

AVALON MINERALS LTD (AVI)

Bramaderos assumes priority

The inclusion of the Bramaderos gold-copper exploration project in Ecuador has strengthened AVI's exploration portfolio. AVI has the right to earn 51% of Bramaderos by spending US\$3.4M on exploration over 3 years from April 2017, and up to 80% of the project with progress through feasibility study and finance steps. The initial commitment to Bramaderos is US\$1.5M in the 12mths after receipt of drilling permission.

Bramaderos is a 5,000ha concession in southern Ecuador. High profile gold-copper discoveries in Ecuador at Fruta del Norte (Lundin Gold, 4.8Mozs Au in reserve, first production scheduled 2020) and Cascabel have made Ecuador a hot destination for major minerals exploration groups. Before joining AVI in 2014, AVI's technical team led the Cascabel discovery for AIM listed SolGold plc (~A\$860M mkt cap June '17) and vendor Cornerstone Capital Resources. Invoking déjà vu, Cornerstone invited AVI into Bramaderos in 2017, tapping the Company's management's experience and expertise with Ecuador's giant porphyry systems.

AVI completed its initial field program at Bramaderos in June 2017. Previous exploration (2006-2009) defined 6 targets and drilled 32 holes (20 at one prospect) within an 8km alteration trend, beside an outcropping porphyry. The Company believes previous exploration was misled by weakly mineralised pyrite halos and misinterpreted structural geology. The program was also curtailed before key prospects at West Zone (42m at 3.7g/t in trenching) and Limon (1.8% Cu, 1.5g/t Au rock chip sampling) were drilled.

AVI plans further surface mapping and sampling at Bramaderos for the remainder of CY2017, and expects permits to drill by January 2018.

Viscaria advances

AVI has drilled 4 core holes at Viscaria in 2017. The intersection of 5.1m at 2.2% Cu from 266mdh to the south of the D Zone resource opens up the southern end of D Zone and strengthens Viscaria's commercial prospects. With copper stalled under US\$2.75/lb AVI has restricted activities at Viscaria in line with the Company's funding capacity, while maintaining the project's readiness for fast track development at a higher copper price.

Finnish gold potential extended

Interpretation of an IP survey conducted in April 2017 suggests sulphides associated with known gold mineralisation at Satulinmaki extend to depth and 800m further along strike than drilled so far. Avalon plans to start drilling at Satulinmaki in August 2017.

Focus on Bramaderos

At the end of March 2017 AVI had A\$1.6M cash; an amount that requires the Company be selective about its exploration expenditures. Bramaderos has the best potential for rapid value add, and takes priority for the time being. Hartleys continues to see value in AVI's combination of projects and people. Maintain Speculative Buy with 12 month target share price of 3.0cps.

26 Jun 2017

Share Price	\$0.014
Valuation	\$0.030
Price Target (12 month)	\$0.030

Brief Business Description:
Copper and gold explorer

Hartleys Brief Investment Conclusion
Gold and copper explorer in Ecuador, Sweden and Finland with excellent large discovery potential. Leveraged to copper price.

Chairman & MD

Graham Ascough (Non-Exec Chairman)
Malcolm Norris (Executive Director and CEO)

Top Shareholders

Valbonne II	10.0%
Marlei International Limited	6.5%
Potezna Gromadka Ltd	5.7%
Mohd Faiq Abu Sahid	5.2%

Company Address

9 Gardner Close
Milton, Qld 4064

Issued Capital 651m
- fully diluted 824m

Market Cap A\$9m
- fully diluted A\$12m

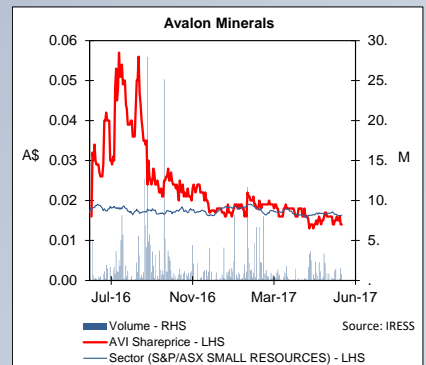
Cash (31 Mar '17) A\$1.6m

Debt (31 Mar '17) A\$0m

EV A\$8m

	Prelim. (A\$m)	FY19e	FY20e	FY21e
Prod (kt Cu)		5	25	25
Op Cash Flw (A\$m)		-4	47	42
Norm NPAT (A\$m)		-9.0	13.2	9.3
CF/Share (cps)		-0.5	5.7	5.1
EPS (cps)		-1.1	1.6	1.1
P/E			0.9	1.2

	Cu	kt
Resources (kt)	616	kt
Reserves (kt)	0	kt



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Hartleys has completed capital raisings in the past 12 months for Avalon Minerals Limited ("Avalon") for which it has earned fees. Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Avalon for which it may earn fees in the future. Hartleys has a beneficial interest in 10 million options in Avalon and expects to be issued up to a further 12.5m options.

SUMMARY MODEL

Avalon Minerals Ltd AVI		Share Price \$0.014		26/06/2017 Speculative Buy	
Key Market Information			Directors and Key Management		
Share Price \$0.014 Market Capitalisation \$9.1M Cash \$1.6M Debt \$0.0M Net cash (debt) Mar '17 \$1.6M Issued Capital 650.0M Options 154.8M Issued Capital (fully diluted ITM options) 804.8M Issued Capital (fully diluted all options) 829.6M EV \$7.5M Valuation & Price Target \$0.030			Company Details Graham Ascough (Non-Exec Chairman) 9 Gardner Close Malcolm Norris (Executive Director and CEO) Milton, Qld 4064 Crispin Henderson (Non-Exec Director) +61 7 3368 9888 Don Hyma (Non-Exec Director) www.avalonminerals.com.au		
Projects			Shareholder		
Interest	Location	Commodity	M shs	%	
Viscaria 100%	Sweden	Copper	65	10.0%	
Southern Finland *	Finland	Gold	42	6.5%	
Bramaderos ** rte 80%	Ecuador	Gold/Copper	37	5.7%	
* JV Partners interest: Nortec Minerals diluting to 20% in selected tenure ** JV Partners interest: Cornerstone Capital Resources diluting to 20%			Investment Summary		
Reserves & Resources June '16			Copper and gold exploration company. Advanced asset at Viscaria confers potential development exposure to copper above US\$3/lb. Green field exploration in Ecuador began in 2017 with several objectives apparent within a large, outcropping porphyry system.		
	Mt	%	kt	Key Milestones/Newsflow	
Viscaria Cu Resource	52.4	1.2	616	Project	
Measured	14.6	1.8	259	Deep drilling program completed at D Zone	Dec-15 Viscaria
Indicated	12.7	1.0	128	Viscaria Scoping study results announced	Dec-15 Viscaria
Inferred	25.2	0.9	230	Exploration portfolio in Finland acquired	May-16 S. Finland
P&L			1st assays from Satulinmaki drilling Sep-16 S. Finland 83m at 1.2g/t at Satulinmaki Oct-16 S. Finland Scout drilling completed Nov-16 S. Finland Drilling commences at Viscaria Apr-17 Viscaria AVI farms in to Ecuador Au/Cu project Apr-17 Bramaderos Geophysics extends Satulinmaki prospectivity May-17 S. Finland Initial drilling results from Viscaria Jun-17 Viscaria Final drilling results from 4-hole program at Viscaria Jun-17 Viscaria Surface sampling results from Bramaderos Jun-17 Bramaderos Fieldwork and geophysics results Jul-Nov 17 Bramaderos Drilling to re-start at Satulinmaki Aug-17 S. Finland Drilling target generation and permitting complete Dec-17 Bramaderos		
	FY2014A	FY2015A	FY2016A	FY20171H	
	A\$	A\$	A\$	A\$	
Net Revenue	0.0	0.1	0.0	0.0	
Total Costs	(4.2)	(2.0)	(1.6)	(1.1)	
EBITDA	(4.2)	(1.9)	(1.6)	(1.1)	
Deprec/Amort	(0.1)	(0.0)	(1.7)	(0.0)	
EBIT	(4.2)	(1.9)	(3.3)	(1.1)	
Net Interest	0.0	0.0	0.0	0.0	
Pre-Tax Profit	(4.2)	(1.9)	(3.2)	(1.1)	
Tax Expense	-	-	-	-	
NPAT	(4.2)	(1.9)	(3.2)	(1.1)	
Abnormal Items	(1.4)	(0.0)	0.4	(1.8)	
Reported profit (loss)	(5.6)	(2.0)	(2.8)	(2.9)	
Financial years are years ending June 30					
Unpaid Capital			No (m)	\$ (m)	Ave Pr
Options/Performance Rights			% Ord		
30-Jun-17	Options	-	0.0		0%
30-Jun-18	Options	24.8	1.7	0.07	4%
30-Jun-19	Options	-	0.0		0%
30-Jun-20	Options	154.8	4.6	0.03	24%
Total		179.6	6.4	0.04	28%

BUSINESS OVERVIEW

AVI acquired Viscaria, in Sweden, in 2008 and has since advanced exploration and development studies of the region's VMS copper lodes. Exploration projects in Finland (2016) and Ecuador (2017) have been added to the company's portfolio.

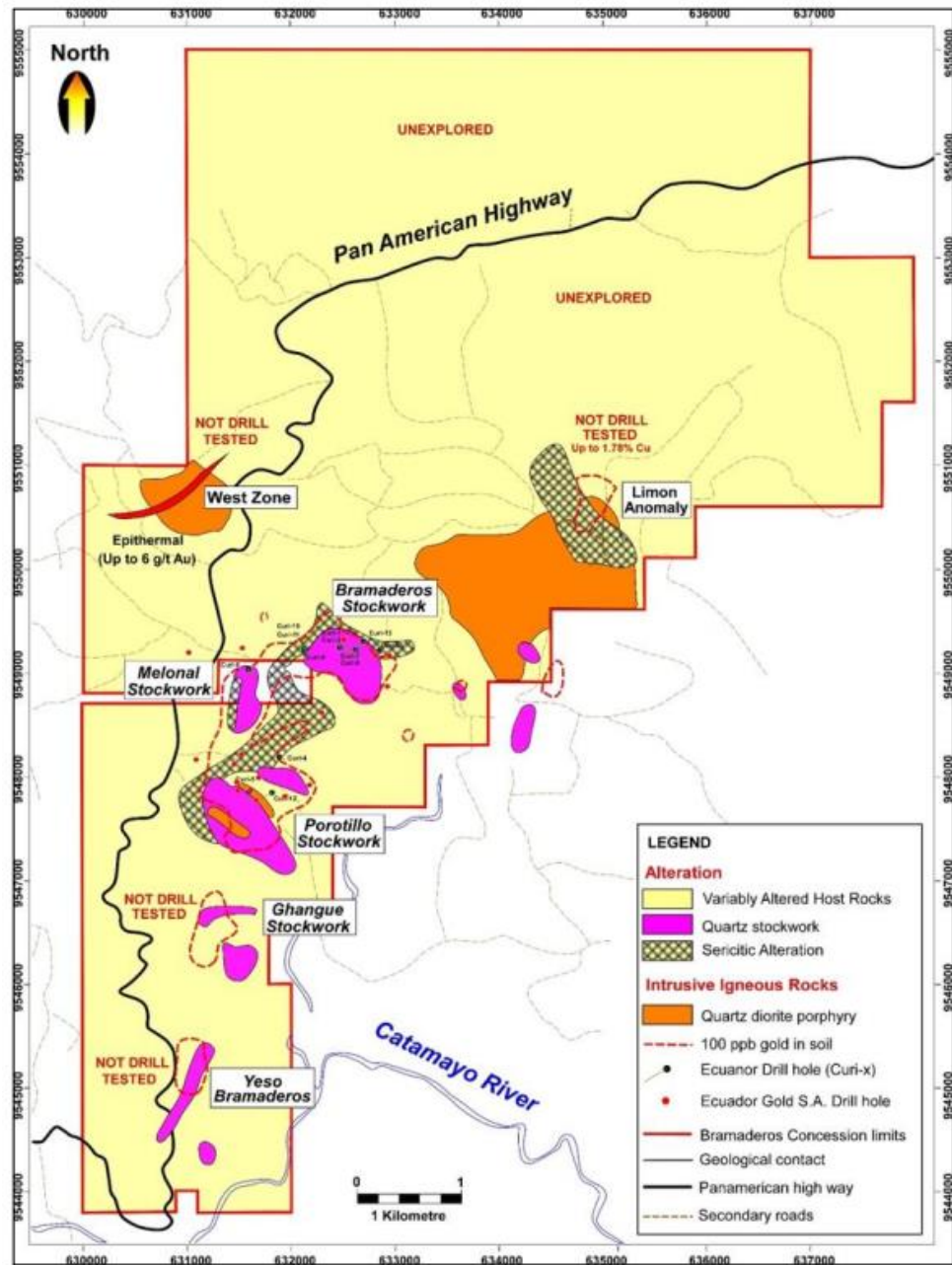
BRAMADEROS (AVI RTE 80%)

Fig. 1: Location of mineral deposits in Ecuador and the Bramaderos project.



Source AVI

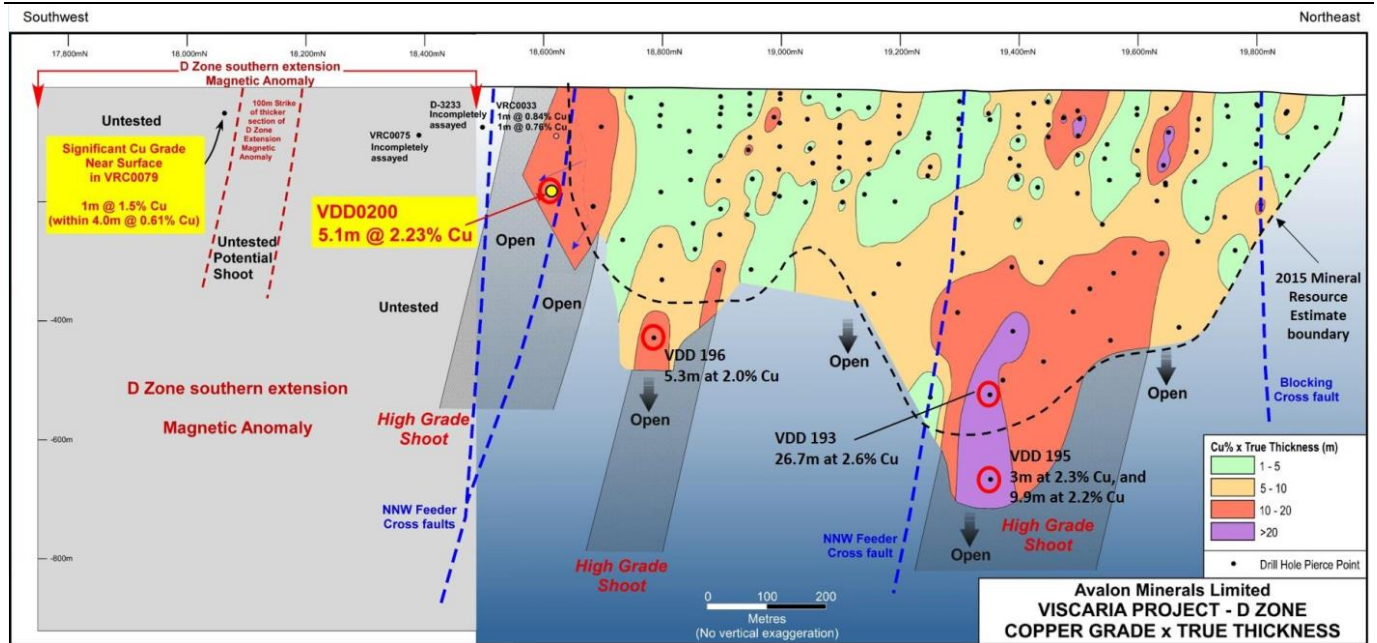
Fig. 2: Bramaderos concession and schematic geology interpretation.



Source AVI

VISCARIA 2017 DRILLING

Fig. 3: Long section of D Zone at Viscaria showing the location of 2017 drill holes and the southern extension targets.



Source; AVI

PEERS AND COMPETITORS

Fig. 4: Australian listed copper exploration companies, 2017.

	Mkt cap	Price	Iss. Shs	Mkt cap	Net cash Project	t'put	capex	Resource	cont Cu	cont Au	Cu equiv.	Ann prod	Ann Au	Adj EV	EV/tCu	EV/t Cu eq
	\$M	Last	M f.p.	\$AM	\$AM	ktpa	\$USM	Mt %Cu g/tAu	kt	kozs	kt	kt Cu	ozs	\$AM	\$A	\$A
MOD Resources	MOD	116	6.2	1866	11569.2	17.8 T3	2000	135	20	1.24	246	20	276	1122	1122	
Finders Resources	FND	126	16.5	761	12561.45	-102.0 Wetar	3000	prod	9	2.40	214	25	228	1066	1066	
Havilah Resources	HAV	52	29.5	177	5221.5	0.9 Kalkaroo	532	168	0.54	0.5	909	80	751	826	524	
KGL Resources	KGL	52	28.5	182	5187	5.2 Jervois	2200	144	31	1.07	326	21	236	722	722	
Golden Cross	GCR	1	1.2	102	121.92	-0.3 Copper Hill	3000	124	56	0.55	309	21	165	532	327	
Caravel Minerals	CVV	4	6.0	68	410.4	0.6 Calingiri	15000	334	251	0.34	853	38	444	520	432	
Avanco Resources	AVB	216	8.8	2456	21612.8	30.4 Antas	600	prod	18	2.40	422	16	186	440	375	
Avalon Minerals	AVI	9	1.4	651	911.12	1.6 Viscaria	2000	130	52	1.16	608	25	179	294	294	
Rex Minerals	RXM	12	5.4	221	1190.7	3.1 Hillside	6000	365	337	0.60	2022	35	489	242	208	
Altona Mining	AOH	75	14.0	537	7518	37.2 Cloncurry	7000	232	287	0.58	1650	39	343	208	198	
Hillgrove Resources	HGO	17	7.2	233	1676.88	-10.9 Kanmantoo	3600	prod	35	0.60	207	18	28	134	124	
Stavelly Minerals	SVY	12	10.0	121	1212	2.8 Ararat/Stavelly			29	0.47	138	9	68	39		
Hammer Metals	HMX	8	4.2	198	832.86	2.0 Kalman			20	0.61	122	6	52	37		
Redbank Copper	RCP	5	0.2	2339	467.88	0.0 Redbank			6	1.50	93	5	50	50		
Hot Chili	HCH	14	2.6	554	1441.44	-6.4 Productora			237	0.48	1138	21	18	16		

Source ASX, IRESS, Hartleys

- Only fully paid ordinary shares are used in market cap and enterprise value figures.
- Copper equivalence accounts for by product gold only
- AUDUSD: 0.75
- Net cash as at Mar 31 2017, before subsequent capital raisings.

MANAGEMENT, DIRECTORS AND MAJOR SHAREHOLDERS

Fig. 5: AVI Management exposure, 2017.

Economic exposure of Board and key management		Opts	Perf. rights	shares	Exposure	Rank
	Position	M	M	M	M	
G Ascough	Non exec Chair	0.9		7.8	8.7	2
M Norris	CEO, MD	4.6	3.7	9.0	17.3	1
C Henderson	NED			2.9	2.9	6
D Hyma	NED			0.7	0.7	7
R Robinson	GM Studies	2.3	3.5	1.5	7.3	3
G Leicht	CFO, Coy Sec.	2.4	3.3	1.7	7.3	4
B Rohrlach	GM Geology	1.6	3.3	0.3	5.2	5

Source: AVI

Graham Ascough appointed Chairman November 2013

Geophysicist. Mr Ascough was the Managing Director of Mithril Resources Ltd from October 2006 until June 2012. Prior to joining Mithril in 2006, he was the Australian Manager of Nickel and PGM Exploration at the major Canadian resources house, Falconbridge Limited. He is currently non-executive Chairman of Phoenix Copper Limited, Mithril Resources Limited and Musgrave Minerals Limited. Councillor of the South Australian Chamber of Mines and Energy and Chair of its Exploration Committee from 2006 ~ 2012 and has strong ties to the SA Resources industry.

Malcolm Norris CEO and Managing Director.

MSc in Geology and a Masters in Applied Finance. More than 30 years of industry experience and in the last 15 years has focused primarily on corporate roles. Previous experience has included 23 years with WMC Resources, followed by roles with Intrepid Mines and SolGold.

Crispin Henderson Non-Executive Director

London based consultant to the financial services sector. More than 45 years of experience in the financial services and fund management sectors, principally with PricewaterhouseCoopers and Threadneedle Investments. Formerly Vice Chairman of Ameriprise Financial's Global Asset Management business and Chief Executive of Threadneedle.

Don Hyma Non-Executive Director

BSc in Mining Engineering and an MSc in Mineral Processing. 25 years' experience in the resource sector, principally in copper, nickel and iron ore in Canada, Chile, New Caledonia and Australia. Currently Chief Technical Officer with Mitsui & Co and previously Vice-President Projects for the Iron Ore Company of Canada and General Manager Mine and Infrastructure Projects for Rio Tinto Iron Ore.

MAJOR SHAREHOLDERS

Top Shareholders	m shares	%
Valbonne II	82	10
Marilei International Limited	54	7
Potezna Gromadka Ltd	47	6
Mohd Faiq Abu Sahid	42	5

Source IRESS

VALUATION, TARGET PRICE

The values of agreements to earn interests in the Bramaderos and Southern Finland projects are subject to market swings and geological interpretation. Hartleys ascribes nominal value of \$10M to Bramaderos on the strength of its geological potential and location in a sought after jurisdiction.

Viscaria has value as a large, marginal, undeveloped copper resource with exploration upside, near developed infrastructure.

Viscaria can be modelled with open pit inventories as indicated in AVI's scoping studies. At current spot price (US\$2.50/lb), returns from Viscaria, as modelled, are insufficient to attract development funding. Viscaria has value as a large, undeveloped inventory of near commercial copper, in an area well serviced by infrastructure. Hence, Avalon is investable as a long dated call option on the copper price. So far in 2017 the spot copper price has failed to break through US\$2.70/lb, and the associated fall in volatility has reduced copper asset prices. The improved project appeal due to AVI's recent drilling at Viscaria also informs Hartleys' nominal valuation of A\$27M.

Net of future corporate overheads and equity dilution Hartleys values Avalon at A\$25M or 3.0cps. A Speculative Buy recommendation is retained with a 12 month target price of 3.0cps.

Fig. 6: Assumptions and risks for valuation

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
Exploration within 1 year at Bramaderos will add +10M in value to the project.	High	Medium	Exploration is at an early stage. AVI will work to a 3 year program.
The copper price will increase in the next 2-5 years	Medium	High	Hartleys assumes copper demand remains strong through this period, which depends largely on continued economic growth in China.
AVI can obtain capital at reasonable prices	Medium	High	Avalon is heavily dependent on new equity for future project funding. Existing share value may be diluted by raisings completed at less than valuation.

Conclusion

Avalon shares are a high risk, speculative investment with corresponding high potential reward.

Source: Hartleys

HARTLEYS CORPORATE DIRECTORY

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Note: personal email addresses of company employees are structured in the following

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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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