

15 January 2016

# ASX ANNOUNCEMENT



## AVALON MINERALS LTD DECEMBER 2015 QUARTERLY REPORT

ASX: AVI

### Viscaria Copper Project, Sweden (Avalon - 100%)

- Scoping Study released in December determined that the Viscaria Copper Project demonstrates robust project fundamentals with low technical risk;
- Updated Mineral Resource estimate completed for D Zone of 11.14 Mt at 1.23% Cu for 137,200 tonnes of contained copper;
- Assay results for 4 diamond drill holes (including a wedge hole) were received at Viscaria D Zone, delivering very encouraging, and locally high grade, copper results, and representing a very significant development in the growth of the D Zone orebody;
- Two holes, VDD 195 and 196, have been drilled outside of the area of this updated 2015 Mineral Resource estimate and both contain significant high grade copper intersections, indicating that further growth of the D Zone Mineral Resource estimate is to be expected with additional drilling in 2016;
- The Viscaria Copper Project Environmental and Social Impact Assessment (ESIA) process is progressing to plan, and represents the critical path to final permitting.

### Corporate Highlights

- A\$1.7 million in cash at 31 December 2015;
- Rights Issue of 1 share for every 2 held completed during the quarter with total acceptance of 61% (including subsequent placement of part of the shortfall to one shareholder of their full entitlement) raising a total of \$2.1M;
- Placement of approximately \$0.4M to existing major shareholders also announced in conjunction with the Rights Issue.
- Announcement that Avalon would not be proceeding with the Discovery Zone acquisition and issue of Refund Notice for the First Payment of \$1M.

### REGISTERED OFFICE

Avalon Minerals Ltd  
ABN 68 123 184 412  
9 Gardner Close  
Milton Qld 4064 Australia  
P + 61 7 3368 9888  
F + 61 7 3368 9899  
[info@avalonminerals.com.au](mailto:info@avalonminerals.com.au)  
[www.avalonminerals.com.au](http://www.avalonminerals.com.au)



## **Exploration and Development Activities**

### **Viscaria Scoping Study**

The findings of the Viscaria Copper Project (VCP) Scoping Study were presented in an ASX announcement dated 14 December 2015.

The Scoping Study considered a Base Case development proposition involving standard industry technology partnered with infrastructure opportunities and local equipment manufacturer support not seen by any competitor. The Scoping Study has determined that the VCP demonstrates robust project fundamentals with low technical risk. It contemplates the concurrent development of three open pit mining operations at A Zone, B Zone and D Zone and an underground operation at D Zone all located within one kilometre of a central ore processing facility. The Base Case considers a 1.2 million tonne per year milling rate producing on average 12,000 tonnes per year of copper in concentrate.

All three deposits remain open at depth. The exploration upside is considered to be very strong as has been demonstrated in recent drilling results.

Additional drilling is planned on proposed D Zone underground areas, and proposed A and B Zone open pit development areas to deliver additional resources and to increase the production rate to 2.0 million tonnes per annum or over 20,000 tonnes of copper per annum. A resource update will occur at the completion of this drilling, together with an update to the Scoping Study. A definitive feasibility study is aimed for completion by H2 2017 with a decision to mine at the end of CY2017.

Additional A Zone underground mining (deeper than ~200m below surface) has not been included in the Scoping Study and represents significant upside to the contemplated Viscaria development. Additional drilling is required to increase the A Zone underground resource. It is anticipated that the A and B Zone resources will be re-estimated during 2016. The re-estimation will consider all historical drilling, any new drilling, and historical mining areas allowing for pillars and skins that would not be mineable in an underground mining scenario.

### **Environmental and Social Impact Assessment (ESIA) and Permitting**

The Viscaria ESIA process has commenced. These activities will 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 the granted Exploitation Concessions K3, K4, and K7.

The environmental permitting is the primary focus of activities at this stage to further de-risk the project and support ongoing scoping and feasibility studies.



### Viscaria D Zone drilling

Drilling at D Zone during the quarter saw two holes (VDD 193W and VDD 194) being included in the update Mineral Resource estimate for D Zone announced on 30 November 2015. The remaining two holes (VDD 195 and VDD 196) were not included in the updated Mineral Resource estimate and have delivered significant extension to the higher grade, and thicker portion of D Zone copper mineralisation as well as defining the emergence of another high grade shoot in the southern area of D Zone.

Assay results from these four holes (VDD 193W, 194, 195, and 196) were received during the quarter and significant intersections include:

- VDD193W – 39.6m at 0.8% Cu from 318m including;
  - 4.5m at 2.0% Cu from 320m; and
  - 4.3m at 2.4% Cu from 353.3m.
- VDD194 – 5.45m at 0.6% Cu from 606.3m including;
  - 1.95m at 1.25% Cu from 609.8m.
- VDD195 – 2.8m at 2.5% Cu from 713.65m and 21.5m at 1.5%Cu from 737.6m including;
  - 3.0m at 2.3% Cu from 737.6; and
  - 9.9m at 2.2% Cu from 745.6m.
- VDD196 – 13.8m at 1.4% Cu from 557.9m including;
  - 10.4m at 1.6% Cu from 557.9m, including
  - 5.25m at 2.0% Cu from 559.5m.

Drill hole VDD 193W was a wedge hole drilled from VDD 193 and aimed at testing the up-section position of the very strong copper intersection in VDD 193 (26.7m @ 2.6% Cu from 564.6m, ASX announcement 21 September 2015). Drilling of the wedge hole was technically difficult and it deviated to the north into a position away from the target zone. Nevertheless, it intersected a well mineralised zone.

VDD 193W was wedged from a point located 220.3m down hole in VDD 193, and intersected a point approximately 45m north and above the VDD 193 intersection.

Drill hole VDD 194, located 100m south of VDD 193 and at the same level (RL), intersected a narrow copper mineralised ironstone interval and may define the southern margin of the steep shoot intersected in VDD 193.

Both drill holes VDD 193W and VDD 194 were included in the updated Mineral Resource estimate.

VDD 195 was targeted to deliver significant vertical extension to the higher grade, and thicker portion of D Zone copper mineralisation outside of the current new D Zone Mineral Resource estimate. This has been delivered as VDD 195 intersected a 130m thick altered and mineralised zone that included a 45m thick ironstone and altered sequence located 140m below VDD 193. The broad mineralised zone returned assays of 127m at 0.58% Cu and included several high grade, >2% Cu shoots.

These results strengthen the interpretations of geometry and demonstrate significant vertical extent to the D Zone high grade shoots. This is also the best intersection of copper within the tuffaceous unit host immediately adjacent to the main ironstone lode. This once again broadens the target style for additional mineralisation at D Zone.

The intersection in VDD 195 is open to the north, south and at depth.

Drill hole VDD 196 is the first hole of the 2015 drill program to assess the potential southern shoot at D Zone. VDD 196 intersected a copper mineralised ironstone and altered sequence over a down hole interval of approximately 45m. VDD 196 has been drilled at depth below holes VDD 163 and 155 which intersected down hole intervals of 3.8m at 1.8% Cu and 5m at 1.4% Cu respectively. It was particularly encouraging to see hole VDD 196 intersect 2% Cu over a 5.25m interval and supports the concept of increasing grade with depth in this southern shoot. The concept of a southern high grade shoot is supported by these recent results and will be the target of drilling in 2016.

These results further enhance the D Zone orebody by defining high grade mineralisation outside of the resource area and delivering to what the recent Scoping Study required – additional tonnes to support the next phase of assessment at a development scale of 2 million tonnes per annum throughput.

### **Discovery Zone**

As announced on 9 October 2015, the Heads of Agreement for the acquisition of the Discovery Zone copper-iron deposit has not been extended. Since the exploitation concession application had not been granted by 8 October 2015 (being two years from the initial payment), the initial A\$1 million payment made by Avalon is refundable by Hannans, and a Refund Notice has been issued. Hannans have a 90 day period to make the refund payment.

The 90 day period for Hannans to make the refund payment expired on 7 January 2016. As at the date of this report Hannans is yet to make any payment and Avalon is considering its options with regard to recovery of this debt.

### **Tenements**

During the quarter, exploration tenements Viscaria No 101 and Viscaria No 3 were renewed.

### **Corporate**

**Cash Resources** - The Company's unaudited cash position for December 31, 2015 is A\$1.7 million.

### **Capital Raising**

On 16 October 2015 Avalon announced a non-renounceable Rights Issue of 1 new share for every 2 shares held at a price of A\$0.027 per share to raise approximately A\$3.4 million, in conjunction with a placement of 14,851,852 shares under the Company's available capacity, at A\$0.027 per share, to sophisticated investors to raise approximately A\$0.4 million.

Acceptance under the rights issue was 61% which includes the placement of some of the shortfall shares post the closing date of the Rights Issue to one shareholder for the equivalent number of their entitlement under the Rights Issue which had not been taken up as at the closing date.

The remaining shortfall shares from the Rights Issue stands at 50,066,873, which can be placed at the discretion of the Board no later than three months after the closing date of the offer (i.e. by 9 February 2016).

### Shareholder Information

As at 31 December 2015, the Company had 332,690,122 fully paid ordinary shares on issue and 882 shareholders.

On 7 December 2015, the Company announced the establishment of an unmarketable parcel share sale facility to assist shareholders of unmarketable parcels to sell their Avalon shares without having to use a broker or incurring brokerage costs. The Company values all of its shareholders, however by facilitating the sale, the Company expects to reduce the administrative costs associated with maintaining a large number of small holdings.

As at market close on 2 December 2015 (Record Date) an unmarketable parcel of shares is any shareholding of 22,727 ordinary shares or less, based on the closing price of \$0.022. This represents 3,383,904 ordinary shares (1.1% of total shares), held by 632 shareholders (Minority Members).

Avalon's AGM was held on 26 November 2015 with all resolutions being passed.

### Notes Specific – Dec 2015 Quarter ASX Announcements

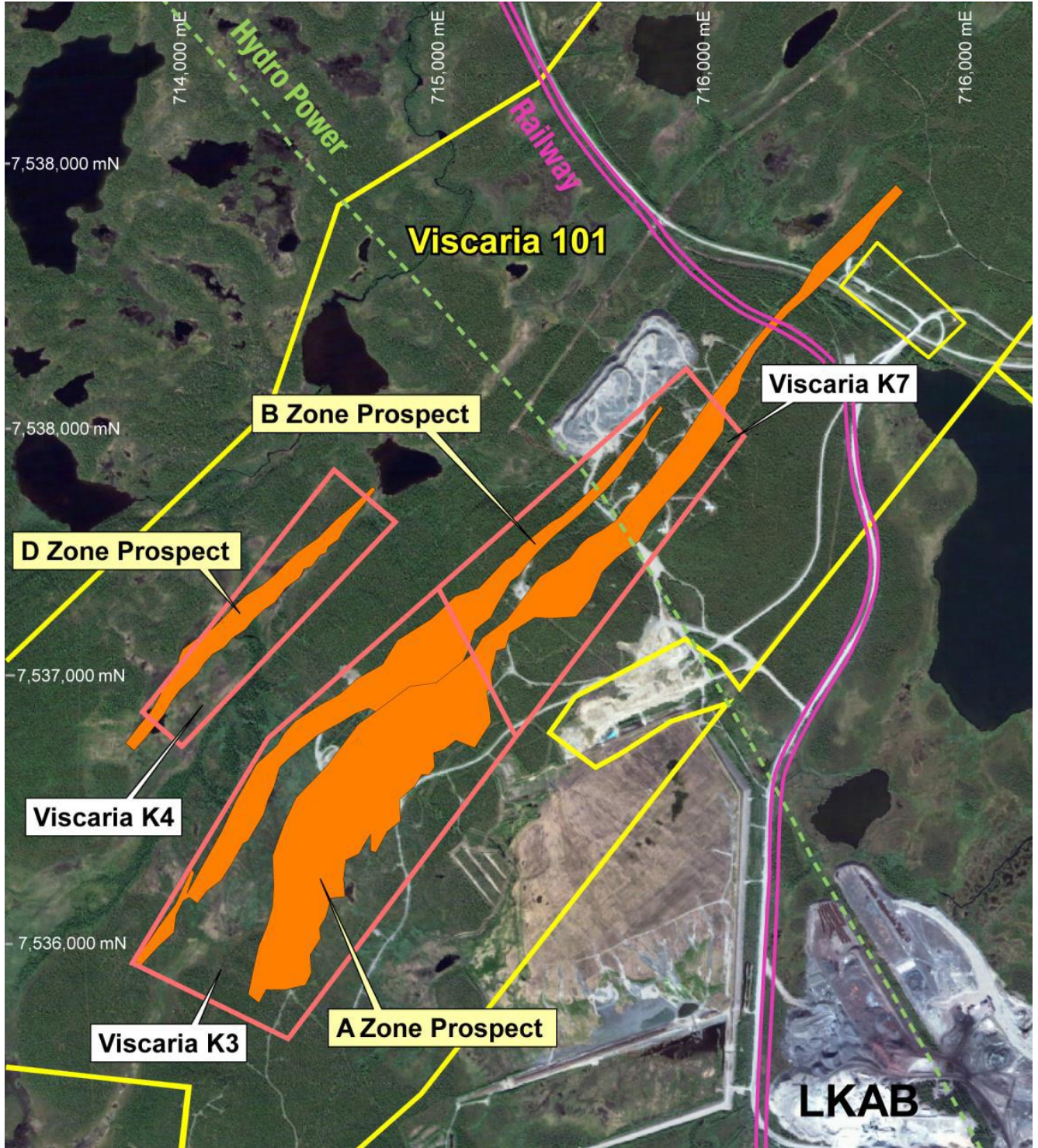
The following announcements, which relate to information in this Quarterly Report, were lodged with the ASX during the Quarter. Further details (including JORC 2012 Code Reporting Tables, where applicable) for the results summarised above can be found in the announcements:

<i>Avalon not to proceed with Discovery Zone Acquisition</i>	<i>9 October 2015</i>
<i>Viscaria ESIA and Project Planning Update</i>	<i>12 October 2015</i>
<i>Assay Results at Viscaria D Zone</i>	<i>20 October 2015</i>
<i>Discovery Zone Update</i>	<i>28 October 2015</i>
<i>Rights Issue Offer Document</i>	<i>28 October 2015</i>
<i>Investor Presentation</i>	<i>5 November 2015</i>
<i>Notification of Under Subscription</i>	<i>12 November 2015</i>
<i>Results of Annual General Meeting</i>	<i>26 November 2015</i>
<i>D Zone Mineral Resource Estimate</i>	<i>30 November 2015</i>
<i>Part Placement of Shortfall - Appendix 3B</i>	<i>7 December 2015</i>
<i>Unmarketable Parcel Sale Facility</i>	<i>7 December 2015</i>
<i>High Grade Assay Results Viscaria D Zone</i>	<i>8 December 2015</i>
<i>Viscaria Copper Project Scoping Study</i>	<i>14 December 2015</i>
<i>Viscaria Copper Project Scoping Study - Revised Announcement</i>	<i>16 December 2015</i>
<i>High Grade Drill Results Define New Southern Shoot</i>	<i>18 December 2015</i>



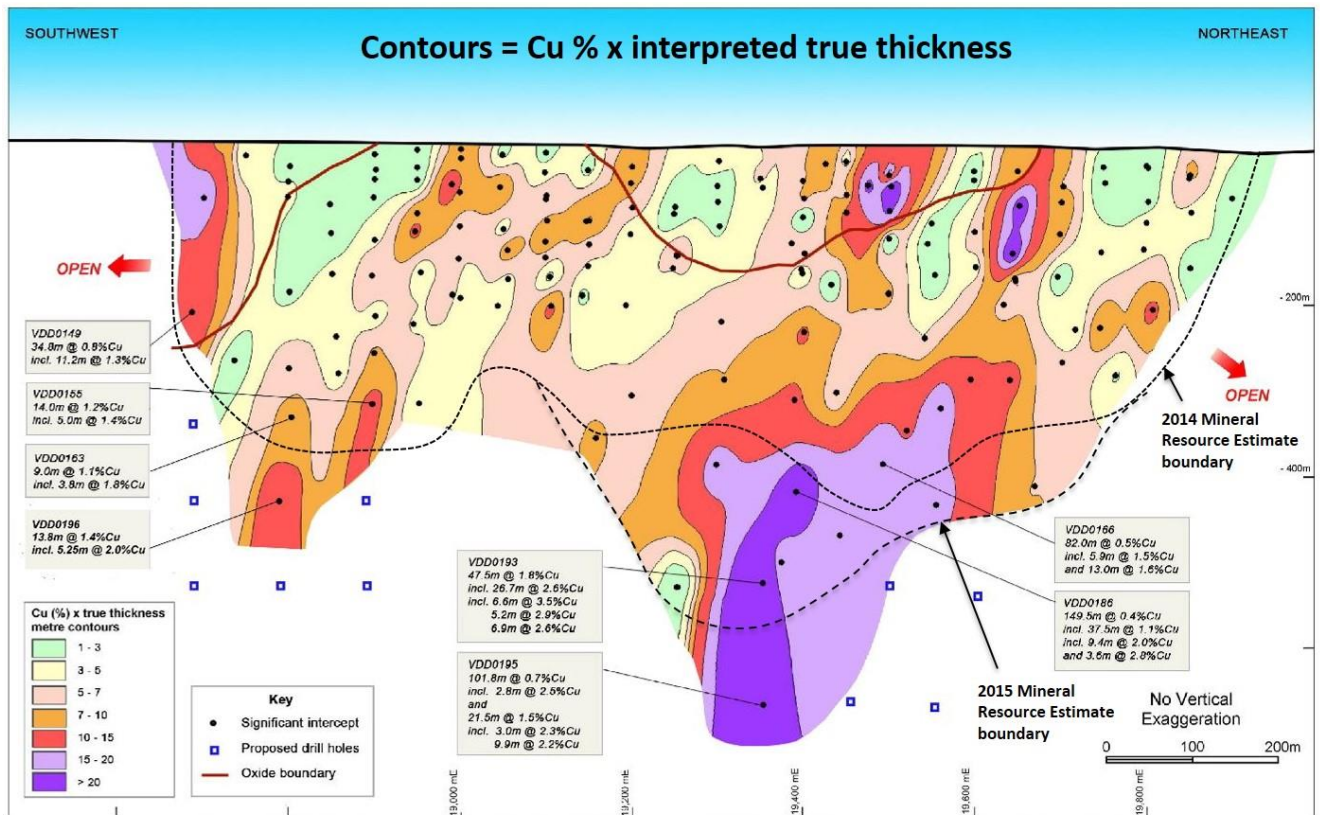
**Figure 1:** *Project Location*





**Figure 2:** Location of the Viscaria Copper Project.





**Figure 3:** Schematic long section showing Cu grade (%) x interpreted true ore zone thickness contours for D Zone ironstone hosted copper mineralisation at the Viscaria Copper Project. Quoted intercepts are downhole intervals. Southwest plunging lenses of improving grade and thickness at depth are being defined as further drilling is undertaken. The 2015 Mineral Resource estimate includes data from holes up to VDD 194 only (excludes VDD 195 and 196).



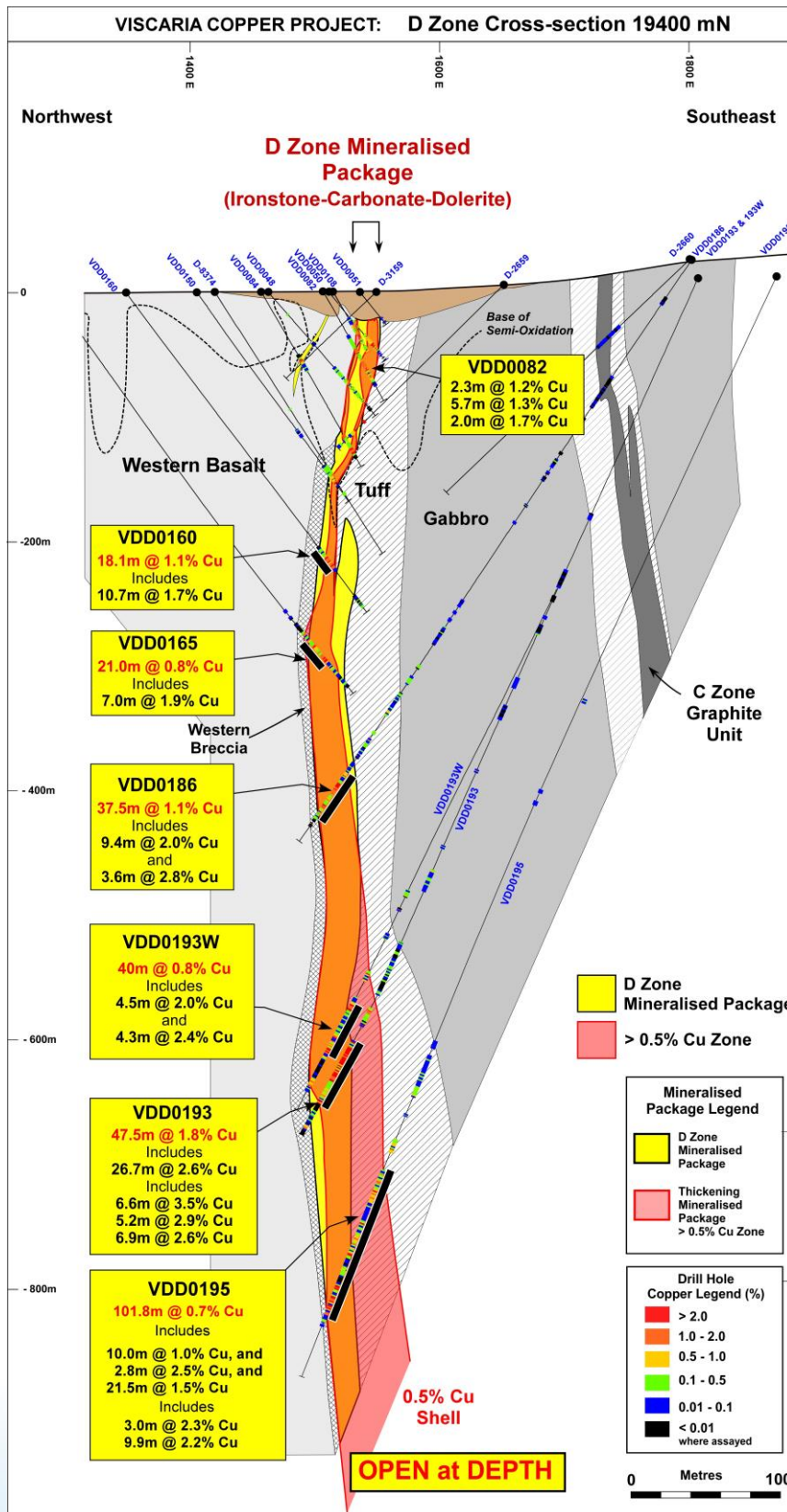


Figure 4: D Zone drill hole cross section through main shoot.

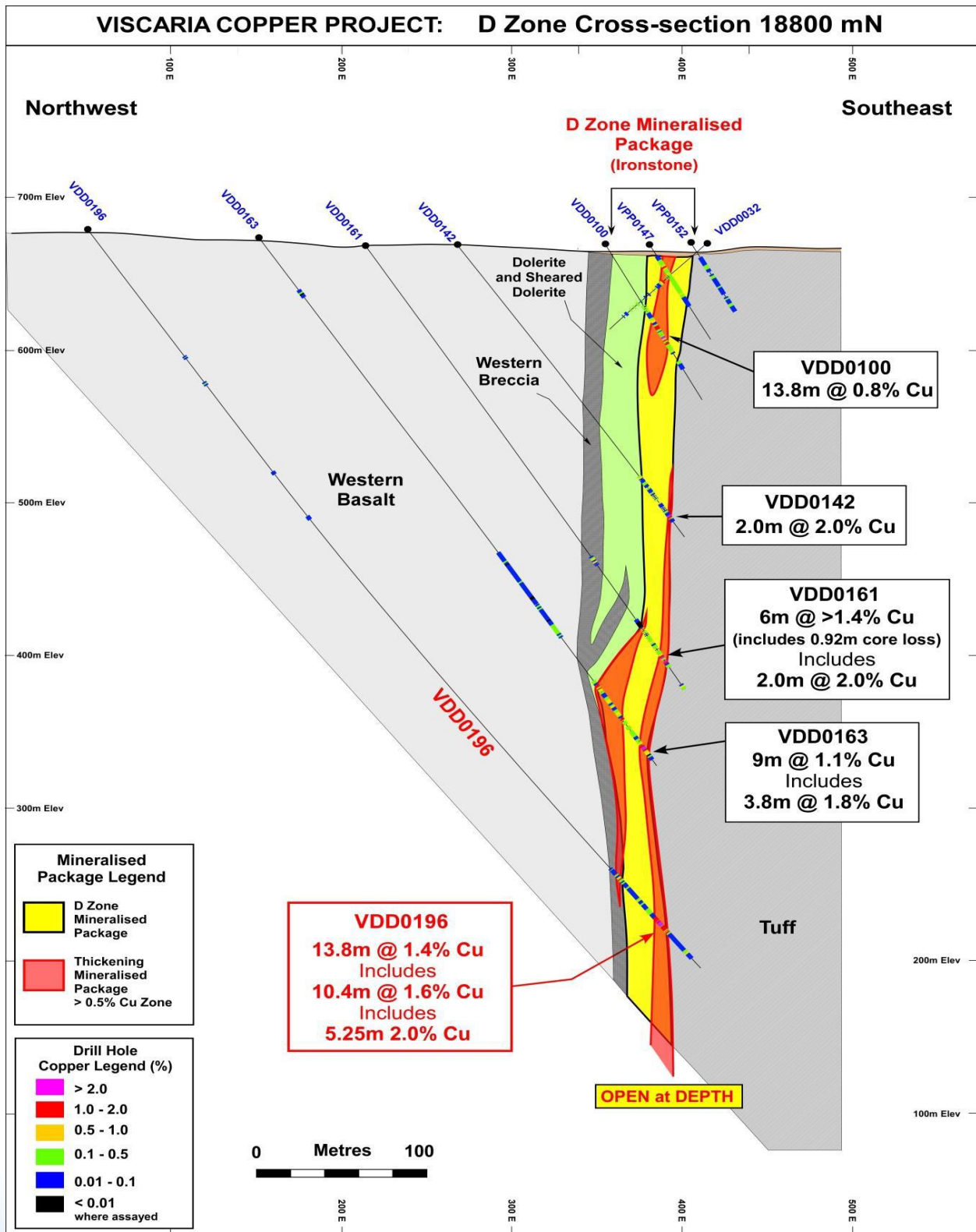
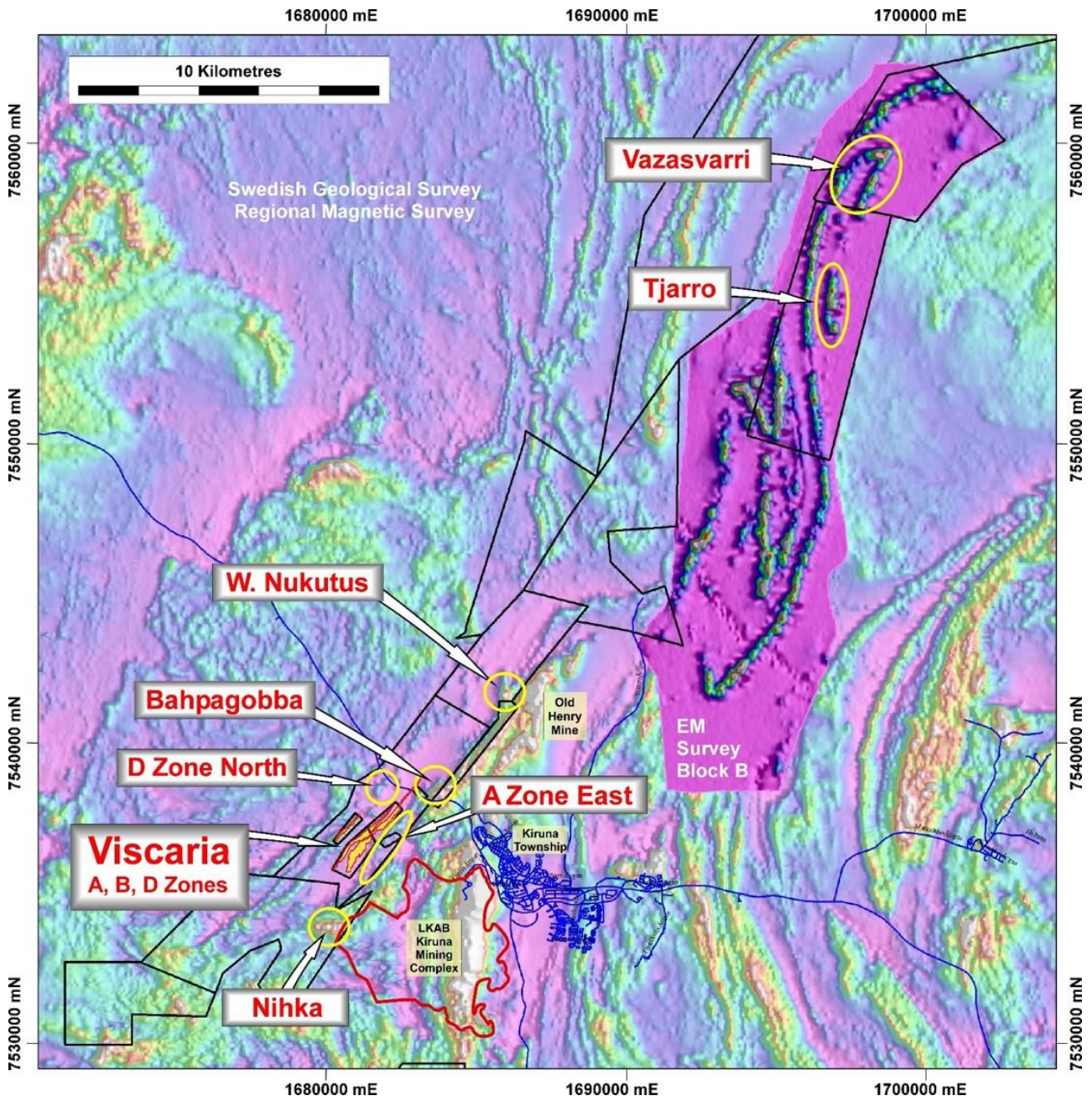


Figure 5: D Zone drill hole cross section showing results from VDD 196 and the developing higher grade southern shoot.



**Figure 6:** Location of targets relative to the Viscaria Copper Project development area (A, B and D Zones). Background image is airborne EM data spliced into airborne magnetic data.



## TENEMENT SCHEDULE

At the end of the quarter, the Company holds the following tenements:

Tenement Holder	Tenement Name	Location	Status	Ownership
Avalon Minerals Viscaria AB	Viscaria No 1	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 2	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 3	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 101	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 107	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 108	Norrbottn, Sweden	Relinquished	0%
Avalon Minerals Viscaria AB	Viscaria No 112	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 113	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Huornas No 1	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Huornas No 2	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K No 3	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K No 4	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K No 7	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Nihka East	Norrbottn, Sweden	Granted	100%
Avalon Minerals Adak AB	Rakkurijärvi No 1	Norrbottn, Sweden	Granted	100% (to be transferred to HNR*)
Avalon Minerals Adak AB	Rakkurijärvi K No 1	Norrbottn, Sweden	Application	100% (to be transferred to HNR*)
Avalon Minerals Adak AB	Goddevari	Norrbottn, Sweden	Granted	100%

\*HNR – Hannans Reward Ltd (ASX:HNR)

### 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.

**AVALON MINERALS LIMITED**  
**ABN 68 123 184 412**

**Web site:**

[www.avalonminerals.com.au](http://www.avalonminerals.com.au)

**Email:**

[info@avalonminerals.com.au](mailto:info@avalonminerals.com.au)

**Stock Exchange Listing**

Australian Stock Exchange

ASX Code: AVI

**Investor Information Contacts:**

Mr Gavin Leicht - Company Secretary  
Avalon Minerals Limited  
Tel: 07 3368 9888  
Email:  
[gavin.leicht@avalonminerals.com.au](mailto:gavin.leicht@avalonminerals.com.au)

**Shareholder Enquiries:**

Share registry matters should be directed to:

Computershare Investor Services  
Phone: 1300 850 505  
Website: [www.computershare.com.au](http://www.computershare.com.au)

**Registered Office:**

9 Gardner Close  
Milton Queensland 4064  
Phone: 07 3368 9888  
Fax: 07 3368 9899

**Issued capital:**

Ordinary shares: 322,690,122 (AVI)  
(at 31 December 2015)

**Directors:**

Graham Ascough – Non-Executive Chairman  
Malcolm Norris – CEO/Managing Director  
Crispin Henderson – Non-Executive Director  
Don Hyma - Non-Executive Director

**Company Secretary:**

Gavin Leicht

For further information please visit [www.avalonminerals.com.au](http://www.avalonminerals.com.au) or contact:

Avalon Minerals Limited  
T: 07 3368 9888  
E: [info@avalonminerals.com.au](mailto:info@avalonminerals.com.au)  
[www.avalonminerals.com.au](http://www.avalonminerals.com.au)

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Avalon Minerals Limited

ABN

68 123 184 412

Quarter ended ("current quarter")

31 Dec 2015

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(1,585)	(2,968)
(b) development	-	-
(c) production	-	-
(d) administration	(441)	(1,047)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	14
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received <i>(gross amount - R&amp;D tax rebate)</i>	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(2,019)</b>	<b>(4,001)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(26)	(26)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(26)</b>	<b>(26)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,045)</b>	<b>(4,027)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	<b>(2,045)</b>	<b>(4,027)</b>
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,494	2,494
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Capital raising costs	(27)	(27)
	Net financing cash flows	2,467	2,467
	Net increase (decrease) in cash held	422	(1,560)
1.20	Cash at beginning of quarter/year to date	1,247	3,209
1.21	Exchange rate adjustments to item 1.20	(12)	9
1.22	Cash at end of quarter	1,658	1,658

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	118.9
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Director's remuneration.	118.9

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	930
4.2 Development	-
4.3 Production	-
4.4 Administration	360
<b>Total</b>	<b>1,290</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	611	432
5.2 Deposits at call	1,047	815
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,658</b>	<b>1,247</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	N/A			
6.2 Interests in mining tenements acquired or increased	N/A			

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>	-	-	-	-
7.2 Changes during quarter	-	-	-	-
7.3 <b>+Ordinary securities</b>	332,690,122	332,690,122		
7.4 Changes during quarter (a) Increases (b) Decreases through returns of capital, buy-backs	92,370,644	92,370,644	0.027	2,494,007
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-	-	-
7.6 Changes during quarter	-	-	-	-
7.7 <b>Options</b> <i>(description and conversion factor)</i>  <b>Performance Rights</b>	5,200,000 5,600,000  8,128,000	Nil Nil  Nil	<i>Exercise Price</i> 6 cents 8 cents  Nil	Nil Nil  Nil
7.8 Issued during quarter Performance Rights	8,053,000	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter <i>Options</i>  <i>Performance Rights</i>	Nil  125,000		-  -	-  -
7.11 <b>Debentures</b> <i>(totals only)</i>	-	-		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 15 January 2016  
(Company Secretary)

Print name: GAVIN LEICHT

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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