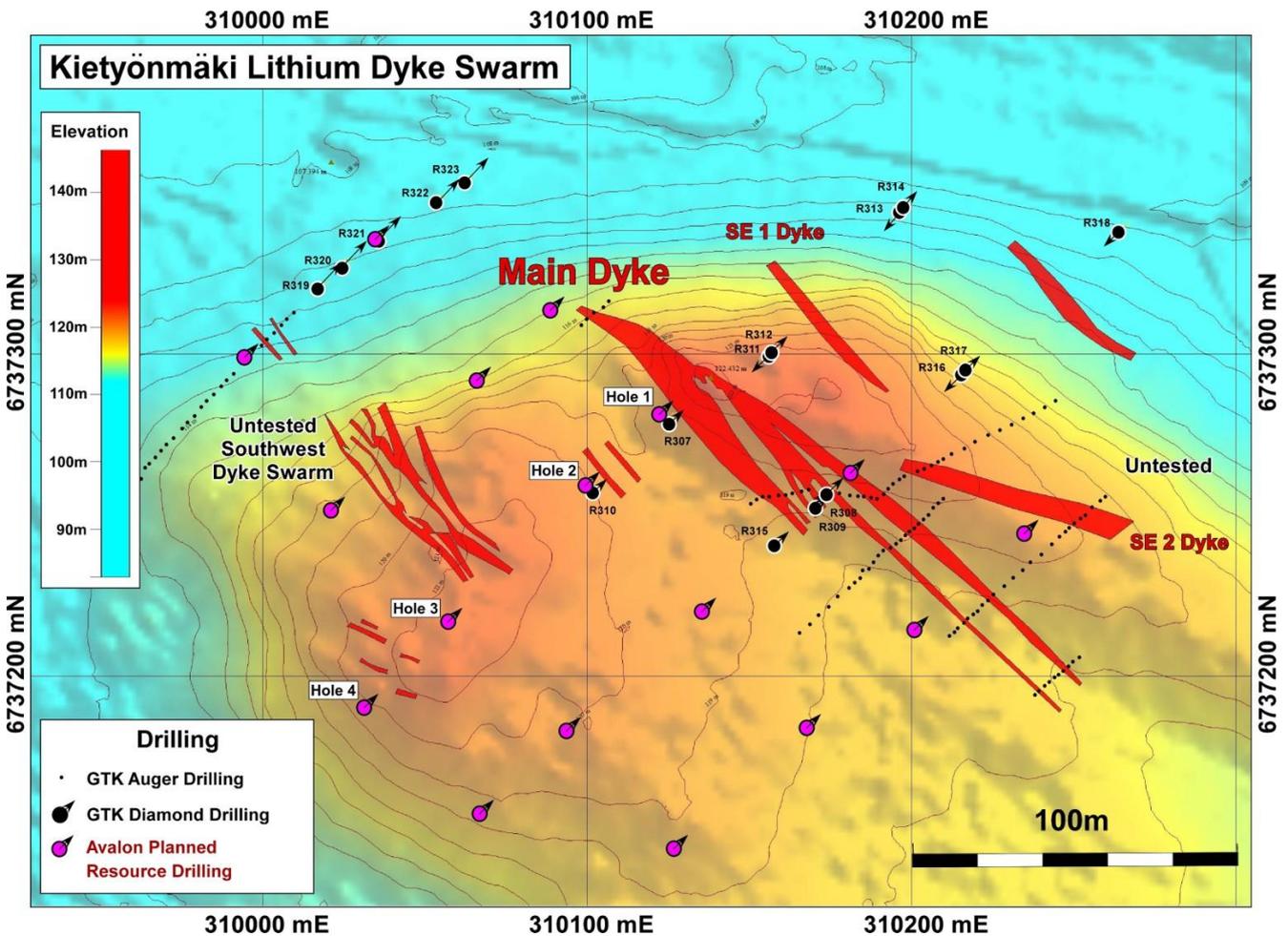


Figure 1: Diagram showing the Kietymäki deposit area and the location of historical and proposed drill holes. The first four holes are shown as 1, 2, 3, and 4.

About the Kietymäki Lithium Project

The Kietymäki lithium pegmatite deposit was drilled during the period 1987 and 1988 by the Finnish Geological Survey (GTK). Seventeen shallow diamond drill holes were completed to test down to 70m below surface across two traverses, and one traverse of very shallow holes to identify bedrock.

The deposit is located in the Somero district in southern Finland, where Avalon has lodged three Exploration Reservation applications, and has entered into an earn-in joint venture with Canadian company Nortec Minerals Corp. over the Kietymäki lithium deposit and surrounding areas held under approved claims.

Historical assay results were reported in ASX release dated 14th June 2016, but includes intervals such as 23m at 1.53% Li₂O in hole R307 and 18m at 1.79% Li₂O in hole R310.

Avalon has estimated an Exploration Target of 8-15Mt at 1.4 – 1.8% Li₂O. The potential quantity and grade is conceptual in nature. There has to date been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource. Avalon's most recent Corporate Presentation announced to ASX on 14 June 2016 provides further background on this target.

Riukka and Satulinmäki Gold Prospects

Data compilation is in progress over the nearby Riukka and Satulinmäki gold prospects. The areas of gold mineralisation have been visited in the field, and data prepared to deliver an initial exploration model for further testing. Historical drilling results are currently being reviewed in 3D. This review is expected to be completed soon and will be reported separately.



Figure 2: Photograph showing the Kietyönmäki main pegmatite dyke (looking NW), the forest cover and, in the background, areas of farmland. The main dyke is approximately 20m wide and has parallel narrower dykes which are also lithium bearing. The drilling program will test all dykes in the vicinity of the main deposit.

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

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