

10 April 2017

ASX ANNOUNCEMENT



Avalon Minerals to farm into the highly prospective Bramaderos gold-copper concession, southern Ecuador

Highlights

- Avalon signs binding agreement to earn a majority interest in the highly prospective Bramaderos gold-copper concession, southern Ecuador
- Partnership with Cornerstone Capital Resources which holds a minority stake in the giant Cascabel porphyry copper-gold deposit in northern Ecuador
- Acquisition and exploration strategy being driven by the team behind the giant Tujuh Bukit and Cascabel copper-gold discoveries
- Bramaderos contains fertile mineralised systems with strong potential to host a world-class discovery
- Historical results from Bramaderos include wide intervals such as 260m at 0.6g/t Au and 0.14% Cu in diamond drilling and 42m at 3.7g/t Au in surface trenching
- Ecuador is host to world-class copper-gold deposits, in one of the most highly prospective belts for porphyry and epithermal copper-gold deposits
- Avalon team to again partner with Cornerstone with the program aimed at repeating previous discovery successes

Avalon Minerals Limited ("Avalon" or "Company") (ASX:AVI) is pleased to advise that it has signed a Binding Letter Agreement with **Cornerstone Capital Resources Inc. ("Cornerstone") (TSXV-CGP) (F-GWN) (B-GWN) (OTC-CTNXF)** through its subsidiary La Plata Minerales S.A. ("PLAMIN"), whereby Avalon will have the right to earn a majority interest in the 4,949 hectare "**Bramaderos**" concession in southern Ecuador subject to satisfaction of certain conditions.

Malcolm Norris, Avalon's CEO, said: "Avalon is excited about working with Cornerstone and advancing the Bramaderos opportunity."

The Avalon team has worked previously with Cornerstone on other projects in Ecuador which have led to significant discoveries and shareholder value growth, and we will work towards repeating that success at Bramaderos. The Avalon team is keen to apply its exploration approach developed at Tujuh Bukit in Indonesia and Cascabel in Ecuador to the Bramaderos opportunity".

ASX: AVI

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Brooke Macdonald, Cornerstone's CEO, said: "We are delighted to be working with Avalon, which has an outstanding management and technical team with whom we have worked previously on other projects. Bramaderos has excellent potential to host large-volume gold and copper mineralization. The available data will be fully assessed and a 3D mineralization model developed. Several near drill ready targets have been identified".

A location map of the Bramaderos concession is shown below. The joint release from Cornerstone can be seen in PDF format by accessing the version of this release on the Company's website (www.cornerstoneresources.com).

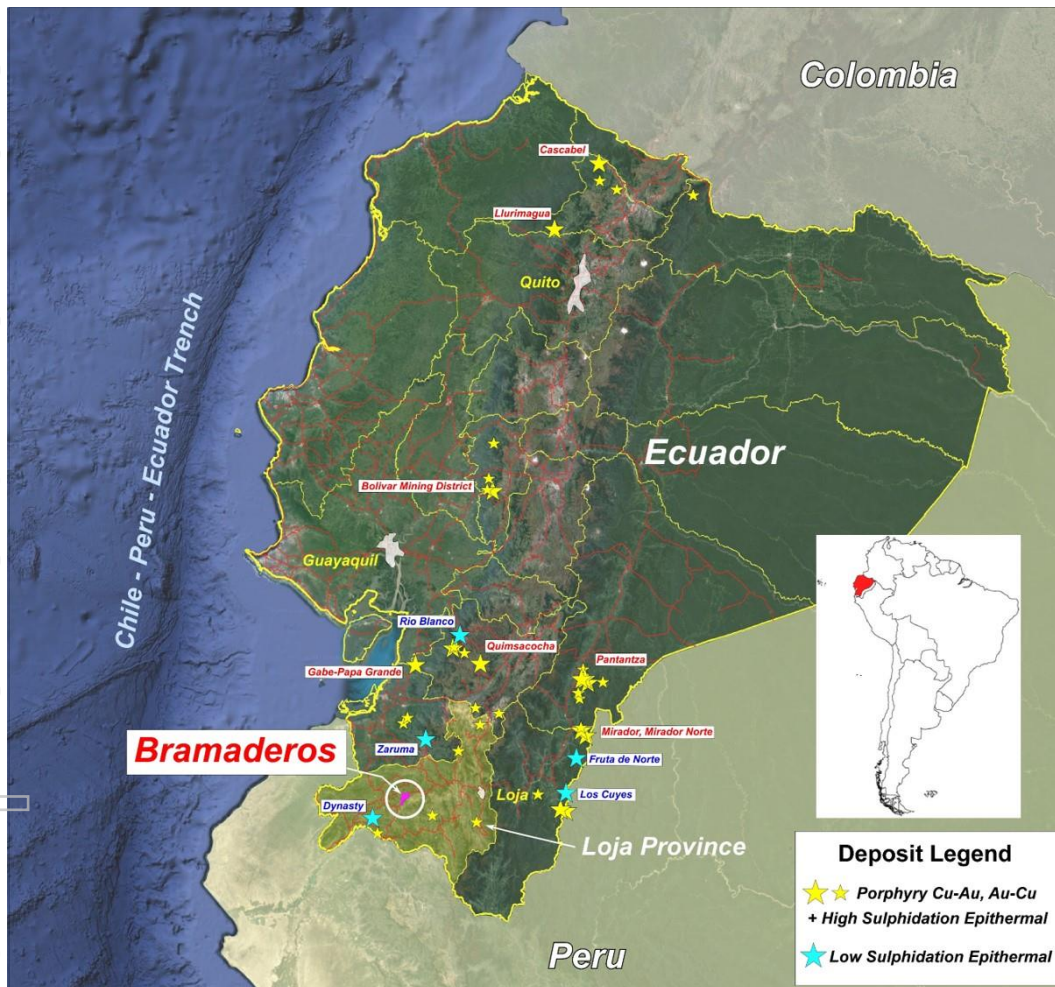


Figure 1: Distribution of mineral deposits in Ecuador and the location of the Bramaderos property in southern Ecuador.

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About Bramaderos

The 4,949 hectare Bramaderos concession is located in Loja province, some 130 km (two-hour drive) from the Loja provincial capital city and is considered to be highly prospective for the discovery of large copper-gold systems.

Easy access to the Bramaderos concession is provided by the sealed Pan American Highway that crosses the western part of the concession.

Bramaderos was sporadically explored during the periods 1970 to 1984, 2001 to 2002 and 2004 to 2007. Porphyry-style gold-copper mineralisation has been found mainly associated with quartz veins stockworks and breccias hosted by a north-east aligned cluster of potassic altered quartz-diorite porphyry intrusions. An extensive, 5km by 1-2 km, gold and copper (+/- molybdenum) multi-element soil geochemical anomaly located in the central part of the property has been partially tested by trenching and diamond drilling with very encouraging results. Several zones are yet to be followed up.

Previous exploration activity comprised collection of 888 rock and 1324 soil samples, 17 trenches dug and channel sampled, 31 line kilometers of geophysical magnetic and Induced Polarisation (IP) surveys carried out, and a total of 10,426m of diamond drilling performed in two campaigns to test some of the anomalous areas.

Historical results from drilling at Bramaderos include wide intervals such as **260m at 0.6g/t Au and 0.14% Cu**. Trenching results at the West Zone breccia include intersections at surface of up to **42m at 3.7g/t Au**. These results, together with the distribution of alteration, and large coincident gold-copper-molybdenum surface anomalies indicate that we are in a fertile mineralised system with significant discovery potential.

Further detailed information from the project and work programs will be released in due course.

An updated Avalon Corporate Presentation is expected to be released this week.

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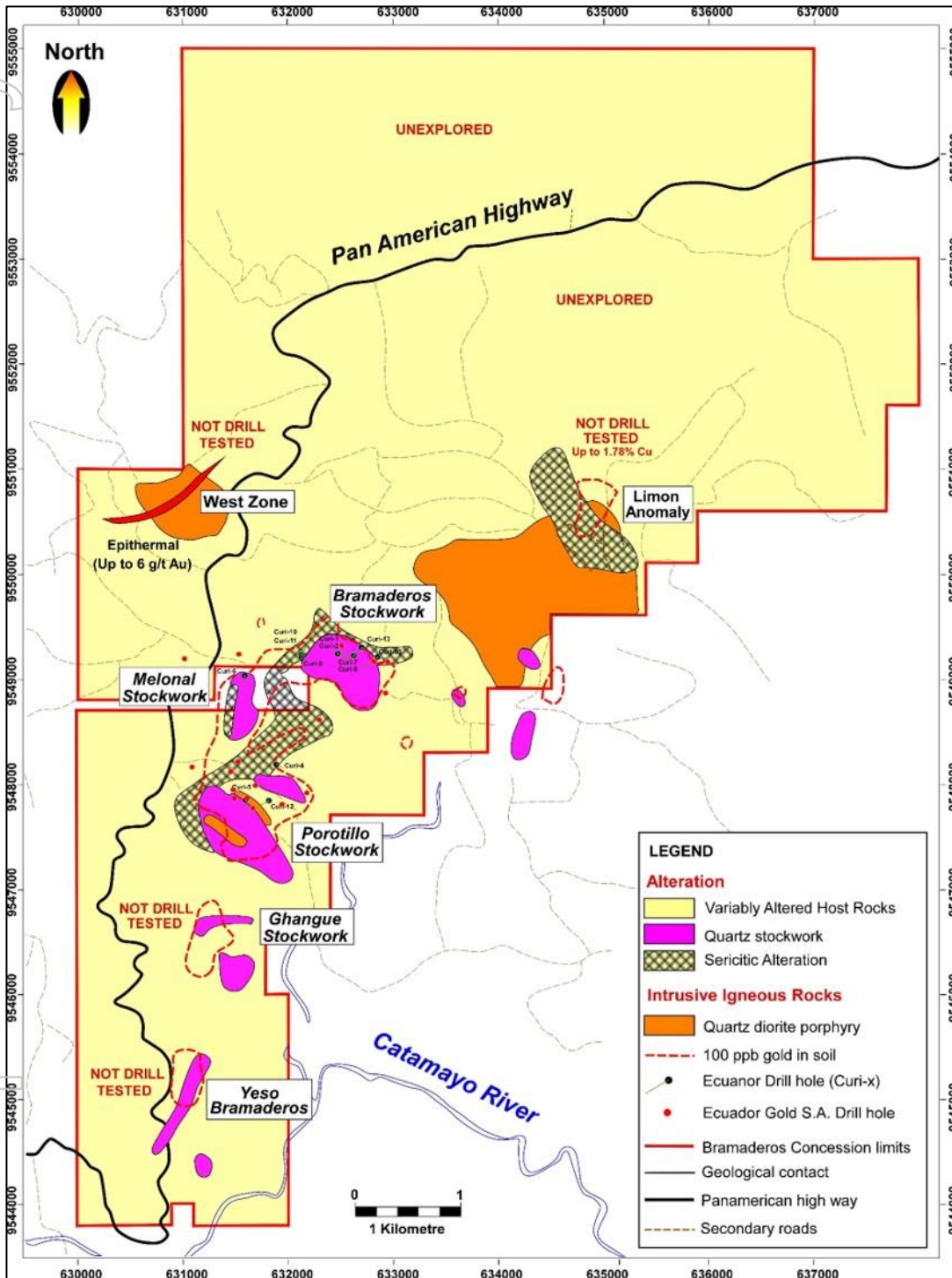


Figure 2: Geology of the Bramaderos property showing extensive alteration and distribution of stockwork zones associated with intrusive centers. The concession area is approximately 9km long by 7km at its widest point. The sealed Pan American highway, shown here in black, transects the concession area.

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Principal Terms

Avalon will have the right to earn an initial 51% interest (the "First Option") in the mineral rights to the Bramaderos concession (the "Property") by making a payment of US\$50,000 to PLAMIN upon execution of the Binding Letter Agreement (the "Agreement") and incurring exploration and related expenditures on the Property at the following times and in the following amounts:

- (i) on or before the first anniversary of receipt of drilling permits, incurring committed expenditures on the Property in the amount of US\$1,500,000; and
- (ii) on or before the third (3rd) anniversary of the date of the Agreement, incurring further optional expenditures on the Property in the amount of US\$1,900,000.

During the period of the First Option and until Avalon has exercised its right to become operator Avalon will direct the technical program on the Property, and PLAMIN will be the operator and will be reimbursed for its services on the basis of the cost of exploration expenditures plus 10%. Upon Avalon having exercised the First Option, it shall be entitled to become operator.

In the event that Avalon has exercised the First Option, Avalon shall have a further option for 90 days (the "Second Option") to elect to acquire an additional 19% interest in the Property (for a cumulative total of 70%) by funding the expenditures for the completion of a feasibility study ("FS") to the standard required to comply with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM")'s Definition Standards for a feasibility study.

The Second Option can be exercised upon delivery to PLAMIN of the FS and the payment of the greater of US\$250,000 or \$1.00 (One Dollar) per ounce of gold equivalent classified as "Measured and Indicated Resources" in the FS (the "Second Option Exercise Date"). If the Second Option Exercise Date does not occur by the third (3rd) anniversary of exercise of the First Option ("FS Deadline", which may be extended upon mutual agreement) the interests of the parties will remain at PLAMIN - 49% and Avalon - 51%.

Upon the Second Option Exercise Date, Avalon shall have the right to acquire an additional 10% interest in the Property (for a cumulative total of 80%) (the "Third Option") by:

- (i) providing 100% of the costs to achieve commercial production in which case, until such time as Avalon has received an amount equal to PLAMIN's share of such cost from and after the Second Option Exercise Date plus interest at an annual rate equal to Prime (as reported in the Wall Street Journal) plus 2% from the date of advance to repayment, PLAMIN shall be entitled to receive 90% of the distributions that PLAMIN would otherwise have been entitled to and this shall be its sole entitlement; or
- (ii) arranging limited recourse project financing in an amount sufficient to achieve commercial production.

Approximately 2/3 of the Bramaderos concession surface area is subject to an underlying 2% net smelter returns royalty in favour of a third party (the "2% NSR"). A \$50,000 annual advance royalty is payable on and after the first anniversary of the delivery of a Positive Feasibility Study. One-half of the 2% NSR may be purchased for US\$3 million, leaving the holder of the NSR with a 1% NSR.

Bramaderos is subject to the usual rules under the Ecuadorian Mining Law, including an initial exploration period of four years, followed by four years for advanced exploration (including drilling), followed by two years for pre-feasibility and feasibility studies and definition drilling, which may be extended for a final two years prior to exploitation (mine development).

About Avalon:

Avalon has an advanced portfolio of copper and gold exploration and development projects in Scandinavia. The portfolio comprises the **Viscaria Copper Project** in northern Sweden which has a completed Scoping Study (see ASX announcements dated 16th December 2015 and 5th April 2016) and is moving towards pre-feasibility study and permitting to allow for mine development. The project has a mineral resource estimate of 52.4 Mt at 1.2% Cu (see Table 1 below). Considerable exploration upside exists and low technical risk extensional drill targets have been defined. **The Southern Finland Gold Project**, which includes the Satulinmäki gold prospect, currently undergoing drill testing, and several other documented gold occurrences from historical exploration by the Geological Survey of Finland.

About Cornerstone:

Cornerstone Capital Resources Inc. is a well-funded mineral exploration company with a diversified portfolio of projects in Ecuador and Chile, and a proven ability to identify, acquire and advance properties of merit. The company's business model is based on generating exploration projects whose subsequent development is funded primarily through partnerships.

Further information is available on Cornerstone's website: www.cornerstoneresources.com

For further information, please visit www.avalonminerals.com.au

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Table 1 Total combined resource figure for A Zone, B Zone and D Zone at Viscaria

Resource Area	Classification	Tonnes (Mt)	Cu Grade (%)	Contained Cu (kt)
A Zone	Measured	14.44	1.7	240.0
	Indicated	4.69	1.2	57.2
	Inferred	2.48	1.0	25.5
	Subtotal	21.61	1.5	322.7
B Zone	Measured	0.12	1.3	1.6
	Indicated	4.12	0.7	29.7
	Inferred	15.41	0.8	118.7
	Subtotal	19.65	0.8	149.0
D Zone	Indicated	3.11	0.81	25.2
	Inferred	0.01	0.32	0.02
	Subtotal	3.11	0.81	25.2
	Indicated	7.26	1.37	99.8
	Inferred	0.78	1.57	12.2
	Subtotal	8.03	1.39	111.9
Overall Cu	Total	52.4	1.2	608.9

Note: D Zone subtotals represent open pit at an average grade of 0.81% copper, and underground at an average grade of 1.39% copper.

Refer to Annual Report released 16 August 2016 for the Competent Persons Statement in relation to the estimates of mineral resources. The Company confirms that it is not aware of any new information or data that materially affects the information and all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Competent Persons Statement

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

Qualified Person:

Yvan Crepeau, MBA, P.Geo., Cornerstone's Vice President, Exploration and a qualified person in accordance with Canada's National Instrument 43-101, is responsible for supervising the exploration program at the Bramaderos project for Cornerstone and has reviewed and approved the information contained in this news release.

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