Avalon Minerals Ltd

Annual Report
30 June 2013

AVALON MINERALS LTD

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30 September 2013

Dear Shareholder

It has been both a challenging and exciting time for Avalon during 2012/2013, with the Company focusing its efforts on the Viscaria Copper-Iron Project in Sweden.

Successful fundraisings were completed in November 2012, as well as April and June 2013 by way of Placements. The most significant of these fundraisings was the November 2012 Placement that raised $8.4M and attracted new institutional investors onto Avalon's share register.

The proceeds of the November 2012 capital raising enabled Avalon to undertake a major resource extension drill program (which commenced in November 2012), as well as commence a regional exploration program including a Heli-EM survey and drill testing of one of Avalon's most advanced regional exploration prospects. The objective of the major resource extension drill program was to significantly extend the known copper-iron mineralisation at the Viscaria Copper-Iron Project. The drill program was highly successful, which is evidenced by the significant upgrades to the size and grade of the D Zone Mineral Resource that were announced in April and June 2013.

The results of this resource extension drill program were then used to complete a Scoping Study to determine the viability and potential value of a mining operation at Viscaria. The Scoping Study assessed an open pit mining scenario on the upgraded Mineral Resources defined on the Viscaria Project with the addition of the Discovery Zone Copper-Iron Mineral Resource. The economic assessments used price assumptions of US$3.00/lb copper and US$150/t iron ore pellets. The results of the Scoping Study confirmed the technical and economic viability for a copper-magnetite mining operation at the Viscaria Project and indicated a significantly positive Net Present Value. The Scoping Study results also indicated that the Open Pit Mining Scenario assessed produced between 15,000 to 22,000t of copper and 625kt to 1.25Mt of magnetite concentrate per annum over a 10.3 year mine life.

The equity market conditions have been volatile and challenging during 2013 in Australia and overseas. However, I believe the copper price outlook remains positive and the requirement for resources will continue. Therefore, I am confident that the Company's focus on developing the Viscaria Copper-Iron Project and growing its resource base will benefit all Avalon shareholders.

Post 30 June 2013, the Company took steps to undertake a Rights Issue to enable all shareholders to subscribe for shares on a 1 for 1 basis at 1 cent per share. At the time of writing this letter, $2.1 million from the Rights Issue is available to the Company. The application to the Takeovers Panel is still under consideration

I would like to take this opportunity to express my thanks to fellow directors, management and staff for their extraordinary and sustained efforts and commitment to progressing the Company and its flagship Viscaria Copper-Iron Project in Sweden.

I also take this opportunity to thank all shareholders for your continued support of Avalon.

Yours sincerely

Crispin Henderson
Chairman
Avalon Minerals Ltd

AVALON MINERALS LTD
Corporate Directory

Directors

Non-Executive Chairman

Mr Crispin Henderson

Deputy Chairman

Dato Siew Mun Chuang

Managing Director

Mr Jeremy Read (until 26 September 2013)

Mr Read remains as a Non-Executive Director of Avalon Minerals Ltd

Non-Executive Directors

Mr Paul Niardone

Mr Siew Mun Wai

Mr Seng Han Gary Goh

Alternate Non-Executive Director for Dato Siew Mun Chuang

Mr Ler Leong Keh

Company Secretary

Mrs Roslynn Shand

Share Registry

Computershare Investor Services Pty Ltd
117 Victoria Street
West End QLD 4101
Telephone +61 7 3237 2100
Facsimile +61 3 9473 2555
Investor Enquiries 1300 850 505

Auditor

KPMG
Riparian Plaza
Level 16, 71 Eagle Street
Brisbane QLD 4000

Solicitors

GRT Lawyers
Level 1
400 Queen St
Brisbane QLD 4000

Bankers

National Australia Bank
1238 Hay Street
West Perth WA 6005

Securities exchange listings

Avalon Minerals Ltd shares are listed on the Australian Securities Exchange.
Ordinary fully paid shares (ASX code: AVI)

Principal place of business and registered office in Australia

65 Park Road
Milton QLD 4064

PO Box 1565
Milton QLD 4064

Telephone: +61 7 3368 9888
Facsimile: +61 7 3368 9899

Email: info@avalonminerals.com.au

Website: www.avalonminerals.com.au

AVALON MINERALS LTD
Tenement Schedule and Resource Statement

SWEDEN			
Tenement Holder	**Tenement Name**	**Status**	**Ownership**
Avalon Minerals Viscaria AB	Viscaria No 1	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 2	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 3	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 101	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 104	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 105	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 106	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 107	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 108	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 111	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 112	Granted	100%
Avalon Minerals Viscaria AB	Vittangijarvi No 1	Granted	100%
Avalon Minerals Viscaria AB	Huornas No 1	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K No 7	Application	100% (upon grant)
Avalon Minerals Viscaria AB	Viscaria K No 3	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K No 4	Granted	100%

Resource Name	**Classification**	**Tonnes (Mt)**	**Cu Grade %**	**Cu Metal (t) (‘000t)**
A Zone*	Measured	14.4	1.66	240
	Indicated	4.7	1.22	57
	Inferred	2.5	1.03	26
	Subtotal	**21.6**	**1.49**	**323**
B Zone *	Measured	0.1	1.33	2
	Indicated	4.1	0.72	30
	Inferred	15.4	0.77	119
	Subtotal	**19.6**	**0.76**	**151**
D Zone Cu Resource	Indicated**	5.1	1.07	55
	Inferred**	8.5	0.96	81
	Subtotal	**13.6**	**1.00**	**136**
Overall Cu	**Total**	**54.8**	**1.11**	**610**

Resource Name	**Classification**	**Tonnes (Mt)**	**Fe Grade (%)**	**Mass Recovery (%)**	**Contained Iron (Mt)**	**Estimated recoverable iron (Mt)**
D Zone Fe Resource	Indicated***	11.7	27.5	33.4	3.2	2.7
	Inferred***	13.9	25.7	31.0	3.6	3.0
	Total	**25.6**	**26.4**	**32.1**	**6.8**	**5.7**

*2011 Mineral Resources for A Zone and B Zone are reported above a Cut off Grade of 0.4% Cu
** 2013 Copper Mineral Resource for D Zone above a Cut off Grade of 0.4% Cu
*** 2013 Iron Mineral Resource for D Zone below a Cut off Grade of 15% Mass Recovery

Competent Persons Statement

The information in this report that relates to Exploration Results is based upon information reviewed by Mr Jeremy Read BSc (Hons) who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Read 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 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Read consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Mineral Resource estimate for the D Zone Prospect was compiled and prepared by Matthew Readford (MAusIMM) of Xstract Mining Consultants who is a Competent Person as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2004 Edition and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The Mineral Resource estimate for A and B Zones was compiled and prepared by Dr Bielin Shi (MAusIMM, MAIG) of CSA Global Pty. Ltd. who is a Competent Person as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2004 Edition and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The Mineral Resource estimate for the Discovery Zone is effective from 13 January 2012 and has been prepared by Mr Thomas Lindholm, MSc of GeoVista AB, Luleå, Sweden acting as an independent "Competent Person". Mr Lindholm is a Fellow of the Australasian Institute of Mining and Metallurgy (Member 230476). Mineral resources of the Rakkuri iron deposits have been prepared and categorised for reporting purposes by Mr Lindholm, following the guidelines of the JORC Code (2004 Edition). Mr Lindholm is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits.

The Scoping Study results were compiled and prepared by Tim Horsley (MAusIMM) of Xstract Mining Consultants who is a Competent Person as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2004 Edition and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The Scoping Study referred to in this announcement is based on low level technical and economic assessments and is insufficient to support Ore Reserves or to provide assurance of an economic development case at this stage or to provide certainty that the conclusions of the Scoping Study will be realised.

***Open Pit Mining Scenario** includes some material from Inferred Mineral Resources and therefore, exploration drilling and re-estimation may result in changes to the economically minable portion of the resources.*

AVALON MINERALS LTD
Directors' Report

Your Directors present their report on Avalon Minerals Ltd ("Avalon" or "Company") and the entities it controlled ("Consolidated Entity" or "Group") for the financial year ended 30 June 2013.

Directors

The following persons were Directors of Avalon Minerals Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Crispin Henderson	(appointed as Non-Executive Chairman 25 March 2013)
Tan Sri Abu Sahid Bin Mohamed	(appointed as Director on 19 January 2009, appointed Non-Executive Chairman on 9 February 2012 and resigned as the Chairman and as a Director on 25 March 2013)
Mr Jeremy Read	
Dato Siew Mun Chuang	
Mr Paul Niardone	
Mr Siew Mun Wai	
Mr Seng Han Gary Goh	
Mr Ler Leong Keh	(appointed as Alternate Director to Dato Siew Mun Chuang on 2 August 2013)

Principal activities

During the period the principal activities of the Group consisted of mineral exploration and evaluation.

Dividends

No dividends were paid or recommended to members during the financial period.

Review of operations

A summary of consolidated revenues and results is set out below:

	2013 $	2012 $
Revenue and other income	**109,708**	83,804
Loss before income tax expense	**(6,191,996)**	(4,455,951)
Income tax expense	**-**	-
Loss attributable to members of Avalon Minerals Ltd	**(6,191,996)**	(4,455,951)

Earnings per share	**2013 Cents**	2012 Cents
Basic and diluted earnings per share	**(1.4)**	(1.8)

Review of operations

Financial Performance

During the year ended 30 June 2013 the Group incurred a loss of $6,191,996 (2012: $4,455,951). The increased loss for this financial year is largely due to:

- Increased share based payment expense (2013: $3,487,358; 2012: $895,405) as a result of options and performance rights granted to Directors, Key Management Personnel and other employees. This was partly offset by lower exploration expenditure written off (2013: nil; 2012: $1,071,129). Expenditure incurred on the Adak tenements was written off in full in 2012 as exploration at this site had ceased and the project tenements relinquished.

Financial Position

The Company's non-current assets increased from $21,915,157 at 30 June 2012 to $37,910,420 at 30 June 2013. This is largely due to expenditure incurred on the Viscaria asset ($10,111,082) and foreign currency movements from translation of the carrying value to Australian dollars in the Group's financial statements ($3,724,783). A major drill program was undertaken at Viscaria during the 2013 financial year, along with a number of project studies and an update to the Viscaria scoping study. There was also $2,000,000 incurred on the acquisition of new tenements.

During the year, the Company had a net increase in contributed equity of $14,604,984 as a result of:

* during July 2012, 39,979,189 fully paid shares were issued to professional and sophisticated investors at 9 cents per share, raising $3,598,127 before costs;
* during November 2012, 115,285,714 fully paid shares were issued to professional and sophisticated investors at 7 cents per share, raising $8,070,000 before costs;
* Tranche 2 performance rights were issued to Directors and employees (14,700,000 at 7.5 cents per share resulting in an increase of $1,102,500 to contributed equity);
* during April 2013, 25,075,000 fully paid shares were issued to professional and sophisticated investors at 5 cents per share, raising $1,253,750 before costs;
* during May 2013, 66,666,666 fully paid shares were issued to professional and sophisticated investors at 1.5 cents per share, raising $1,000,000 before costs;
* during June 2013, 9,436,836 fully paid shares were issued to professional and sophisticated investors at 1.5 cents per share, raising $141,553 before costs;
* $200,000 received for the issue of options to Directors and employees; partly offset by the
* payment of capital raising and share issue costs of $760,946.

At the end of the financial period, the Group had cash balances of $1,185,959 (2012: $694,310) and net assets of $36,620,253 (2012: $22,064,675).

Total liabilities amounted to $2,677,348 (2012: $1,015,200) and included trade, other payables and provisions.

Events occurring after reporting date

<u>Heads of Agreement with Hannans Reward Limited</u>

On 3 July 2013 Avalon received a statutory demand from Hannans Reward Limited pursuant to a binding heads of agreement. AUD$2 million is recorded as a liability in the accounts at 30 June 2013. The Company did not believe the debt was due for payment, as all conditions to the agreement had not been met. This matter was set down to be heard in court in early November 2013. The parties had continued to negotiate a commercial outcome. On 30 September 2013 the parties agreed to vary the payment terms to the following:

In consideration for the Sale, Avalon agrees to pay, and Hannans agrees to accept as full and final payment for the Sale, the sum of $4,000,000 (Consideration) as follows:

(a) subject to Avalon gaining access to a sum of at least AUD$2,100,000 of the funds raised from a rights issue pursuant to an offer document dated 22 August 2013 (Rights Issue) (which for the avoidance of doubt will only occur once Avalon issues shares which correspond to that amount (Relevant Shares)), Avalon agrees to pay into Hannans' Nominated Bank Account AUD$1,000,000 on or before the date that is 3 Business Days after issue of the Relevant Shares (First Payment);
(b) in the event that the Relevant Shares are not able to be issued by Avalon (due to a restriction imposed by a regulatory body), Avalon agrees to make the First Payment into Hannans' Nominated Bank Account on or before 31 October 2013; and
(c) within 5 Business Days of the Discovery Exploitation Concession being granted (Concession Grant Date), Avalon will deposit a cash payment of AUD$3,000,000 into Hannans' Nominated Bank Account (Final Payment).

<u>Capital Raising</u>

On 9 August 2013 Avalon Minerals Ltd announced a fully underwritten non-renounceable rights issue. The rights issue is a 1 for 1 non-renounceable pro-rata rights issue to raise approximately $5.62 million at an offer price of $0.01 per new share. The offer was fully underwritten by Avalon's largest shareholder, Tan Sri Abu Sahib Mohamed, who held a 19.9% interest in Avalon at the time of the rights issue.

The Company was to use the proceeds raised under the rights issue to:

a) fund preparatory work required for the bankable feasibility study on the Company's Viscaria Copper-Iron Project in Sweden;
b) investigate and advance business development opportunities for the Company, with the goal of creating value for shareholders;
c) fund the acquisition of tenements; and
d) provide working capital to the Company generally.

On 6 September 2013, the Australian Government's Takeovers Panel announced that one of Avalon's shareholders had made an application to the Takeovers panel. The applicant submitted (among other things) that the underwriter and his associates may obtain control of Avalon to the detriment of Avalon shareholders. The applicant also submitted that the structure of, and disclosure in relation to, the rights issue was unacceptable. Interim orders were made by the Takeovers panel which includes:

(1) Avalon must immediately take all action necessary to postpone the commencement of deferred settlement trading of new shares to be issued under the rights issue announced by Avalon on 9 August 2013.
(2) Avalon must not issue or allot any new shares under the right issue without the prior approval of the Panel.
(3) Any money received by Avalon as subscriptions for new shares under the rights issue must be held:
    a. Separately from all other Avalon funds and
    b. On trust for the subscribers.
(4) Tan Sri Abu Sahid Mohamed must not rely on any right he may have to terminate the underwriting agreement between him and Avalon by reason of or as a consequence of the application to the Panel in this matter or these interim orders.
(5) These interim orders have effect until the earliest of:
    a. Further order of the Panel
    b. The determination of the proceedings and
    c. 2 months from the date of these interim orders.

$3.6 million in funds received under the rights issue was held in trust pending the final orders at the Takeovers Panel. On 27 September 2013 the Panel varied the interim orders, the effect of which included:

- Avalon can proceed with completion of its rights issue only in respect of shares subscribed for by Tan Sri Abu Sahid Mohamed, Dato Lim Heng Suan and Dato Siew Mun Chuang;
- Subscription money for shares subscribed for under the rights issue by all other shareholders continue to be held on trust for those shareholders;
- Tan Sri Abu, Dato Lim and Dato Siew must not acquire any Avalon shares (other than shares issued to them under the rights issue) nor dispose, transfer or grant a security interest over any shares issued to them under the rights issue and;
- Tan Sri Abu must not exercise or rely on any right he may have to terminate the underwriting agreement as a consequence of the Panel application or any interim orders made.

As a result of this variation, $2.1 million is now available to the Company and will be transferred from trust to the Company's bank account. The application to the Takeovers Panel is still under consideration by the panel and final orders are now expected in early October.

Further share placements after reporting date
On 19 August 2013 the company issued 26,523,616 shares at 1.3 cents per share to professional and sophisticated investors. On 5 September 2013 the company issued a further 26,523,640 shares at 1.3 cents per share to professional and sophisticated investors. $689,614 was raised from the two placements.

Company Highlights for 2012-2013

- 17,000m drilling program completed on the Viscaria Copper-Iron Project increasing the D Zone Copper-Iron Mineral Resource and extending the Copper mineralisation at the A Zone Prospect;
- Heads of Agreement signed with Hannans Reward to acquire the Discovery Zone Copper-Iron Mineral Resource;
- Drilling completed at the Tjarro Copper Prospect, being Avalon's first drill testing of regional exploration targets outside of the Mineral Resources at Viscaria;
- Overall Mineral Resource at D Zone increased to 30 million tonnes from 15.5 million tonnes (prior to the November 2012 to May 2013 drilling program);
- Contained copper metal within the D Zone increased by 183% to 136,000t, with the copper Mineral Resource increased by 152% to 13.6 million tonnes @ 1% Cu, above a 0.4% Cu cut-off grade;
- Estimated recoverable iron from the D Zone Mineral Resource increased by 78% to 5.7 million tonnes and the iron Mineral Resource increased by 73% to 25.6 million tonnes @ 26.4% Fe at a 15% Mass Recovery cut-off;
- Objectives for increasing the D Zone Mineral Resource were significantly exceeded with the contained copper increased by 195% of the objective and contained iron increased by 195% of the objective;
- Scoping Study results indicated that the potential $NPV_{10\%\ REAL}$ (pre-tax) of an Open Pit Mining Scenario on the Viscaria Project is now US$373 million (using US$3.00/lb copper price, US$150/t iron ore pellet price), greatly exceeding the target project Net Present Value ('NPV') of US$300 million announced following the Scoping Study of October 2012;
- Increased Project NPV is due to the upgrade of the D Zone Mineral Resource, planned acquisition of the Discovery Zone Mineral Resource and revised mining cost assumptions;
- Viscaria pre-production CAPEX is estimated at US$180 million, with a total Life-of-Mine CAPEX of US$231million;
- Internal Rate of Return (IRR) = 56.6% and the C1 Cash Cost, net of iron credits, for the Open Pit Mining Scenario is US$0.49/lb copper;
- At US$3.25/lb copper price, the Open Pit Mining Scenario has a $NPV_{10\%\ REAL}$ (pre-tax) of US$423 million;
- At US$2.75/lb copper price, the Open Pit Mining Scenario has a $NPV_{10\%\ REAL}$ (pre-tax) of US$323 million;
- A Strategic Review was commenced in order to determine the optimum way forward for financing the completion of a Bankable Feasibility Study of the Viscaria Copper Project and creating value for shareholders from the significant enhancement achieved in the economics of the Viscaria Copper Project;
- Significant operational efficiencies were achieved on the Viscaria Copper Project with average per metre drilling costs being reduced from over $500/m to $280/m;

- A Country office was established in the northern Sweden city of Luleå in order to better interact with stakeholders, consultants and governments and build effective relationships with these groups prior to the commencement of the Viscaria Bankable Feasibility Study and Environmental Impact Assessment ('EIA') process.

Business Objective and Company Strategy

Avalon's overall company objective is to create value for shareholders by demonstrating the Viscaria Copper-Iron project is economically viable and financeable. Additional value can also be created through exploration success and the discovery of new copper and copper-iron deposits within the Kiruna region of northern Sweden.

Avalon's strategy to achieve the above objectives is as follows:

- Define Mineral Resources on the Viscaria Copper-Iron Project to support >$300 million Project NPV
- Complete Viscaria Bankable Feasibility Study ('BFS') and permit the Viscaria Project for development;
- Demonstrate Viscaria Project has the potential to be a mid-tier copper producer of >20,000tpa of Cu and 1Mtpa Fe;
- Test selected regional exploration targets with the potential to be new sites of copper and/or copper-iron mineralization.

Significant progress was made during 2012-2013 to achieve the outcomes detailed in the strategy above:

- The Mineral Resource extension drilling program conducted at Viscaria was successful and more than achieved the targeted increase to the D Zone Copper-Iron Mineral Resource;
- The signing of the Heads of Agreement with Hannans Reward for the acquisition of the Discovery Zone Copper-Iron Mineral Resource, greatly increased the overall mineral resource inventory of Avalon;
- Drilling to extend the A Zone copper Mineral Resource was not as successful as planned and further drilling needs to be completed at A Zone in order to determine if the goal of adding 2-3Mt of 2.5% Cu, can be added to the existing A Zone Mineral Resource;
- The updated Scoping Study released in early July 2013, demonstrated that Viscaria is capable to supporting a 10 year copper-iron producing project with a NPV of US$373 million, more than achieving the goal set of showing the Viscaria Project could support a project with an NPV of >US$300 million;
- For the first time in Avalon's history of working in Sweden, exploration drilling was conducted at a regional exploration prospect, the Tjarro Prospect, outside of the main Mineral Resources at Viscaria. Copper mineralisation was intersected at Tjarro and further exploration work is warranted to follow up on the copper mineralisation discovered;
- Critical to the success of the above strategy is securing funding to allow completion of the Viscaria BFS. Completion of the BFS will be a key value-creating step for Avalon, along with the granting of the mining lease and environmental permits such that Avalon will have all the permissions necessary to allow the Viscaria project to be put into production. During the 2012-2013 financial year, Avalon was not able to secure funding to allow the Viscaria BFS to commence. The company is taking the position that the BFS will not be commenced until all funding required to complete the BFS has been obtained. A Strategic Review was commenced to look at all options to fund the Viscaria BFS and that process is ongoing.

Business Model

Avalon Minerals is a junior exploration and mineral development company, focussed on creating value for shareholders from the Viscaria Copper-Iron Project in northern Sweden (Figure 1). Value for shareholders will be created by demonstrating that the Viscaria Copper-Iron Project is financially viable, capable of generating an NPV in excess of US$300 million and is permitted for production. In order to demonstrate these qualities Avalon plans to complete a BFS of the Viscaria Copper-Iron Project.

To demonstrate that a BFS was warranted for the Viscaria Copper-Iron Project, a Scoping Study was completed in July 2013, which showed that, at a Scoping Study level of accuracy, the Viscaria Copper-Iron Project has the potential to sustain a 10 year mine life and produce a NPV of US$373 million (pre-tax). Avalon's challenge is now to secure funding to allow completion of the BFS.

Assuming that the completion of the BFS is successful and all development permits necessary for Viscaria are obtained, which should be a major value creating step for Avalon shareholders, the following will be considered as potential ways of capturing shareholder value:

- Raising the project finance to allow Avalon to complete construction of a mine at Viscaria, which Avalon would then operate
- Sale of the Viscaria Copper-Iron Project
- Inviting a joint venture partner to earn an interest in the project by financing the development of the project

All these options will be considered to create value for shareholders following the completion of the Viscaria BFS and the option taken which delivers the best value for shareholders while minimising project and finance risk.

Future Company Performance

The Viscaria Copper-Iron Project Scoping Study released in July 2013 showed that the Viscaria Copper-Iron Project has the potential to generate a NPV of US$373 million (pre-tax), annual copper production between 15,000t to 22,000t and iron production of 625kt to 1.25Mt, over a 10.3 year mine life. In order to create significant value from the project, it is now necessary to fund and complete a BFS of the project. This BFS could cost in the range $15-20 million.

The future performance of Avalon is now heavily dependent upon Avalon's ability to raise the funds to allow initiation and completion of the Viscaria BFS. Providing that a BFS confirms the economics of the Viscaria Copper-Iron Project, which have been suggested by the Scoping Study, then potentially a significant proportion of the value of the Viscaria Copper-Iron Project should then be reflected in the market capitalisation of Avalon.

The Viscaria BFS and EIA are expected to take 12-18 months to complete. Subject to securing funding, the Viscaria BFS and EIA are expected to commence late in 2013 or early 2014 and complete in mid-2015. Therefore, the performance of Avalon and the creation of value for shareholders is now significantly dependent upon securing the funding for the Viscaria BFS.

Company Strengths and Weaknesses

Avalon has a strong technical and operational team, which has significantly enhanced the quality and financial viability of the Viscaria Copper-Iron Project. The quality of Avalon's technical and operational team is one of the key strengths of the company. Another key strength of Avalon is the operational and administrative team based in Luleå, Sweden. This team is responsible for progressing the EIA and liaison activities with all of Avalon's key stakeholders in Sweden.

The major weakness of Avalon is its ability to access funds from the capital markets in order to finance the completion of a BFS of the Viscaria Copper-Iron Project. The completion of a BFS is the next major value creating step for the Project. Without secured funding for the BFS, the creation of shareholder value from the Viscaria Copper-Iron Project will be delayed.

Risks

The prospect of the Company progressing through feasibility studies and potentially developing its copper-iron project in Sweden may be affected by a number of factors. These factors are similar to what most exploration and project development companies would experience, moving from the exploration phase to the feasibility phase, while continuing to explore for additional mineral resources.

The major risks are as follows:

- Single Geographic Focus – Our projects are located only in the Kiruna region of northern Sweden. This exposes the Company to a lack of diversity in exploration and project development activities, which may impact on the future creation of shareholder value.
- Exploration & Development – There is a risk that the actual mineralisation may be different to the expected results from exploration and the definition of mineral resource development. Adverse movements in defined Mineral Resources may impact the financial viability of the Viscaria Project in the future.
- Regulatory and Sovereign – The Company operates in Sweden and Australia. The Company's mineral projects are located in northern Sweden while the Company's main administrative functions are run from the head office in Brisbane, Australia. The Company deals with local regulatory authorities in relation to the operation and development of its projects in Sweden. There may be adverse changes in the regulatory environment in future periods which may impact mineral tenure, mineral project regulation, export regulation, taxation and other regulated activities, all of these cumulatively or individually may impact the financial viability of the Company's projects in the future.
- Funding – The Company is an exploration and development company and hence does not currently produce its own revenue from operating mines. Avalon will require additional funding to continue exploration and advancement of the Viscaria Copper-Iron Project. There is no certainty that the Company will have access to financial resources sufficient to fund its obligations and projects into the future.
- Project Development - The Company is involved in progressing an early stage Copper-Iron Project in Sweden. The Company is anticipating conducting a Bankable Feasibility Project which may demonstrate that the capital costs and/or operating costs of the Viscaria Copper-Iron Project may not justify the economic development of the project. In addition, the EIA Study, which needs to be completed prior to the commencement of construction of the Project, may not be approved by the Swedish government authorities, hence meaning that the Project will not be permitted for becoming a mine.
- Market Factors – If the Viscaria Copper-Iron Project does proceed to development, following a successful BFS, then there are many factors involved with early stage development of a project, including variance in commodity price, foreign exchange and labour costs, which can result in a project becoming uneconomical.

AVALON MINERALS LTD
Directors' Report

Operational Review

Avalon continued to progress the Viscaria Copper-Iron Project during the 2012-2013 financial year and the major achievements during this period were as follows:

- Viscaria Copper-Iron Project Scoping Study (October 2012)
- 17,000m drill program at the D and A Zone prospects at Viscaria (November 2012-May 2013)
- Revised Mineral Resource for D Zone (June 2013)
- Regional exploration drilling completed at the Tjarro Prospect (April 2013)
- Signing of a Heads of Agreement to acquire the Discovery Zone Cu-Fe Prospect (May 2013)
- Updated Scoping Study for the Base Case Open Pit mining scenario for open pit mining operations at the A Zone South, B Zone, D Zone and Discovery Zone Prospects, indicating a potential for a Project NPV of US$373 million.

Figure 1 – Viscaria Project Location

Scoping Study on Viscaria Copper Project Open Pit Mining Scenario

In July 2013, the Company announced the results of a Scoping Study completed on the Viscaria Project by Xstract Mining Consultants. The Scoping Study Open Pit Mining Scenario assessed the viability and potential value of the defined Mineral Resources on the Viscaria Copper Project, as of July 2013, with the addition of the Discovery Zone Mineral Resource. The Mineral Resources used in the Scoping Study are shown in Table 1.

The Discovery Zone Prospect has a current JORC Inferred Mineral Resource of 10.9Mt @ 0.31% Cu, 38.7% Fe and 0.08g/t Au, reported above a 20% Fe cut-off. The Viscara Project Mineral Resources were subjected to open pit optimisations using the parameters and revenue assumptions outlined in Table 2. Using these parameters, a series of optimised open pit shells were generated along the near-surface trends of the A Zone, B Zone, D Zone and Discovery Zone Mineral Resources at Viscaria. The production profile developed for the optimised open pit mining scenario is shown in Figure 2 and Table 3.

Table 1: Currently Defined Mineral Resources on the Viscaria Project

Resource Name	Classification	Tonnes (t)	Cu Grade (%)	Cu Metal (t)
A Zone*	Measured	14,439,000	1.66	240,000
	Indicated	4,690,000	1.22	57,000
	Inferred	2,480,000	1.03	26,000
	Subtotal	**21,609,000**	**1.49**	**323,000**
B Zone*	Measured	123,000	1.33	2,000
	Indicated	4,118,000	0.72	30,000
	Inferred	15,410,000	0.77	118,000
	Subtotal	**19,651,000**	**0.76**	**150,000**
D Zone Cu Resource	Indicated**	5,100,000	1.07	55,000
	Inferred**	8,500,000	0.96	81,000
	Subtotal	**13,600,000**	**1.00**	**136,000**
Overall Cu	**Total**	**54,860,000**	**1.11**	**609,000**

Resource Name	Classification	Tonnes (Mt)	Fe Grade (%)	Mass Recovery (%)	Contained Iron (Mt)	Estimated recoverable iron (Mt)
D Zone Fe Resource	Indicated***	11.7	27.5	33.4	3.2	2.7
	Inferred***	13.9	25.7	31.0	3.6	3.0
Overall Fe	**Total**	**25.6**	**26.4**	**32.1**	**6.8**	5.7

*** 2011 Mineral Resources for A Zone and B Zone are reported above a cut-off grade of 0.4% Cu.**

**** 2013 Copper Mineral Resource for D Zone above a cut-off grade of 0.4% Cu.**

***** 2013 Iron Mineral Resource for D Zone above a cut-off grade of 15% Mass Recovery.**

Note that the total D Zone Indicated and Inferred Mineral Resource reported for the Copper and Iron above 15% Mass Recovery (Table 1) are not mutually exclusive; the Mineral Resource for Iron above 15% Mass Recovery excludes 4.4 million tonnes at 0.89% Cu above a cut-off grade of 0.4% Cu.

Contained iron is tonnes x Fe%, which may include iron content in silicates that could not be recovered. Estimated recoverable iron is based on Davis Tube Recovery test work at a 75 micron grind size. Estimated contained iron is tonnes x mass recovery % x Fe % in concentrate (69% Fe).

Table 2: Pit Optimisation Parameters and Revenue Assumptions

Parameter	Unit	Value
Overall pit slope angle	Degrees	60
Copper Price	US$/t	US$6,614
Fe Price	US$/t	US$150
Mining Cost (ore)	US$/t	US$4.00
Mining Cost (waste)	US$/t	US$3.00
Mining Recovery	%	95%
Mining Dilution	%	5%
Metallurgical Recovery	% Cu	85%
	% Fe	76%
Concentrate Grade	% Cu	25%
	% Fe	69%
Processing Costs	US$/t ore	US$9.39
Admin Costs	US$/t ore	US$3.08
Payable Copper	% Cu contained	98%
Payable Magnetite	% Fe contained	98%
Copper Conc. Treatment charge	c/lb Cu	90
Copper Conc. Refining charge	c/lb Cu	9
Magnetite Conc. Treatment charge	US$/dmt	28

Figure 2: Open Pit Mining Scenario Production Profile

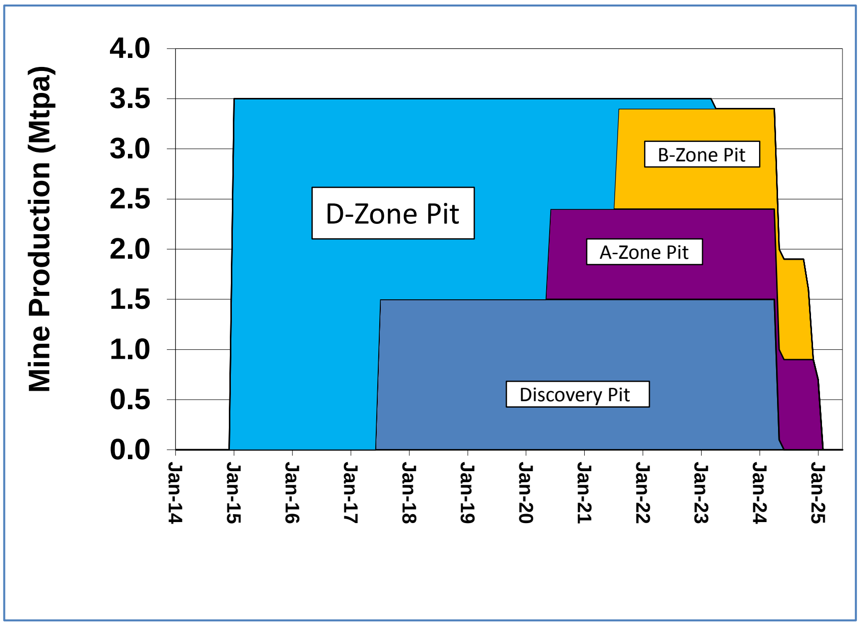


Table 3: Open Pit Mining Scenario Production Summary

Year	Tonnes Mined (kt)	% Cu	% Fe	Copper Conc Produced (kDMT)	Contained Copper (kt)	Magnetite Conc Produced (kDMT)	Contained Iron (kt)
FY2014							
FY2015	1750	0.50	23.5	29.5	7.4	488	339
FY2016	3500	0.50	23.5	59.0	14.7	976	678
FY2017	3500	0.50	23.5	59.0	14.7	976	678
FY2018	3500	0.52	29.0	62.3	15.6	1246	866
FY2019	3500	0.52	29.0	62.3	15.6	1246	866
FY2020	3500	0.54	28.5	64.1	16.0	1221	849
FY2021	3500	0.70	23.0	83.5	20.9	950	660
FY2022	3500	0.74	17.0	87.6	21.9	661	459
FY2023	3465	0.74	16.4	87.4	21.8	625	434
FY2024	2833	0.78	12.5	75.6	18.9	385	267
FY2025	1104	0.89		33.4	8.4		
	33,652	**0.61**	**22.0**	**704**	**176**	**8,774**	**6,096**

A summary of the economic assessment of the Open Pit Mining Scenario is given in Table 4.

Table 4: Summary of the Economic Assessment of the Open Pit Mining Scenario

Open Pit Mining Scenario	Viscaria Project Mineral Resources + Discovery Zone Mineral Resource	
Tonnage and grade	33.7 Mt @ 0.61% Cu and 22% Fe	
Optimum Mining Rate	3.5 Mtpa	
Mine Life	10.3 years	
Pre-Production Capex	US$180 M	Includes US$20.6M pre-strip
Life-of-Mine Capex	US$231 M	Excludes closure costs
$NPV_{10\%\ REAL}$ (pre-tax)	**US$373 M**	US$3.00/lb Cu US$150/t iron ore pellets

Price Sensitivity

In order to understand the sensitivity of the Project NPV to changes in the prices of copper and iron, an economic analysis was completed using varied price scenarios, as outlined in Table 5.

Table 5: Price Sensitivity (NPV $_{10\%\ real}$)

Project NPV$_{10\%\ real}$ (Pre-Tax)		Fe Price (for 69% Fe iron ore pellets)		
		US\$130/t	**US\$150/t**	**US\$170/t**
Cu Price	**US\$3.50/lb Cu**	\$371	\$474	\$578
	US\$3.25/lb Cu	\$321	\$423	\$527
	US\$3.00/lb Cu	\$270	**\$373**	\$477
	US\$2.75/lb Cu	\$219	\$323	\$426

Cost and Revenue Assumptions

The capital costs used in the Open Pit Mining Scenario have been summarised in Table 6, with the operating costs assumptions in Table 7. The C1 copper cash operating costs, net of iron credits, for the Open Pit Mining Scenario is predicted to be \$0.49/lb Cu, which is in the lower quartile of copper producers. The breakdown of the project value minus the various capital and operating cost assumptions is shown in Figure 3.

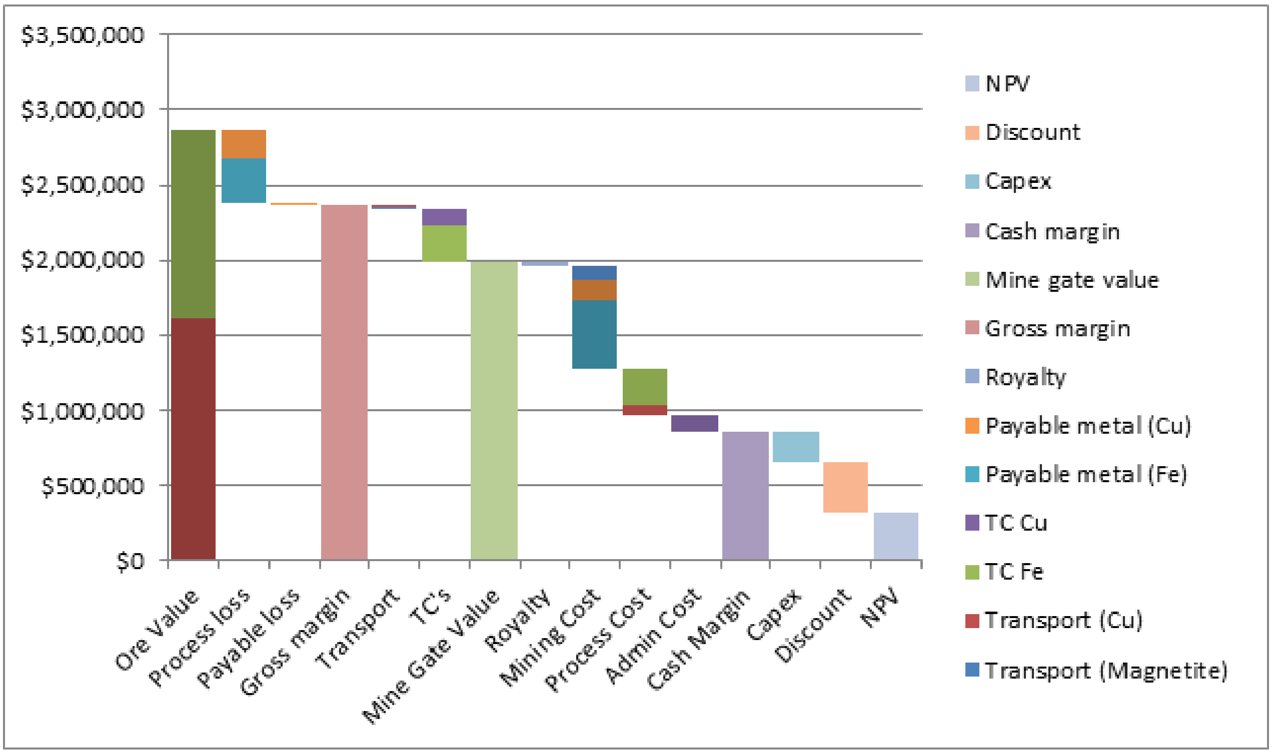
Table 6: Capital Cost assumptions

Item	Open Pit Mining Scenario (US\$M)	Comments
Process Plant	151.7	Scalable on production capacity
Pit D site establishment	2.5	Includes provision of site services and access roads
Pre-Strip	20.6	
Tailings Storage Facility	5.0	
Pre-Production Total	180	
Pit A site establishment	1.7	Includes provision of site services and access roads
Pit B site establishment	1.5	Includes provision of site services and access roads
Discovery Zone site establishment	15.0	Includes provision of site services, access roads, surface water berm
Replacement Capital	33.0	
Closure Costs	-	Not Included
Life of Mine Total	**231**	

Table 7: Operating Cost assumptions

Parameter	Unit	Value	Comments
Mining Cost (ore)	US$/t	$4.00	
Mining Cost (waste)	US$/t	$3.00	
Processing Costs	US$/t ore	$9.39	Variable – assumes 40% fixed costs and 9.39/t @ 3.5Mtpa
Admin Costs	US$/t ore	$3.08	
Copper Conc. Transport	US$/DMT conc	15.75	Assumes local smelter
Magnetite Conc. Transport	US$/DMT conc	1.50	Assumes slurry pipe to LKAB

Figure 3: Project Value Breakdown (at US$3/lb Cu, US$150/t iron ore pellets)



Review of Costs and Revenue Assumptions

As a part of the July 2013 Scoping Study, the costs and revenue assumptions used in previous economic assessments (March 2013 and October 2012) were also reviewed. One of the most significant findings of this review was that the open pit mining costs used previously were too high in comparison to several operating mines in Scandinavia. The review recommended that the open pit mining costs be lowered to US$4.00/t for ore and US$3.00/t for waste, in comparison to US$4.55/t for ore and waste that was previously used.

Other costs and revenue assumptions from previous economic assessments that were adjusted are shown in Table 9. These include: lowering the copper price to US$3.00/lb Cu from US$3.25/lb Cu, to represent a wider view of copper price forecasts; decreasing the overall Metallurgical Recovery of the copper to 85% from 90% due to presence of copper oxides in some areas; and increasing the copper treatment (TC) and refining (RC) charges to reflect increases in these costs since the 2010 Pre-Feasibility Study was completed.

Table 9: Summary cost and revenue assumptions adjusted in the July 2013 open pit mining scenario, in comparison to previous open pit mining scenarios.

Parameter	Unit	March 2013 Scoping Study	July 2013 Scoping Study	Comments
Copper Price	USD/t	$7,165	$6,614	Decreased to US$3.00/lb Cu due lower copper price forecasts
Open Pit Mining Cost (ore)	USD/t	$4.55	$4.00	Decreased due to review of Scandinavia mining costs
Open Pit Mining Cost (waste)	USD/t	$4.55	$3.00	Decreased due to review of Scandinavia mining costs
Metallurgical Recovery	% Cu	90%	85%	Reduced due to uncertainty around processing some areas of oxide copper
Copper Conc. Treatment Charge	USD/dmt	$45	$90	Increased to reflect 2013 TC prices
Copper Conc. Refining Charge	c/lb Cu	4.5	9	Increased to reflect 2013 RC prices
Royalty Viscaria	%	0.75	1.00	Increased due to Discovery Zone royalty

Potential Value Opportunities and Risks

Mine design

All of the potential mining scenarios assessed included some Inferred Mineral Resource estimates. Ongoing exploration drilling and subsequent re-estimation may result in changes to the economically minable portions of the Mineral Resources. This may result in an increase or decrease in the tonnage and/or grade estimates.

When undertaking final designs from an optimised pit shell, practical mining considerations may require additional waste to be mined and/or ore to be left behind. In the absence of any geotechnical study into pit wall stability, reasonably conservative pit angles have been assumed (60 degrees). Any change in pit wall angles is likely to materially impact the strip ratio and open pit economics.

The D Zone pit has been optimised as a standalone open pit, on the assumption that there will be no underground mining. A preliminary assessment has shown that part of the remaining resource below the pit may be economic to mine by underground methods. If ongoing work substantiates this, then a combined open pit and underground optimisation is recommended. This is likely to result in a smaller pit with additional material mined from underground.

D Zone Underground Mining Potential

A preliminary assessment was completed on the portion of the D Zone Mineral Resource under the open pit shell that could be extracted by underground mining methods. Wireframes were constructed around high grade areas based on a cut-off value of US$70 Net Smelter Return (NSR) to simulate underground stopes with a minimum mining width of 4.0m (Figure 4). These stopes contained a total of 4.7 million tonnes @ 0.92% Cu and 25% Fe.

Additional CAPEX for the underground development has been estimated at US$30 million and includes the ramp development (two declines 560m in length), access cross cuts, mine establishment, pumping, ventilation and egress. The average NSR is US$81/ tonnes of ore at a copper price of US$3.25/lb and an iron ore pellet price of US$150/tonne. The operating costs have been estimated using US$65/tonne of mined material and $4500/m for underground development for a total OPEX of US$64 million. Accounting for both the CAPEX and OPEX, this gives a net cash margin of US$34 million.

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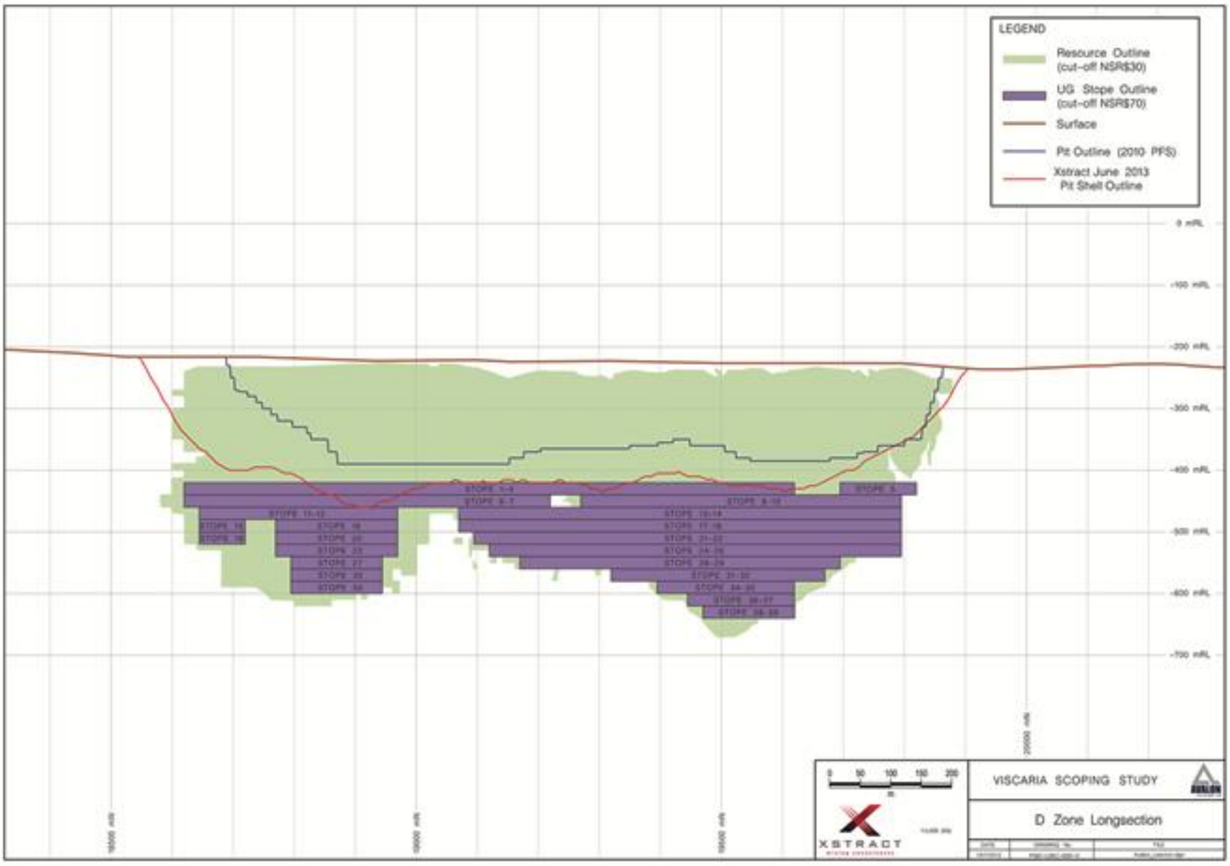
The value of the underground mining potential at D Zone has not been included in the overall Viscaria Project NPV calculation, as it does not materially impact the NPV calculation. This is due to the fact that underground mining cannot begin until the D Zone open pit has finished and will require some higher value ore (from lower cost open pits) to be displaced in order to maintain mill throughput. However, it is very likely that the D Zone underground would be mined near the end of the mine life and therefore remains an upside of US$34 million to the project.

Figure 4: D Zone Long Section Underground Mining Wireframes



Scheduling and stockpiling
At the level of a concept mining study, the production scheduling undertaken was set at a fixed rate with average grades with no allowance for production ramp-up or build-up of stockpiles ahead of the process plant. Open pit waste material was scheduled at a constant rate six months in advance of ore production. In reality, there would be a ramp-up period as the process plant is commissioned, operators trained, recoveries and throughput optimised. A ramp-up period of 3 to 6 months would be typical for an operation of this scale.

An operating mine would normally optimise the mining schedule by targeting higher grade ore early in the mine life in order to increase revenue in the early years, with the stockpiling of lower grade ore as required. Optimising the ore mining sequence would be expected to add further value.

Processing
In the Viscaria Scoping Study it was assumed that all ore types would be treated through the same process plant configuration with an average ore blend. All material was assumed to pass through the comminution and copper flotation stages of the plant before passing through the magnetic separation section to recover the magnetite as documented in the 2010 Pre-Feasibility Study.

There may be opportunity to add further value by optimising the plant by batch processing different ore types with the plant configured specifically for each ore type, rather than a blend. In addition to maximising payable metal recovery, there may be savings in plant operating and capital costs.

In the economic evaluation, a fixed recovery for copper was used. In practice, the recovery will improve with head grade and applying a fixed recovery will tend to overstate recovery for low-grade ore and understate recovery for high-grade ore.

Satellite deposits
There may be opportunity to process ore from other deposits within trucking distance of the proposed plant. This may result from Avalon's ongoing exploration efforts in the area and/or negotiation with third parties to toll treat ore, or purchase/joint venture separately owned resource assets. Value adding options would be to extend the operating life of the project and/or increase the processing capacity to achieve cost savings due to economies of scale.

D Zone Mineral Resource Upgrade

On 26 June 2013, the Company announced a Mineral Resource estimate upgrade at the D Zone Prospect on the Viscaria Project in northern Sweden. This resource upgrade was the culmination of the 2012-2013 northern hemisphere winter extensional drill program where 43 drill holes were completed at the D Zone prospect for 12,442 metres.

Incorporating drilling information from the 2012-2013 winter extensional drill program as well as historical data deemed suitable for estimation, a new Mineral Resources for the D Zone Prospect was reported as:

- 13.6 million tonnes (Mt) @ 1.00% Cu above a 0.4% copper cut-off grade, and is classified as being 5.1 Mt @ 1.07% Cu Indicated and 8.5 Mt @ 0.96% Cu Inferred (Table 10);

- 25.6 million tonnes (Mt) @ 26.4% Fe at a cut-off above a 15% Fe Mass Recovery grade, and is classified as 11.7 Mt @ 27.5% Fe Indicated and 13.9 Mt @ 25.7% Fe Inferred (Table 11).

Table 10: D Zone Mineral Resource for Copper reported above a 0.4% Cu cut-off grade

Mineral Resource Category	TONNES (Mt)	Cu (%)	Copper Metal (t)
Indicated	5.1	1.07	55,000
Inferred	8.5	0.96	81,000
Indicated + Inferred	**13.6**	**1.00**	**136,000**

Table 11: D Zone Mineral Resource for Iron reported above a 15% Mass Recovery cut-off

Mineral Resource Category	TONNES (Mt)	Fe (%)	Mass Recovery (%)	Contained Iron (Mt)	Estimated Recoverable Iron* (Mt)
Indicated	11.7	27.5	33.4	3.2	2.7
Inferred	13.9	25.7	31.0	3.6	3.0
Indicated + Inferred	**25.6**	**26.4**	**31.9**	**6.8**	**5.7**

*Estimated Recoverable Iron = Tonnes x Mass Recovery x Fe % in concentrate (69% Fe) and is based on DTR test work at a 75 micron grind size.

Note that the total Indicated and Inferred Mineral Resource reported for Copper (Table 10) and for above 15% Mass Recovery (Table 11) are not mutually exclusive; the Mineral Resource for above 15% Mass Recovery excludes 4.4Mt at 0.9% Cu above a cut-off grade of 0.4% Cu. Therefore, the overall Mineral Resource contains 30Mt; 25.6Mt from the Mineral Resource reported at a 15% Mass Recovery cut-off and 4.4Mt at 0.9% Cu above a cut-off grade of 0.4% Cu.

Comparison with D Zone Mineral Resource reported prior to 2012-2013 Winter drill program

The D Zone Mineral Resource prior to the recently completed 2012-2013 winter drill program was announced on 2 October 2012 and is displayed in Tables 12 and 13. The overall tonnage of the new revised Mineral Resource is approximately 30Mt, compared to approximately 15.5Mt in the previous D Zone Mineral Resource. This represents an increase of 14.5Mt or 94%.

Importantly, the increased tonnage of the overall mineral resource has also been achieved with an increase in copper and iron grade.

The tonnage of the copper Mineral Resource itself increased from 5.4 to 13.6Mt or 152%. As the grade of the copper Mineral Resource has also increased from 0.9% Cu to 1.0% Cu, this also resulted in a 183% increase to the contained tonnes of copper. Importantly for the possibility of mining parts of D Zone via underground methods, if a 0.8% Cu cut-off is used, the copper Mineral Resource has grown from 2.0 to 7.6Mt at 1.4% Cu or 280%.

The tonnage of the iron Mineral Resource itself increased from 14.8 to 25.6Mt, or 73%. As the grade of the iron Mineral Resource increased, this has also resulted in a 78% increase to the estimated recoverable iron tonnes.

Table 12: October 2012 D Zone Mineral Resource for Copper reported above a 0.4% Cu cut-off grade

Mineral Resource Category	TONNES (Mt)	Cu (%)	Copper Metal (t)
Indicated	3.5	0.9	33,000
Inferred	1.9	0.8	15,000
Indicated + Inferred	**5.4**	**0.9**	**48,000**

Table 13: October 2012 D Zone Mineral Resource for Iron reported above a 15% Mass Recovery cut-off

Mineral Resource Category	TONNES (Mt)	Fe (%)	Mass Recovery (%)	Contained Iron (Mt)	Estimated Recoverable Iron* (Mt)
Indicated	9.5	25.9	31.3	2.5	2.1
Inferred	5.3	25.6	30.8	1.4	1.1
Indicated + Inferred	**14.8**	**25.8**	**31.1**	**3.9**	**3.2**

*Estimated Recoverable Iron = Tonnes x Mass Recovery x Fe % in concentrate (69% Fe) and is based on DTR test work at a 75 micron grind size.

Exploration Drilling

Regional

During April 2013, exploration drilling commenced at the Tjärro Prospect ('Tjärro'), with the first assay results announced on 4 June 2013. Tjärro is considered one the most prospective copper-gold regional prospect closest to the Viscaria Project. Tjärro is situated approximately 20km northeast of the Viscaria Project and is part of Avalon's 720km² exploration tenement package.

The exploration drilling completed at Tjärro was the first regional exploration drilling completed by Avalon during its work in Sweden. Tjärro was selected for drilling following a helicopter airborne electromagnetic ('EM') survey, which was flown in September 2013 and the compilation of historical exploration and drilling information. A 2km strike length EM conductor at the Tjavelk Prospect ('Tjavelk') was also selected for drilling, but this prospect could not be accessed before the end of the regional drilling season at the end of April. The Company plans to drill Tjavelk during the 2013-2014 winter drill season.

At Tjärro , drill hole TD005 intersected 11.85m @ 0.4% copper and 0.2g/t gold from 91.15m, including 2.85m @ 0.7% copper and 0.5g/t gold (Table 14). This hole was drilled approximately 200 metres along strike of historic drilling results including: 15m @ 1.3% Cu from 80m, including 8m @ 1.7% Cu; 17m @ 1% Cu, including 7m @ 1.4% Cu; and 34.45m @ 0.6% Cu & 0.4g/t Au from 85.15m, including 3.6m @ 1.6% Cu & 1.2g/t Au. The results from drill hole TD005 and the historical drilling indicate that the Tjärro prospect contains copper and gold mineralisation over hundreds of metres of strike and at shallow depths.

Avalon is planning on conducting 9 ground IP geophysical surveys, in order to determine the full strike extent of the copper-gold mineralisation at Tjärro. It is anticipated that the geophysical data will be able to give indications as to where the copper-gold mineralisation is strongest and how the mineralisation varies along strike and at depth. Further drilling will be targeted provided the geophysical data generates additional targets.

Table 14: Drill hole details and assays results.

<table>
<tr><th>Hole</th><th>Easting (RT90, m)</th><th>Northing (RT90, m)</th><th>Azi. (°)</th><th>Dip (°)</th><th>From (down hole m)</th><th>To (down hole m)</th><th>Interval Width (down hole m)</th><th>% Cu</th><th>g/t Au</th><th>End of Hole (m)</th></tr>
<tr><td rowspan="3">TD005</td><td rowspan="3">1,696,825</td><td rowspan="3">7,555,457</td><td rowspan="3">270</td><td rowspan="3">-50</td><td>91.15</td><td>103.00</td><td>11.85</td><td>0.4</td><td>0.2</td><td rowspan="3">198.1</td></tr>
<tr><td colspan="5">including:</td></tr>
<tr><td>91.15</td><td>94.00</td><td>2.85</td><td>0.7</td><td>0.5</td></tr>
</table>

Bankable Feasibility Study (BFS)

The BFS of the Viscaria Copper-Iron Project commenced in October 2010 and remains suspended, pending finalisation of funding to allow the BFS to be completed.

Approvals

a) MEC

The Mining Exploitation Concession (MEC) for the Viscaria Project was submitted to the Bergsstaten (Swedish Mines Inspectorate) in April 2010 and was significantly amended in early 2011 following submissions from the city of Kiruna. The Bergsstaten approved the MEC for Viscaria in two licences: Viscaria K3 and Viscaria K4. The two MEC's granted cover the D Zone and the southern area of the A Zone and B Zone mining areas.

A third MEC application (Viscaria K7) remains under consideration by Bergsstaten pending an amendment to the Kiruna town planning act to allow for the grant of a mining lease which includes the power generation windmills and a power line affected by the northern parts of A Zone and B Zone. Avalon has commenced the process to have the amendment to the Kiruna town planning act ratified by the Kiruna Kommun, hence allowing the MEC K7 to be granted.

The granting of the MEC is a precursor to consideration by the regulator of the EIA and permits access to the historical underground mining openings to check present day geotechnical conditions and groundwater levels.

b) Environment Impact Assessment

The Viscaria Project Environment Impact Assessment (EIA) was submitted to the Environmental Court of Sweden (ECS) in April 2011. Following the suspension of the BFS, the Company sought suspension of consideration of the EIA by the ECS to reduce expenditure. A response from the ECS to the request is yet to be received. Avalon is currently making preparations to resubmit the EIA before the middle for 2014, subject to funding for the Viscaria BFS to be secured.

Status of Takeovers Panel proceedings

The Company is currently subject to proceedings before the Takeovers Panel (Panel) which were commenced in connection with the recent fully underwritten rights issue which closed on 9 September 2013 (Rights Issue). The Company is subject to strict confidentiality undertakings in favour of the Panel and other parties to the Proceedings. There are a number of matters currently being considered by the Panel, which may result in findings (among other things) that the Company and potentially others, have or may have contravened relevant securities laws, including the Corporations Act 2001 (Cth) and the ASX Listing Rules. Until the Panel concludes the proceedings, these matters are subject to uncertainty.

There is also the potential for claims to be made against the Company in connection with the Rights Issue and related disclosures, its surrounding circumstances, acquisitions of shares in the Company (other than in accordance with the Corporations Act) or the recent suspension of the Managing Director. Notwithstanding any final orders that may be made by the Panel, ASIC may consider it appropriate to further investigate matters the subject of the Panel proceedings. Additionally, the Panel may refer matters back to ASIC for their further investigation. Such investigations could lead to claims or prosecutions against the Company, its directors and officers and potentially others. At this time, no determinations have been made, or other indications given, by the Panel in respect of any potential contraventions. Accordingly, the Company is unable to quantify the effect of final orders or additional investigations may have on the position of the Company as at the date of this Report.

The Panel has made interim orders on 9 September 2013 which were varied on 11 September 2013 and 27 September 2013. The effect of these interim orders is that the Company must not issue any shares under the Rights Issue, except for certain 'excluded shares' identified in the Panel's media release on 27 September 2013. Accordingly, the Company has been permitted access to approximately $2.1 million of the funds raised under the Rights Issue, with the balance of Rights Issue subscription funds (Balance Funds) being held on trust pending final orders of the Panel. It is possible that the Panel's final orders may prevent the Company from accessing the Balance Funds, or that the Company may need to take additional steps to access those funds which may cause further delay in accessing the Balance Funds.

Significant changes in the state of affairs

Other than those matters discussed in this report, no significant changes in the state of affairs of the Group occurred during the financial period.

Likely developments and expected results

The Consolidated Entity will continue copper and iron ore exploration and development activities. The Consolidated Entity assesses commercial opportunities for corporate growth, including the acquisition of interests in projects, as they arise. Due to the unpredictable nature of these opportunities, developments could occur at short notice.

Environmental regulation

The Consolidated Entity is subject to the environmental laws and regulations imposed under the Environmental Code 1998 (Sweden). The Group is currently engaged in exploration activities which are governed by conditions or recommendations imposed through the granting of a licence or permit to explore. Compliance with these laws and regulations is regarded as a minimum standard for the Consolidated Entity to achieve. There were no known breaches of any environmental laws or regulations during the year.

Directors
The Directors of the Company at any time during or since the end of the financial year were:

Mr Crispin Henderson *Non-Executive Chairman (appointed as Chairman 25 March 2013)*
Experience and expertise
Crispin Henderson has more than 45 years experience in the financial services and fund management sectors, principally with PricewaterhouseCoopers (34 years) and Threadneedle Investments (since 2002). Mr Henderson is based in London and now works as a consultant to the financial services sector. Until May 2013, he held the position of Vice Chairman of Ameriprise Financial's Global Asset Management business. From 2007 to 2013, Mr Henderson was Chief Executive of Threadneedle which is owned by Ameriprise Financial, a leading US diversified, financial services company and one of the 40 largest asset management firms globally, with a market capitalisation of over US$13bn and US$708bn in assets under management and administration (as at 31 March 2013). Threadneedle is a leading international asset manager, actively managing around US$127bn in equities, fixed income, property and commodities (as at 31 March 2013).

Tan Sri Abu Sahid Bin Mohamed *Non-Executive Chairman (appointed as Director on 12 January 2009, appointed Non-Executive Chairman on 9 February 2012 and resigned as the Chairman and as a Director on 25 March 2013)*
Experience and expertise
Tan Sri Abu Sahid Bin Mohamed was appointed as a Director on 12 January 2009, Non-Executive Chairman on 9 February 2012 and resigned as the Chairman and as a Director on 25 March 2013. He is the Group Executive Chairman of the successful Malaysian conglomerate, the Maju Group of Companies and has over 30 years of experience in the Malaysian construction and steel industries. His business interests have diversified into Property Development and Management, Engineering, Services, as well as Highway Concessions.

Other directorships of listed companies in the past three years
Current
Perwaja Holdings Bhd – since June 2008
Ipmuda Bhd – since April 1997
Kinsteel Bhd – since February 2007

Dato Siew Mun Chuang *Deputy Chairman (appointed as Deputy Chairman 10 February 2012)*
(Member of the Audit Committee)
Experience and expertise
Dato Siew Mun Chuang (Phillip) is the Executive Chairman of Beau Heritage Sdn Bhd, a market leader in the food and beverage industry; a Director of Ipmuda Bhd, a leading steel products manufacturer; Perwaja Holdings Bhd a leading steel producer; and Kinsteel Bhd a leading steel products manufacturer, all based in Malaysia and listed on the Malaysian Stock Exchange. Phillip had several years of audit experience with PriceWaterhouse early in his career, before venturing into other business interests. He was the former Managing Director and controlling shareholder of TT Resources Bhd, formerly listed on the Malaysian Stock Exchange.

Other directorships of listed companies in the past three years
Current
Beau Heritage Sdn Bhd – since 2000
Ipmuda Bhd – since 1997
Perwaja Holdings Bhd – since 2008
Kinsteel Bhd – since 2009

Former
TT Resources Bhd – to 2000

Mr Jeremy Read *Managing Director (until 26 September 2013. Mr Read remains a Non-Executive Director of the Company)*
Experience and expertise
Jeremy Read has 25 years domestic and international minerals exploration and project development experience having worked in a wide variety of technical and management roles and on projects throughout Australia, Africa and India. He has extensive exploration experience for copper, nickel and lead-zinc sulphides. He was the founding Managing Director of two successful ASX listed companies, Discovery Metals and Meridian Minerals.

Other directorships of listed companies in the past three years
Current
Discovery Metals – since 2003
Harmattan Gold Ltd – since 2011 (non-listed)
Oresearch Ltd – since 2011 (non-listed)

Former
Meridian Minerals – to December 2011

Mr Paul Niardone *Non-Executive Director (appointed as a non-executive Director 10 February 2012)*
(Chairman of the Remuneration Committee) (Member of the Audit Committee)
Experience and expertise
Mr Paul Niardone was the Executive Director and founder of Professional Public Relations (WA), the largest PR and communications firm in Western Australia. He was the founding Chairman of Bellevue Resources Limited and has experience in marketing, investor relations and strategic planning in both the Government and private sectors. He has been a member of the Australian Marketing Institute, the Institute of Management Consultants and the Institute of Company Directors. Currently Mr Niardone is the CEO of the Ausnet Group, a real estate and financial services group of companies with $2 billion of property sales and $1 billion loan book.

Other directorships of companies in the past three years
Current
Murdoch Senate (non-listed)
Oresearch Ltd (non-listed)
Protean Energy (non-listed)
Rehawk Developments (non-listed)

Former
Professional Public Relations (WA) – to May 2011
Meridian Minerals Limited (listed) – 2007 to December 2011

Mr Siew Mun Wai *Non-Executive Director (appointed as non-executive Director 10 February 2012)*
(Chairman of the Audit Committee and member of the Remuneration Committee)
Experience and expertise
Mr Siew Mun Wai (Edward) is a Fellow of the Institute of Chartered Accountants in England & Wales and also a Chartered member of the Malaysian Institute of Accountants. He had held C-level and board positions in FMCG Beauty & Cosmetics, Pharmaceuticals and Specialty Chemicals multinationals with over 3 decades of overseas working experience spanning 10 countries. Edward was most recently a Board member and CFO/COO of L'Oreal Australia and New Zealand.

Other directorships of companies in the past three years
Former
L'Oreal Australia (non-listed) – to May 2012
L'Oreal New Zealand (non-listed) – to May 2012

Mr Seng Han Gary Goh *Non-Executive Director (appointed as non-executive Director 10 February 2012)*
(Member of the Remuneration Committee)
Experience and expertise
Seng Han Gary Goh is a mining engineer with over 18 years of mining experience and is currently working as the Mining Technical Services Manager for Norton Goldfields. Mr Goh has worked in management and operational roles for Alacer Gold, Rio Tinto, BHP Billiton, Barrick Gold and Western Metals.

Mr Ler Leong Keh *(appointed as Alternate Director to Data Siew Mun Chuang 2 August 2013)*
Mr. Ler Leong Keh, a Certified Public Accountant, is one of the founders and the Managing Director of IBDC Malaysia since 2003. He was the Executive Director and later promoted to the Managing Director of TT Resources Berhad in Malaysia from 1998 to 2003 when he left to set up IBDC (Malaysia) Sdn Bhd. Mr Ler worked for Price Waterhouse Kuala Lumpur and London for more than 10 years. He is currently a non-independent non-executive director of a Biosis Group Berhad, listed in Main Market of Bursa, Malaysia.

Other directorships of listed companies in the past three years
Current
Biosis Group Berhad since 2011 to 30 September 2013

Former
Managing Director of TT Resources Berhad (2000 - 2003)
Executive Director of TT Resources Berhad (1998 - 2000)

Company Secretary

Ms Roslynn Shand *(appointed 16 February 2012)*
Ms Shand has 15+ years' experience in Company Secretary roles in Australia within the mineral, resource, agricultural, financial and bio-tech industries. In previous roles, Ms Shand was Company Secretary for Discovery Metals and Meridian Minerals. Ms Shand has a combined degree in Arts/Law from the University of Queensland and is a fellow of the Chartered Secretaries Australia.

Directors' interests in shares and options

As at the date of this report the interests of the Directors in the shares, options and performance rights of the Company were:

	Ordinary Shares		Options over Ordinary Shares		Performance Rights	
	Direct	**Indirect**	**Direct**	**Indirect**	**Direct**	**Indirect**
Mr C Henderson	3,037,604	-	-	-	-	-
Mr Siew Mun Chuang	27,760,833	-	-	-	-	-
Mr J Read	-	4,250,000	5,000,000	-	6,250,000	-
Mr P Niardone	2,100,000	100,000	2,800,000	-	3,500,000	-
Siew Mun Wai	-	-	-	-	-	-
Seng Han Gary Goh	-	-	-	-	-	-
Mr Ler Leong Keh #	-	-	-	-	-	-

alternate for Dato Siew Mun Chuang

Note: Tan Sri AS Bin Mohamed held 69,726,012 ordinary shares when he resigned as Director on 25 March 2013. At the date of this report he held 111,841,380 ordinary shares.

Meetings of Directors

There were 23 meetings of the Company's board of Directors held during the year ended 30 June 2013. The number of meetings attended by each Director were:

	Remuneration & Nomination Committee		Full meetings of Directors		Audit Committee	
	Entitled to attend	Attended	Entitled to attend	Attended	Entitled to attend	Attended
Mr C Henderson	-	-	12	11	-	-
Tan Sri AS Bin Mohamed	-	-	7	1	-	-
Mr J Read	-	-	19	19	-	-
Dato Siew Mun Chuang	-	-	19	11	3	1
Mr P Niardone	1	1	19	19	3	3
Siew Mun Wai	1	1	19	17	3	3
Mr Seng Han Gary Goh	1	1	19	15	-	-
Mr Ler Leong Keh #	-	-	-	-	-	-

alternate for Dato Siew Mun Chuang (appointed 2 August 2013)

Further details of the operation of all Committees are contained in the Corporate Governance Statement.

Key management personnel

This remuneration report outlines the Director and executive remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

For the purposes of this report, the term "executive" encompasses the chief executive, senior executives, general managers, Chief Financial Officer and Company Secretary of the Group.

Remuneration report (Audited)

Key management personnel at the date of this report are:

Directors of the Company

Mr Crispin Henderson	Non-Executive Chairman (appointed 25 March 2013)
Dato Siew Mun Chuang	Deputy Chairman (appointed 10 February 2012)
Mr Jeremy Read	Managing Director (from 10 February 2012 until 26 September 2013. Mr Read remains a Non-Executive Director of the Company)
Mr Paul Niardone	Non-Executive Director (appointed 10 February 2012)
Mr Siew Mun Wai	Non-Executive Director (appointed 10 February 2012)
Mr Seng Han Gary Goh	Non-Executive Director (appointed 10 February 2012)
Mr Ler Leong Keh	(appointed as Alternate Director to Data Siew Mun Chuang 2 August 2013)
Mr Tan Sri Abu Sahid Bin Mohamed	was key management personnel until his resignation as the Chairman and as a Director on 25 March 2013

Remuneration report (Audited) (continued)

Other key management personnel

Mr Ian Wallace	Business Manager (appointed 13 February 2012)
Dr Quinton Hills	Exploration Manager (appointed 12 March 2012)
Ms Linda Cochrane	Chief Financial Officer (appointed 20 February 2012)
Ms Roslynn Shand	Company Secretary (appointed 13 February 2012)
Ms Louise Lindskog	Country Manager Sweden (appointed 12 November 2012)

The remuneration report is set out under the following main headings:
A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Executive contractual arrangements
D Share-based compensation
E Additional information

A Principles used to determine the nature and amount of remuneration

The Consolidated Entity's executive reward framework is designed to reward performance for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and seeks to conform with market best practice for delivery of rewards. The Board considers the following key criteria for good reward governance practices in determining executive rewards:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency
- capital management.

The Consolidated Entity has structured an executive remuneration framework that aims to be market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:
- focuses on exploration success as the creation of shareholder value and returns
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework currently consists of fixed remuneration and variable remuneration.

Director and executive remuneration consists of both long term and short term performance incentives. The Board feels that the expiry date, exercise price and, where applicable, vesting performance conditions of option issues and performance rights to the Directors and executives is appropriate to align the goals of the Directors and executives with those of the shareholders to maximise shareholder wealth. The Board will continue to monitor this policy to ensure that it is appropriate for the Company in future years.

As part of the terms and conditions of employment, the Company prohibits executives from entering into arrangements to protect the value of unvested long term incentive awards. This includes entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package. Entering into such arrangements has been prohibited by law since 1 July 2011.

The overall level of executive reward takes into account the performance of the Consolidated Entity. The Consolidated Entity is involved in mineral exploration and did not derive a profit and therefore growth in earnings is not considered relevant. Shareholder wealth is dependent upon exploration success and has fluctuated accordingly.

Remuneration report (Audited) (continued)

Non-executive Directors

Fees and payments to non-executive Directors are structured to reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

Directors' fees
The current base remuneration was reviewed by the Board on 25 March 2013. Directors' remuneration is inclusive of committee fees.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The total maximum currently stands at $300,000. Non-Executive Directors are also eligible to participate in the Directors and employee option and performance rights plans after shareholder approval.

Retirement allowances for Directors
Directors are permitted to nominate a superannuation fund of their choice to receive superannuation contributions.

Executive pay

The executive pay and reward framework has two components:
- Fixed remuneration (base salary, superannuation & other non-monetary benefits)
- Variable remuneration (long-term incentives through participation in the employee and Director option plan, performance rights plan and short-term incentives through cash bonuses)

The combination of these components comprises the executive's total remuneration.

Fixed Remuneration
- *Base salary*
  Base salary is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

  Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to assess if the executive's pay is competitive with the market.

  There are no guaranteed base pay increases included in any senior executives' contracts.

- *Non-monetary benefits*
  Executives may receive benefits including memberships, car allowances, car parking and reasonable entertainment.

- *Post-employment benefits*
  Executives are permitted to nominate a superannuation fund of their choice to receive superannuation contributions.

- *Long-term benefits*
  Long-term benefits include long service leave entitlements.

Variable Remuneration
- *Employee and Director Option Plan / Performance Rights Plan*
  At the discretion of the Board, employees can be invited to participate in the employee option plan and performance rights plan. Options and performance rights issued to Directors are subject to shareholder approval. The issue of options and performance rights is designed to reward key employees for performance and align their performance with the Company growth and strategic objectives. The performance conditions attached to the performance rights issued in June 2012, July 2012 and September 2012 were:

  Performance Conditions:
  1. Tranche one = the closing price of the shares being 12c or more for 10 consecutive ASX trading days
  2. Tranche two = the total combined JORC compliant Mineral Resources on the Viscaria project reaching 10Mt at 2.5% Cu or more
  3. Tranche three = the closing price of the shares being 30c or more for 10 consecutive ASX trading days

Remuneration report (Audited) (continued)

Each tranche of Shares will not be able to be released from the Share Plan until the performance based Vesting Conditions for that tranche have been achieved. The performance conditions of Tranche two were met on 29 October 2012 and the shares vested with Directors, Key Management Personnel and other employees on 7 November 2012. The conditions of Tranche one and three have not been met at the date of this report. There were no performance or service conditions attached to the options issued during the current financial year.

- *Cash bonuses*
  The Board may exercise its discretion to award cash bonuses to executives based upon individual performance. No cash bonuses were issued during the year ended 30 June 2013 (2012: nil).

Response to vote against 2012 Remuneration Report

At Avalon's 2012 Annual General Meeting, Avalon received votes against its Remuneration Report representing greater than 25% of the votes cast by persons entitled to vote. Avalon therefore received a "First Strike" against its 2012 Remuneration Report.

In these circumstances, the Corporations Act 2001 requires Avalon to include in this year's Remuneration Report, an explanation of the Board's proposed action in response to that First Strike or, alternatively, if the Board does not propose any action, the Board's reason for such inaction.

As a result of the "First Strike" a sample of the Company's larger shareholders were contacted to determine the reason for their no vote. The no vote largely resulted from one shareholder who has a blanket corporate policy to vote against any performance rights plans. Due to the size of the Company's operation and its dependence on equity placement for funding, performance rights and option plans enable the company to reward its Directors and Employees without utilising cash rewards. Performance rights and option plans are also designed to align the goals of the Company to the remuneration of Company's Directors and employees and are therefore considered by the Directors to be appropriate remuneration policy for the Company, particularly for a company in the exploration phase of development such as Avalon. It should also be noted that the options and performance rights had been issued and therefore the Company had no ability to rescind these arrangements even if it had elected to do so.

Since last year's Annual General Meeting, no new options or performance rights have been issued to Directors or employees. Furthermore the remuneration committee met and benchmarked the salaries of all staff compared to industry standards and concluded that appropriate remuneration policies were in place for Avalon.

The Avalon Board remains confident that the Avalon remuneration policy and the level and structure of its executive remuneration are suitable for the company and its shareholders.

Remuneration report (Audited) (continued)

B Details of remuneration

Details of the remuneration of the Directors and the key management personnel of Avalon Minerals Ltd are set out in the following tables.

2013	**Short-term benefits**			**Post-Employment benefits**	**Long-term benefits**	**Share-based payments**			
Name	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Superannuation $**	**Long service leave $**	**Remuneration received as Options and Rights %**	**Options and Rights $**	**Total $**	**Performance related %**
Directors of Avalon Minerals Ltd:									
Mr J Read	354,751	-	6,467	25,000	-	66.4%	763,246	1,149,464	66.4%
Mr C Henderson (1)	35,000	-	-	-	-	-	-	35,000	-
Tan Sri AS Bin Mohammed (2) (5)	-	-	-	-	-	100%	22,550	22,550	100%
Data Siew Mun Chung (5)	-	-	-	-	-	-	-	-	-
Mr P Niardone	35,686	-	-	3,212	-	91.7%	427,418	466,316	91.7%
Mr Siew Mun Wai	35,686	-	-	3,211	-	-	-	38,897	-
Mr Seng Han Gary Goh	35,686	-	-	3,212	-	-	-	38,898	-
Other key management personnel:									
Dr Q Hills	218,992	-	6,467	19,709	-	66.9%	495,916	741,084	66.9%
Mr I Wallace	238,900	-	6,467	21,501	-	65.0%	495,916	762,784	65.0%
Ms R Shand *	90,917	-	-	8,182	-	63.4%	171,663	270,762	63.4%
Ms L Cochrane *	126,797	-	6,467	11,412	-	54.3%	171,663	316,339	54.3%
Ms LV Lindskog (3)	204,759	-	-	43,264	-	41.5%	176,089	424,112	41.5%
Mr N Bryce (4)	52,041	-	-	935	-	-	-	52,976	-
Total	**1,429,215**	**-**	**25,868**	**139,638**	**-**		**2,724,461**	**4,319,182**	-

* Employed on a part time basis

(1) Mr C Henderson was appointed as Non-Executive Chairman on 25 March 2013. Mr Henderson has deferred cash payment of his fees until the Company is better funded.

(2) Tan Sri AS Bin Mohamed was appointed as Director on 12 January 2009, appointed Non-Executive Chairman on 9 February 2012 and resigned on 25 March 2013.

(3) Ms L Lindskog resigned as Exploration Manager on 7 December 2011 and recommenced as Country Manager Sweden on 12 November 2012.

(4) Mr N Bryce resigned on 20 July 2012.

(5) Tan Sri AS Bin Mohammed and Data Siew Mun Chung have elected not to receive any Director fees for their services to the Group.

AVALON MINERALS LTD
Directors' Report

Remuneration report (Audited) (continued)

2012	Short-term benefits			Post-Employment benefits	Long-term benefits	Share-based payments			
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Superannuation $	Long service leave $	Remuneration received as Options and Rights %	Options and Rights $	Total $	Performance related %
Directors of Avalon Minerals Ltd:									
Mr J Read [(1)]	135,513	-	2,266	12,196	-	72.7 %	400,211	550,186	72.7%
Tan Sri Abu Sahid Bin Mohamed [(2)]	-	-	-	-	-	-	(6,212)	(6,212)	-
Dato Siew Mun Chuang [(3)]	13,551	-	-	1,219	-	-	-	14,770	-
Mr P Niardone [(4)]	13,551	-	-	1,220	-	93.8%	224,536	239,307	93.8%
Mr Siew Mun Wai [(5)]	17,500	-	-	1,575	-	-	-	19,075	-
Mr Seng Han Gary Goh [(6)]	13,551	-	-	1,219	-	-	-	14,770	-
Mr R Edmonson [(7)]	-	-	-	-	-	-	-	-	-
Mr DL McSweeney [(8)]	144,267	-	-	7,662	-	-	(12,825)	139,104	-
Mr AT Munckton [(9)]	372,600	-	-	33,534	-	-	(44,907)	361,227	-
Mr S Stone [(10)]	21,209	-	-	-	-	-	(12,825)	8,384	-
Mr A Al-Khadra [(11)]	20,000	-	-	-	-	-	(12,825)	7,175	-
Mr AH Kamaruddin [(12)]	20,000	-	-	-	-	-	-	20,000	-
Other key management personnel:									
Dr Q Hills [(13)]	67,692	-	1,983	6,092	-	-	-	75,767	-
Mr I Wallace [(14)]	92,000	-	2,266	8,280	-	-	-	102,546	-
Ms R Shand [(15)]	34,760	-	2,266	3,128	-	-	-	40,154	-
Ms L Cochrane [(16)]	33,028	-	2,266	2,972	-	-	-	38,266	-
Mr NP Bryce [(17)]	180,000	-	-	16,200	-	-	-	196,200	-
Mr PA Bridson [(18)]	87,604	-	-	7,498	-	-	-	95,102	-
Ms LV Lindskog [(19)]	84,898	-	-	7,641	-	-	-	92,539	-
Total	**1,351,724**	**-**	**11,047**	**110,436**	**-**		**535,153**	**2,008,360**	

Remuneration report (Audited) (continued)

(1) Mr J Read was appointed as Managing Director on 10 February 2012
(2) Tan Sri Abu Sahid Bin Mohamed was appointed as Director on 12 January 2009 and Non-Executive Chairman on 9 February 2012
(3) Dato Siew Mun Chuang was appointed Deputy Chairman on 10 February 2012
(4) Mr P Niardone was appointed as a Non-Executive Director on 10 February 2012
(5) Mr Sew Mun Wai was appointed as a Non-Executive Director on 10 February 2012
(6) Mr Seng Han Gary Goh was appointed as a Non-Executive Director on 10 February 2012
(7) Mr R Edmondson was appointed as a Non-Executive Director on 10 February 2012 and resigned on 21 February 2012
(8) Mr D McSweeney resigned as Executive Chairman on 6 February 2012
(9) Mr A Munckton resigned as Managing Director on 19 March 2012
(10) Mr S Stone resigned as a Non-Executive Director on 11 January 2012
(11) Mr A Al-Khadra resigned as a Non-Executive Director on 21 February 2012
(12) Mr AH Kamaruddin resigned as a Non-Executive Director on 9 February 2012
(13) Dr Q Hills was appointed as Exploration Manager on 12 March 2012
(14) Mr I Wallace was appointed as Business Manager on 13 February 2012
(15) Ms R Shand was appointed as Company Secretary on 13 February 2012. Ms Shand works part time
(16) Ms L Cochrane was appointed as Chief Financial Officer on 20 February 2012. Ms Cochrane works part time
(17) Mr N Bryce resigned as Principal Geologist on 20 July 2012
(18) Mr P Bridson resigned as Company Secretary and Consulting CFO on 8 December 2011
(19) Ms LV Lindskog resigned as Exploration Manager on 7 December 2011

Remuneration report (Audited) (continued)

C Executive Contractual Arrangements

Remuneration for the Managing Director and Key Management Personnel are formalised in service agreements.

Mr Jeremy Read, Managing Director
Base salary, exclusive of superannuation and other benefits, is $358,750, to be reviewed annually. Four weeks annual leave is provided.

The Executive Services Agreement stipulates Mr Read may provide three (3) months written notice of termination. The Company may terminate employment by providing three (3) months written notice and the payment of six (6) months salary. Mr Read's duties as Managing Director were suspended on full pay on 26 September 2013. No further changes to Mr Read's remuneration arrangements have been made.

Other Key Management
Contracts for other Key Management Personnel can be terminated by the employee with one (1) months notice period. The Company may terminate employment by providing three (3) months written notice and the payment of six (6) months salary.

D Share-based compensation

No new options or performance rights were granted as compensation to Directors during the 2013 financial year.

<u>The following options over unissued ordinary shares were issued to Key Management Personnel of the Consolidated Entity as part of their remuneration during the 2013 financial year:</u>

Key Management Personnel	Options Granted	Grant Date	Fair value per option at grant date $	Issue Price	Exercise price per option $	Expiry date	Vested No.	Vested %
Mr Q Hills	2,600,000	27 July 2012	$0.07	0.01	0.05	30 September 2015	2,600,000	100
Mr I Wallace	2,600,000	27 July 2012	$0.07	0.01	0.05	30 September 2015	2,600,000	100
Ms R Shand	900,000	27 July 2012	$0.07	0.01	0.05	30 September 2015	900,000	100
Ms L Cochrane	900,000	27 July 2012	$0.07	0.01	0.05	30 September 2015	900,000	100
Ms Lindskog	1,200,000	29 September 2012	$0.07	0.01	0.05	30 September 2015	1,200,000	100

All options vested to the Key Management Personnel upon issue as there were no performance or service conditions attached to these options. Options may be exercised on or before 30 September 2015.

The amounts disclosed for emoluments relating to options issued to Directors and other key management personnel are assessed at fair values at the date of grant and allocated equally over the period from grant date to vesting date. Fair values at grant date were valued independently using the Binomial option pricing model.

<u>Value of options awarded, exercised and lapsed during the 2013 Financial year:</u>

Key Management Personnel	A Value of options granted during the year $	B Value of options exercised during the year $	C Value of options lapsed during the year $
Mr Q Hills	170,300	-	-
Mr I Wallace	170,300	-	-
Ms R Shand	58,950	-	-
Ms L Cochrane	58,950	-	-
Ms L Lindskog	78,600	-	-
Total	**537,100**	**-**	**-**

A = The value of options granted during the year is calculated in accordance with AASB 2 *Share-based Payments*.
B = The value of options exercised during the year represents intrinsic value and is determined at the date of exercise.
C = The value of options lapsed during the year represents intrinsic value and is determined at the date of lapse. 500,000 options lapsed during the year, however the exercise price was higher than the share price on the day the options lapsed.

Remuneration report (Audited) (continued)

Options awarded during the year ended 30 June 2012

Director	Options Granted	Grant Date	Fair value per option at grant date $	Issue Price	Exercise price per option $	Expiry date	No.	%
Mr J Read	5,000,000	5 June 2012	$0.06	0.01	0.05	30 September 2015	5,000,000	100
Mr P Niardone	2,800,000	5 June 2012	$0.06	0.01	0.05	30 September 2015	2,800,000	100

Value of options awarded, exercised and lapsed during the 2012 financial year.

Director	A Value of options granted during the year $	B Value of options exercised during the year $	C Value of options lapsed during the year $
Mr J Read	311,750	-	-
Mr P Niardone	174,580	-	-
Total	**486,330**	**-**	**-**

Performance Rights awarded and vested during the 2013 financial year:

Director/Key Management Personnel	Opening Balance	Performance Rights Granted during the year	Grant Date	Fair value per Performance grant at grant date $	Exercise price $	Expiry date	Number Vested during year	Vested %	Closing Balance Unvested
Mr J Read	10,000,000	-	-	-	-	-	3,750,000	37.5	6,250,000
Mr P Niardone	5,600,000	-	-	-	-	-	2,100,000	37.5	3,500,000
Mr Q Hills	-	5,200,000	27 July 2012	432,900	-	5 June 2019	1,950,000	37.5	3,250,000
Mr I Wallace	-	5,200,000	27 July 2012	432,900	-	5 June 2019	1,950,000	37.5	3,250,000
Ms R Shand	-	1,800,000	27 July 2012	149,850	-	5 June 2019	675,000	37.5	1,125,000
Ms L Cochrane	-	1,800,000	27 July 2012	149,850	-	5 June 2019	675,000	37.5	1,125,000
Ms L Lindskog	-	2,400,000	27 July 2012	151,200	-	5 June 2019	600,000	25.0	1,800,000

Performance Rights Conditions

The performance rights have been granted subject to the completion and achievement of various milestones, and based on three separate tranches. The Performance Rights for each Director and Key Management Personnel by tranche is as follows:

Director/Key Management Personnel	Tranche 1 No	Tranche 2 No	Tranche 3 No	Total No	Vested	Tranche 2 Vested Percentage %	Year Granted
Mr J Read	2,500,000	3,750,000	3,750,000	10,000,000	3,750,000	37.5	2012
Mr P Niardone	1,400,000	2,100,000	2,100,000	5,600,000	2,100,000	37.5	2012
Mr Q Hills	1,300,000	1,950,000	1,950,000	5,200,000	1,950,000	37.5	2013
Mr I Wallace	1,300,000	1,950,000	1,950,000	5,200,000	1,950,000	37.5	2013
Ms R Shand	450,000	675,000	675,000	1,800,000	675,000	37.5	2013
Ms L Cochrane	450,000	675,000	675,000	1,800,000	675,000	37.5	2013
Ms L Lindskog	600,000	600,000	1,200,000	2,400,000	600,000	25.0	2013
Total	**8,000,000**	**11,700,000**	**12,300,000**	**32,000,000**	**11,700,000**		

Performance Conditions:

Tranche 1	The closing price of the share being 12 cents or more for 10 consecutive ASX trading days
Tranche 2	The total combined JORC compliant Mineral Resources on the Viscaria project 10Mt at 2.5% Cu or more. This performance condition was met on 29 October 2012 and the shares vested with Directors, Key Management Personnel and other employees on 7 November 2012.
Tranche 3	The closing price of the shares being 30 cents or more for 10 consecutive ASX trading days

The performance rights vest upon achievement of the performance conditions which may occur any time between grant date and their expiry date of 5 June 2019. Tranche 2 performance conditions were met on 29 October 2012 and the shares vested with Directors and Key Management Personnel and other employees on 7 November 2012.

The rights were independently valued using the Binomial method of valuation.

AVALON MINERALS LTD
Directors' Report

Remuneration report (Audited) (continued)

Performance Rights awarded and vested during the 2012 financial year

Director	Performance Rights Granted during the year	Grant Date	Fair value per Performance grant at grant date $	Exercise price $	Expiry date	Number Vested during year	Vested %
Mr J Read	10,000,000	5 June 2012	1,131,749	-	5 June 2019	-	-
Mr P Niardone	5,600,000	5 June 2102	633,781	-	5 June 2019	-	-

Value of Performance Rights issued during the 2013 financial year

	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2	Tranche 3
Number granted	5,500,000	8,250,000	8,250,000	600,000	600,000	1,200,000
Issue Date	27 July 2012	27 July 2012	27 July 2012	29 September 2012	29 September 2012	29 September 2012
Expected life (in days)	339	182.5	1,433	275	94	1,370
Valuation at grate date	$0.09	$0.09	$0.072	$0.07	$0.07	$0.056
Gross value per tranche	$495,000	$742,500	$594,000	$42,000	$42,000	$ 67,200

Value of Performance Rights issued during the 2012 financial year

	Tranche 1	Tranche 2	Tranche 3
Number granted	3,900,000	5,850,000	5,850,000
Issue Date	5 June 2012	5 June 2012	5 June 2012
Expected life (in days)	365	182.5	1,460
Valuation at grate date	$0.12	$0.12	$0.10
Gross value per tranche	$468,000	$702,000	$595,530

Shares Issued as a result of the Exercise of Options
There were no shares issued as a result of the exercise of options during the year.

Shares Issued as a result of vesting performance rights
5,850,000 ordinary shares were issued to Directors and 8,850,000 ordinary shares were issued to Key Management Personnel and other employees as a result of the vesting of Tranche two performance rights.

E Additional information

	2013	2012	2011	2010	2009
Impact on shareholder wealth					
Loss per share (cents)	**(1.4)**	(1.8)	(1.1)	(1.1)	(5.0)
Share price (cents)	**1.7**	7.0	17.0	17.0	13.0

The performance rights plan links Directors and employees remuneration to the share price of the Company as the performance conditions include ASX trading price hurdles. No market based performance rights vested this year due to the decline in the share price.

End of Remuneration Report

Share options

Unissued Shares

As at the date of this report, as detailed below, there were 27,500,000 unissued ordinary shares under option.

Shares under option

Unissued ordinary shares of Avalon Minerals Ltd under option at the date of this report are as follows:

Date options vested	Expiry date	Issue price of shares	Number under option
1 February 2012	31 January 2014	40 cents	1,000,000
1 July 2011	1 July 2014	30 cents	500,000
20 March 2012	30 September 2015	6 cents	6,000,000
5 June 2012	30 September 2015	6 cents	7,800,000
27 July 2012	30 September 2015	6 cents	11,000,000
29 September 2012	30 September 2015	6 cents	1,200,000
			27,500,000

Insurance of officers
During the period the Company paid a premium to insure the Directors and officers of the Company. Under the terms of the policy the Company cannot publish amounts paid for premiums or the extent of the liabilities insured.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditors' Independence Declaration
A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 37.

Non-Audit Services
During the year KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-auditor services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reason:

- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Audit and Non-Audit Services

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	2013 $	2012 $
Audit services:		
Auditors of the Group – KPMG:		
Audit and review of financial reports	61,882	58,545
Other assurance services		
Technical accounting advice and payroll/VAT services in Sweden	7,060	1,955
Other services		
Taxation compliance services	53,841	26,825
	122,783	87,325

This report is made in accordance with a resolution of the Directors.

Mr Crispin Henderson
Chairman

Brisbane, Queensland
30 September 2013

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Avalon Minerals Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

(a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Jason Adams
Partner

Brisbane
30 September 2013

AVALON MINERALS LTD
Corporate governance statement

Statement

In recognising the need for the highest standards of corporate behavior and accountability, the Directors of Avalon Minerals Limited ("Company") have adhered to the principles of corporate governance and this statement outlines the main corporate governance practices in place throughout the financial year. The ASX Corporate Governance Council released revised Corporate Governance Principles and Recommendations on 2 August 2007. Having regard to the size of the Company and the nature of its enterprise, it is considered that the Company complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The current Directors of the Company at the date of this report are:

Mr Crispin Henderson	Non-Executive Chairman	Independent
Dato Siew Mun Chuang	Deputy Chairman	
Mr Jeremy Read	Non-Executive Director (Managing Director from 10 February 2012 until 26 September 2013)	
Mr Paul Niardone	Non-Executive Director	Independent
Mr Siew Mun Wai	Non-Executive Director	Independent
Mr Seng Han Gary Goh	Non-Executive Director	Independent
Mr Ler Leong Keh	Alternative Non-Executive Director for Dato Siew Mun Chuang	

For information on each Director, refer to the Directors Report.

The following policies or obligations have been established by the Board:

- Continuous disclosure
- Code of conduct
- Share trading
- Audit & Financial Risk
- Board Charter
- Risk Management

Independent Directors

When determining whether or not a Non-Executive Director is independent, the Director must not fail any of the following materiality thresholds:

- more than 5% of Company shares are held by the Director and any entity or individual directly or indirectly associated with the Director;
- no sales are made to, or purchases made from, any entity or individual directly or indirectly associated with the Director; and
- none of the Directors' income or the income of an individual or entity directly or indirectly associated with the Director, is derived from a contract with any member of the consolidated entity other than income as derived as a Director of the entity.

At the date of this report, the board consists of one independent Non-Executive Chairman, two Non-Executive Directors, one alternate Non-Executive Director, and three independent, Non-Executive Directors. Independent Directors have shareholdings less than 5% of the total shares on issue. The board is considered to be appropriate for the size of the Company and the nature of its activities. It is a cost effective structure for managing the Company and there is no justification for appointing additional independent directors.

Board Composition

When the need for a new director is identified, selection is based on the skills and experience of prospective directors, having regard to the present and future needs of the Company. Any director so appointed must then stand for election at the next meeting of shareholders of the Company.

Director and Executive Education
All new Directors are educated about the nature of the business, current issues, the corporate strategy, the culture and values of the Group, and the expectations of the Group concerning performance of Directors. In addition, Directors are also educated regarding meeting arrangements and Director interaction with each other, senior executives and stakeholders. Directors have the opportunity to visit Group facilities and meet with management to gain a better understanding of operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge upon joining the Group. Directors will be educated on the Group's structure, strategy, operations, financial position and risk management policies. It also familiarises the individual with respective rights, duties, responsibilities and roles of the individual and the Board.

Term of Appointment as a Director
The constitution of the Company provides that a director, other than the Managing Director, may not retain office for more than three calendar years or beyond the third annual general meeting following his or her election, whichever is longer, without submitting for re-election. One third of the directors must retire each year and are eligible for re-election. The directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.

Risk Management and internal compliance and controls

Audit and Financial Risk Committee

The board has established an Audit and Financial Risk Committee.

The Committee members are:

Mr Siew Mun Wai (Chairman) Dato Siew Mun Chuang Mr Paul Niardone

The Committee's responsibilities include:

- providing the Board with advice and recommendations regarding the ongoing development of financial risk oversight and management policies (covering oversight, risk profile, risk management, compliance and control) that set out the roles and respective accountabilities of the Board, the Audit Committee and management;
- receiving and reviewing management's recommendations and providing the Board with advice and recommendations regarding the establishment of a financial risk management system and financial risk profile;
- regularly reviewing the Company's financial risk profile (provided by management) having regard to key financial risk, legal and regulatory risk and disclosure reporting;
- reviewing internal control and audit functions and their effectiveness;
- reviewing financial statements provided by management for accuracy, adequacy and clarity to ensure they give a true and fair view of the Company's financial position and adhere to accounting standards and policies and legislative requirements;
- with respect to the external auditor, approving and recommending policies and procedures for appointing or removing an external auditor and terms of engagement;
- regularly reviewing and assessing the compliance of the external auditor with policies and procedures, the effectiveness, and independence of the external auditor; and
- monitoring the relationship between management and the auditor.

The Audit and Financial Risk Committee has met three times during the financial year. The Managing Director and the Chief Financial Officer are invited to attend the Committee meetings.

Where appropriate, the Board and the Audit and Financial Risk Committee engage independent experts or professional advisors to assist with the identification and/or management of any key risk areas identified.

To ensure that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified, the Board has also adopted a Risk Management Policy to:

- ensure the Company's risk management policies and procedures are adequate;
- monitor compliance with the Company's risk management policies and procedures;
- keep itself appraised of the latest developments, policies, trends in relation to financial matters, rules, regulations, to the extent that they may affect the Company or the markets in which the Company operates;
- review the Company's internal financial control mechanisms and risk management policies;
- compile a risk profile of the material risks facing the Company;
- review major non-financial regulatory matters covering areas of exposure including the environment, safety and health, asset protection (including insurance), discrimination and harassment, conflict of interest and ethical standards.

AVALON MINERALS LTD
Corporate governance statement

This financial year the Chairman and the Chief Financial Officer provided a statement to the Board in writing in respect to the integrity of the financial statements, that they are founded on a sound system of risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

Remuneration/Nomination and Performance

As at the date of this report, the Board has also established a Remuneration and Nomination Committee. The Committee members are:

Mr Paul Niardone (Chairman)	Mr Siew Mun Wai	Mr Seng Han Gary Goh

The Committee deals with matters of remuneration and nomination. The nomination of new Directors and the setting, or review, of remuneration levels of Directors and senior executives, is performed by the Committee and recommendations made to the Board as a whole for approval by resolution (with abstentions from relevant directors where there is a conflict of interest). Where the Committee or the Board considers that particular expertise or information is required, which is not available from within the Board, appropriate external advice may be taken prior to a final decision.

The Committee also deals with the remuneration of Directors and key executives of the Company. The Company's policy is to remunerate non-executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought where required. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders.

Code of Conduct
The board has adopted a Code of Conduct to guide Directors, officers, employees and contractors in carrying out their duties and responsibilities. This Code of Conduct set out the principles and standards which the Board, management, employees and contractors of the Company are encouraged to strive towards when dealing with each other, shareholders and the community as a whole.

Conflict of interest
The Directors must keep the Company informed on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

Independent Professional Advice
Each Director has the right of access to all relevant Company information and to the Company's executives. Directors have the right, in connection to their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. For independent legal advice in excess of a cost of $2,000, prior approval of the Chairman is required, which will not be unreasonably withheld, before any expense is incurred on behalf of the Company.

Share Trading Policy
Directors and employees are not permitted to trade shares whist in the possession of price sensitive information. Directors and employees are prohibited from trading in securities whilst in possession of any inside information in accordance with the Corporations Act 2001.

Communication to market and shareholders
The Board Charter, Code of Conduct and Share Trading Policy all recognise legal and other obligations and support the legitimate interests of all stakeholders. Directors aim to ensure that the shareholders, on behalf of whom they act are informed of all information necessary to assess the performance of the Directors and the Company. Information is communicated to shareholders and the market through:

- the Annual Report, which is available to all shareholders:
- other periodic reports, such as Quarterly Reports, which are lodged with ASX and available for shareholder scrutiny;
- other announcements made in accordance with ASX Listing Rules;
- special purpose information memoranda issued to shareholders as appropriate;
- the Annual General Meeting and other meetings called to obtain approval for Board action as appropriate; and
- the Company's website.

The continuous disclosure policy adopted by the Board ensures procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which securities are traded.

Diversity Policy
The Company does not at present have a Diversity Policy in place due to the size and stage of development of the Company. However the Company has a female Chief Financial Officer, a female Company Secretary and a female Country Manager in Sweden. Hence, females represent 50% of management personnel of the Company.

External Auditors

The external auditor is KPMG. The external auditor attends the Annual General Meeting and part of the agenda is the tabling of the financial statements and inviting shareholders to ask the Directors or the auditor any questions with regard to the financial statements and the audit report.

Other Information

The Corporate Governance Policies of the Company will be continually reviewed in accordance with the standards required of the Company by the Directors, the ASX, ASIC and other stakeholders to ensure that appropriate governance standards are maintained.

Further information relating to the Company's corporate governance practices and policies has been made publically available on the Company's web site at www.avalonminerals.com.au.

AVALON MINERALS LTD

Financial Report – 30 June 2013

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AVALON MINERALS LTD

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Note	Consolidated 2013 $	2012 $
Revenue from continuing operations	5	106,352	75,574
Other income	5	3,356	8,230
Employee benefits expense	6	(5,037,036)	(2,334,231)
Office occupancy costs		(238,683)	(279,480)
Corporate and administration expenses		(934,266)	(711,903)
Depreciation expense		(91,710)	(90,558)
Loss on sale of fixed assets		-	(52,447)
Exploration expenditure written off	11	-	(1,071,129)
Interest paid		(9)	(7)
Loss from continuing operations before income tax		(6,191,996)	(4,455,951)
Income tax expense	7	-	-
Net loss for the period		(6,191,996)	(4,455,951)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		3,757,732	(1,015,912)
Total comprehensive loss for the period		(2,434,264)	(5,471,863)
Net loss for the period is attributable to:			
Members of Avalon Minerals Ltd		(6,191,996)	(4,455,951)
		(6,191,996)	(4,455,951)
Total comprehensive loss for the period attributable to:			
Members of Avalon Minerals Ltd		(2,434,264)	(5,471,863)

Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
		Cents	Cents
Basic earnings per share	26	(1.4)	(1.8)
Diluted earnings per share	26	(1.4)	(1.8)

The Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

AVALON MINERALS LTD
Consolidated Statement of Financial Position
As at 30 June 2013

	Note	Consolidated 2013 $	2012 $
Current assets			
Cash and cash equivalents	8	**1,185,959**	694,310
Trade and other receivables	9	**201,222**	470,408
Total current assets		**1,387,181**	1,164,718
Non-current assets			
Plant and equipment	10	**415,470**	256,072
Exploration and evaluation	11	**37,494,950**	21,659,085
Total non-current assets		**37,910,420**	21,915,157
Total assets		**39,297,601**	23,079,875
Current liabilities			
Trade and other payables	12	**2,574,883**	957,036
Provisions	13	**102,465**	58,164
Total current liabilities		**2,677,348**	1,015,200
Total liabilities		**2,677,348**	1,015,200
Net assets		**36,620,253**	22,064,675
Equity			
Contributed equity	14	**50,710,149**	36,105,165
Reserves	15	**5,294,343**	(848,247)
Accumulated losses	16	**(19,384,239)**	(13,192,243)
Total equity		**36,620,253**	22,064,675

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

AVALON MINERALS LTD
Consolidated Statement of Changes in Equity
For the year ended 30 June 2013

2013 Consolidated	Contributed Equity $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
At the beginning of the financial year	**36,105,165**	**1,365,485**	**(2,213,732)**	**(13,192,243)**	**22,064,675**
Loss for the year	-	-	-	(6,191,996)	(6,191,996)
Other comprehensive income	-	-	3,757,732	-	3,757,732
Total comprehensive income loss for the year	**-**	**-**	**3,757,732**	**(6,191,996)**	**(2,434,264)**
Shares issued	14,263,430	-	-	-	14,263,430
Share issue costs	(760,946)	-	-	-	(760,946)
Share based payment transactions	-	3,487,358	-	-	3,487,358
Shares issued from share based payment reserve	1,102,500	(1,102,500)	-	-	-
Total Equity at the end of the financial year	**50,710,149**	**3,750,343**	**1,544,000**	**(19,384,239)**	**36,620,253**

2012 Consolidated	Contributed Equity $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
At the beginning of the financial year	**31,454,613**	**470,080**	**(1,197,820)**	**(8,736,292)**	**21,990,581**
Loss for the year	-	-	-	(4,455,951)	(4,455,951)
Other comprehensive income	-	-	(1,015,912)	-	(1,015,912)
Total comprehensive income loss for the year	**-**	**-**	**(1,015,912)**	**(4,455,951)**	**(5,471,863)**
Shares issued	4,980,236	-	-	-	4,980,236
Share issue costs	(329,684)	-	-	-	(329,684)
Share based payment transactions	-	895,405	-	-	895,405
Total Equity at the end of the financial year	**36,105,165**	**1,365,485**	**(2,213,732)**	**(13,192,243)**	**22,064,675**

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

AVALON MINERALS LTD
Consolidated Statement of Cash Flows
For the year ended 30 June 2013

	Note	Consolidated 2013 $	2012 $
Cash flows from to/from operating activities			
Payments to suppliers and employees		**(2,242,652)**	(2,896,604)
Sundry income	5	**3,356**	8,230
Interest paid		**(9)**	-
Interest received	5	**106,352**	75,574
Net cash outflow from operating activities	25	**(2,132,953)**	(2,812,800)
Cash flows to/from investing activities			
Payments for plant and equipment		**(238,930)**	(128,081)
Exploration and evaluation expenditure		**(10,559,723)**	(3,531,076)
Net cash used in investing activities		**(10,798,653)**	(3,659,157)
Cash flows to/from financing activities			
Proceeds from issue of securities		**14,263,430**	4,980,236
Costs of share issues		**(860,946)**	(329,684)
Net cash provided by financing activities		**13,402,484**	4,650,552
Net increase/(decrease) in cash		**470,878**	(1,821,405)
Effect of exchange rate fluctuations on cash held		**20,771**	(144,319)
Cash and cash equivalents at the beginning of the financial year		**694,310**	2,660,034
Cash at the end of the financial year	8	**1,185,959**	694,310

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

AVALON MINERALS LTD
Notes to the Financial Statements
For the year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied for the financial year to 30 June 2013, unless otherwise stated.

Corporate information

The consolidated financial report of Avalon Minerals Ltd for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on 30 September 2013.

Avalon Minerals Ltd is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. Its registered office and principal place of business is:

65 Park Road
Milton QLD 4064

The Group is a for-profit entity. A description of the nature of the Consolidated Entity's operations and its principal activities is included in the Directors' report.

Through the use of the internet, we seek to ensure that our corporate reporting is timely, complete and available globally at minimum cost to the Consolidated Entity. All financial reports, Company announcements and other information is available on our website: www.avalonminerals.com.au

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The presentation currency is Australian dollars.

Going concern

The financial report has been prepared on the basis of the going concern and historical cost conventions.

The consolidated entity incurred an operating loss after income tax of $6,191,996 (2012: $4,455,951) and generated net cash inflows of $470,878 (2012: net outflow of $1,821,405). At the reporting date, the consolidated entity had cash of $1,185,959 (2012: $694,310) and trade creditors and other payables of $2,574,883 (2012: $957,036). The consolidated entity also has operating lease commitments of $498,948 and exploration tenement commitments of $2,065,000. $340,364 is payable within the next twelve months, $2,223,584 is payable between 12 months and 5 years.

Due to the need for additional funding, the following capital raising activities have occurred since the end of the financial year:

The Company announced on the 9 August 2013 a fully underwritten non-renounceable rights issue. The rights issue is a 1 for 1 non-renounceable pro-rata rights issue to raise approximately $5.62 million at an offer price of $0.01 per new share. The offer was fully underwritten by Avalon's largest shareholder, Tan Sri Abu Sahib Mohamed (the Underwriter), who held a 19.9% interest in Avalon at the time of the rights issue.

The Company plans to use the proceeds raised under the rights issue to:

a. fund preparatory work required for the bankable feasibility study on the Company's Viscaria Copper-Iron Project in Sweden;
b. investigate and advance business development opportunities for the Company, with the goal of creating value for shareholders;
c. fund the acquisition of tenements; and
d. provide working capital to the Company generally.

Note 1. Summary of Significant Accounting Policies (continued)

On 6 September 2013, the Australian Government's Takeovers Panel announced that one of Avalon's shareholders had made an application to the Takeovers Panel. The applicant submitted (among other things) that the Underwriter and his associates may obtain control of Avalon to the detriment of Avalon shareholders. The applicant also submitted that the structure of, and disclosure in relation to, the rights issue was unacceptable. Interim orders were made by the Takeovers Panel which included:

(1) Avalon must immediately take all action necessary to postpone the commencement of deferred settlement trading of new shares to be issued under the rights issue announced by Avalon on 9 August 2013.
(2) Avalon must not issue or allot any new shares under the right issue without the prior approval of the Panel.
(3) Any money received by Avalon as subscriptions for new shares under the rights issue must be held:
    a. Separately from all other Avalon funds and
    b. On trust for the subscribers.
(4) Tan Sri Abu Sahid Mohamed must not rely on any right he may have to terminate the underwriting agreement between him and Avalon by reason of or as a consequence of the application to the Panel in this matter or these interim orders.
(5) These interim orders have effect until the earliest of:
    a. Further order of the Panel
    b. The determination of the proceedings and
    c. 2 months from the date of these interim orders.

$3.6 million in funds received under the rights issue was held in trust pending the final orders at the Takeovers Panel. On 27 September 2013 the Panel varied the interim orders, the effect of which included:

- Avalon can proceed with completion of its rights issue only in respect of shares subscribed for by Tan Sri Abu Sahid Mohamed, Dato Lim Heng Suan and Dato Siew Mun Chuang;
- Subscription money for shares subscribed for under the rights issue by all other shareholders continue to be held on trust for those shareholders;
- Tan Sri Abu, Dato Lim and Dato Siew must not acquire any Avalon shares (other than shares issued to them under the rights issue) nor dispose, transfer or grant a security interest over any shares issued to them under the rights issue and;
- Tan Sri Abu must not exercise or rely on any right he may have to terminate the underwriting agreement as a consequence of the Panel application or any interim orders made.

As a result of this variation, $2.1 million is now available to the Company and will be transferred from trust to the Company's bank account.

$1.0 million from these funds will be utilised for the first payment under the amended terms to the Hannans Heads of Agreement (refer Note 23 for further details on amended terms). It is forecast, further funding will be required prior to December 2013 for the Company to continue as a going concern.

The application to the Takeovers Panel is still under consideration by the panel and final orders are now expected in early October. Should there be adverse outcomes from the matters set out above, there may be uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial reports.

The group currently has limited cash resources and accordingly to continue as a going concern it will be necessary for:

- The Group to raise additional funding in the near term to meet requirements for exploration expenditure, working capital and payments required under the Hannans Heads of Agreement beyond the initial payment of $1 million;
- No significant adverse matters to arise from the Takeovers Panel considerations.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern. For further details on capital management refer to Note 14(g) liquidity risk.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Note 1. Summary of Significant Accounting Policies (continued)

Changes in accounting policy and disclosure
From 1 July 2012 the Group applied amendments to AASB 134 Interim Financial Reporting outlined in AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items and Other Comprehensive Income. The change only relates to disclosures and has had no impact on consolidated earnings per share or net income.

(c) Basis of consolidation

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Avalon Minerals Ltd ("Company" or "Parent Entity") as at 30 June 2013 and the results of all the subsidiaries for the financial period then ended.

Avalon Minerals Ltd and its subsidiaries together are referred to in this financial report as the Group or Consolidated Entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the Board of Directors.

The Consolidated Entity aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and production process;
- Type or class of customer for the products; and
- Methods used to distribute the products

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for 'all other segments'.

Note 1. Summary of Significant Accounting Policies (continued)

(e) Revenue recognition

Interest income
Revenue recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease (refer to Note 20).

(h) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Note 1. Summary of Significant Accounting Policies (continued)

(i) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 120 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Note 1. Summary of Significant Accounting Policies (continued)

(l) Investments and other financial assets

Financial assets are classified in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available for sale investments, as appropriate. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Consolidated Entity provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the Statement of Financial Position.

(m) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Exploration equipment	3-5 years
- Furniture, fittings and equipment	3-5 years
- Computer and electronic equipment	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

(n) Trade and other payables

Trade payables are carried at amortised cost. These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Provisions

Provisions for legal claims are recognised when: the Consolidated Entity has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Note 1. Summary of Significant Accounting Policies (continued)

(p) Employee benefits

(i) Wages, salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave due to be settled within 12 months of the reporting date are recognised for employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Retirement benefit obligations
The Consolidated Entity contributes to various defined contribution superannuation funds for its employees.

Contributions to the funds are recognised as an expense as they become payable.

(iii) Share-based payments
Share-based compensation benefits are provided to employees via the Director/employee share option plan and the performance rights plan.

The fair value of options and performance rights granted under these plans is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the Directors or employees become unconditionally entitled to the options or performance rights. The fair value at grant date is independently valued using a Binomial pricing model.

The cumulative expense recognised between grant date and vesting date is adjusted to reflect the Directors' best estimate of the number of options or performance grants that will ultimately vest because of internal conditions of the options or performance grants, such as the employee having to remain with the Company until vesting date, or such that employees are required to meet internal targets. No expense is recognised for options/performance rights that do not ultimately vest because internal conditions are not met. An expense is still recognised for options/performance rights that do not ultimately vest because a market condition was not met.

(q) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Consolidated Entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Consolidated Entity is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific focus with a particular area of interest.

Note 1. Summary of Significant Accounting Policies (continued)

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that the rights to tenure of the area of interest are current and one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Expenditure which fails to meet the conditions outlined above is written off, furthermore, the Directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 6 *Exploration for and evaluation of mineral resources*. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions referred to in AASB 6 is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

(t) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the Australian Taxation Office, are presented as operating cash flows.

(u) Foreign currency transactions and balances

(i) Functional and presentation currency
The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency. The functional currency of the Consolidated Entity's foreign subsidiaries is the Swedish Krona.

(ii) Transactions and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period end exchange rate. Exchange differences arising on the translation of foreign currency transactions are recognised in profit or loss.

Note 1. Summary of Significant Accounting Policies (continued)

(iii) Group companies

The results and the financial position of all the Group entities (none of which has a currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at the reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on the translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the Statement of Financial Position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

(v) New and amended accounting standards and interpretations issued not yet adopted

From 1 July 2012 the Group applied amendments to AASB 134 Interim Financial Reporting outlined in AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of items of Other Comprehensive Income. The change only relates to disclosures and has no impact on consolidated earnings per share or net income.

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the Consolidated Entity for the reporting period ending 30 June 2013. The expected impact of the new and amended standards and interpretations on the Consolidated Entity has not yet been determined. These are outlined as follows:

Reference	**Title**	**Summary**	**Application date for standard**	**Application for Group**
AASB 2012-3	Offsetting Financial Assets and Financial Liabilities	The amendments to AASB 132 clarify when an entity has a legally enforceable right to set-off financial assets and financial liabilities permitting entities to present balances net on the balance sheet.	1 January 2014	1 July 2014
AASB 2011-4	Remove Individual Key Management Personnel Disclosure Requirements	Removes the requirements to include individual key management personnel disclosures in the notes to the financial statements. Companies will still need to provide these disclosures in the Remuneration Report under s.300A of the *Corporations Act* 2001.	1 July 2013	1 July 2013
AASB 9	*Financial Instruments* (December 2010) (includes financial assets and financial liability requirements)	AASB (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cashflows. AASB 9 (2010) introduces additions relating to financial liability.	1 January 2015	1 July 2015

Note 1. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date for standard	Application for Group
AASB 10	Consolidated Financial Statements	AASB 10 introduces a new approach to determining which investees should be consolidated. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.	1 January 2013	1 July 2013
AASB 11	Joint Arrangements	If the parties have rights to and obligations for underlying assets and liabilities, the joint arrangement is considered a joint operation and partial consolidation is applied. Otherwise the joint arrangement is considered a joint venture and the Company must use the equity method to account for their interest.	1 January 2013	1 July 2013
AASB 119	Employee Benefits AASB 2011-10 arising from AASB 119	AASB 119 is amended focusing on but not limited to the accounting for defined benefit plans. In addition it changes the definition of short-term and other long-term employee benefits and some disclosure requirements.	1 January 2013	1 July 2013
AASB 13	Fair Value Measurement (2011)	AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards.	1 January 2013	1 July 2013

Note 2. Financial instruments and financial risk management

The Group's activities expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Board of Directors under policies approved by the Board.

The Board identifies and evaluates financial risks and provides written principles for overall risk management.

(i) Credit risk
The Group's maximum exposures to credit risk at the reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables.

The Group trades only with recognised, credit worthy third parties. As the Group holds the majority of the Group's cash balances with one institution, the credit risk is concentrated in one area. Risk is considered minimal as the institution is Australian and AA rated.

Note 2. Financial instruments and financial risk management (continued)

The Group's primary banker is National Australia Bank Limited. At balance date all operating accounts are with this bank, except for funds transferred to Sweden to meet the working capital needs of the subsidiary companies. The cash needs of the subsidiary operations are monitored by the Company and funds are advanced to the Swedish operations on an as needs basis. The Directors believe this is the most efficient method of balancing the monitoring and mitigation of potential credit risks arising out of holding cash assets in overseas jurisdictions, and the funding mechanisms required by the Group.

No impairment of the Group's financial assets was recognised during the year ended 30 June 2013.

(ii) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due.

It is the Group's policy to review the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The remaining contractual maturities of the Group's liquid financial assets and financial liabilities are:

	Consolidated	
	2013	2012
	$	$
Liquid financial assets		
Three months or less	**1,313,959**	1,084,233
Greater than three months	**73,222**	80,485
	1,387,181	1,164,718
Financial liabilities		
Three months or less	**2,574,883**	957,036
	2,574,883	957,036

Debtors older than 90 days are not impaired.

The Group funds its activities through capital raising in order to limit its liquidity risk. On 9 August 2013, Avalon Minerals Ltd announced a 1 for 1 non-renounceable pro rata rights issue to raise approximately $5.62 million at an offer price of $0.01 per new share. The offer was fully underwritten by Avalon's largest shareholder, Tan Sri Abu Sahid Mohamed, who held a 19.9% interest in Avalon at the time of the rights issue.

This rights issue is subject to review by the Takeovers Panel. For further details on the status of the rights issue, please refer to events occurring after the reporting date in the Director's report (page 7) and Note 23. At the date of this report, the Takeovers Panel had allowed the Company to access $2.1 million from the rights issue.

On 19 August 2013 the Company issued 26,523,616 shares at 1.3 cents per share to professional and sophisticated investors raising $344,807. On 5 September 2013 the Company issued a further 26,523,616 shares at 1.3 cents per share to professional and sophisticated investors raising $344,807.

Fair values
All financial assets and liabilities recognised on the Statement of Financial Position, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

Note 2. Financial instruments and financial risk management (continued)

(iii) Interest rate risk
The Group's exposure to interest rates primarily relates to its cash and cash equivalents.

At balance date, the Group had the following exposure to variable interest rate risk.

	Consolidated	
	2013	2012
	$	$
Financial assets		
Cash and cash equivalents	1,185,959	694,310

The following sensitivity analysis is based on the interest rate risk exposure in existence at the reporting date. The 1% sensitivity (2012: 1%) is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding five year period.

At 30 June 2013, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss would have been affected as follows:

	Consolidated Higher/(Lower)	
	2013	2012
	$	$
Judgments of reasonably possible movements:		
Post tax loss		
+1.0% (100 basis points)	11,859	6,943
-1.0% (100 basis points)	(11,859)	(6,943)

The average interest rate for the year ended 30 June 2013 was 3.5% (2012: 4.33%).

The Group deals with financial institutions that have an AA rating or better.

(iv) Foreign currency risk
As a result of significant investment in Sweden, the Group's balance sheet can be affected significantly by movements in the Swedish Krona/Australian Dollar exchange rates. The Group does not consider there to be a significant exposure to the Swedish Krona as it represents the functional currency of a controlled entity.

The Group does not hold any financial assets or liabilities at 30 June 2013 which create a material exposure to changes in foreign exchange rates.

Note 3. Accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Consolidated Entity and that are believed to be reasonable under the circumstances.

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Estimates

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they were granted. The fair value is determined using a Binomial option pricing model.

Note 3. Accounting estimates and judgements (continued)

Judgements

Exploration and evaluation expenditure
The Consolidated Entity has carrying balances for exploration and evaluation. Each year the Group assesses whether these balances have suffered any impairment, in accordance with the accounting policy stated in Note 1(s). The recoverable amounts are based on the assumption that the assets will either be developed as economic mining properties or will be sold to a third party.

Note 4. Segment reporting

The Group has determined its operating segment based upon reports reviewed by the Board (Chief Operating Decision Makers) for making strategic decisions. The Board has identified a single operating segment being exploration for and evaluation of copper and iron ore projects in Sweden.

The reportable segment is based on aggregated operating segments determined by the geographical similarity of the Group's areas of interest and the economic environments in which the Group operates.

The Group continues to review and assess other resource projects both within Australia and overseas as opportunities arise.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those used in preparing the annual report.

Geographical areas
Revenue from external sources by geographical location is detailed below. The Consolidated Entity does not have external revenue from external sources that are attributable to any foreign country other than as shown.

	Consolidated	
	2013	2012
	$	$
Australia	**107,416**	81,986
Sweden	**2,292**	1,818
Total Revenue	**109,708**	83,804

The analysis of the location of non-current assets is as follows:

Australia	**124,362**	159,638
Sweden	**37,786,058**	21,755,519
Total Non-current assets	**37,910,420**	21,915,157

Non-current assets include tangible and intangible assets.

Note 5. Revenue and other income

	Consolidated	
	2013	2012
	$	$
Interest revenue	**106,352**	75,574
Sundry income	**3,356**	8,230
	109,708	83,804

Note 6. Expenses

Loss before income tax includes the following:

	Consolidated	
	2013	2012
	$	$
Employee benefits expense*		
Salaries	**1,132,307**	1,140,482
Directors' fees	**147,604**	100,263
Superannuation	**73,070**	124,783
Share based payments	**3,487,358**	895,405
Leave entitlements	**15,662**	(41,389)
Other	**181,035**	114,687
	5,037,036	2,334,231

*Excluding employee benefit costs capitalised to exploration and evaluation expenditure

Rental expense relating to operating leases	**118,727**	173,211

Note 7. Income tax

	Consolidated	
	2013	2012
	$	$
(a) Current income tax		
Current income tax benefit relating to origination and reversal of temporary differences	-	-
Deferred tax assets not brought to account as realisation is not considered probable	-	-
Income tax expense reported in the Statement of profit or loss and other comprehensive income	-	-

Note 7. Income tax (continued)

	Consolidated	
	2013	2012
	$	$
(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
Accounting loss before income tax	**(6,191,996)**	(4,455,951)
At the Group's statutory income tax rate of 30%	**(1,857,599)**	(1,336,785)
Expenditure not allowable for income tax purposes	**1,046,207**	256,354
Deductible share issue costs	**(17,780)**	(12,076)
Prior year adjustment to Deferred Tax Assets	**(20,437)**	(11,656)
Adjustment for lower corporate tax rate in Sweden	-	39,632
Deferred tax asset not brought to account as realisation is not considered probable	**849,609**	1,064,531
Income tax expense	**-**	-

	Statement of Financial Position		Statement of Profit or Loss and Other Comprehensive Income	
	2013	2012	**2013**	2012
	$	$	**$**	$
(c) Deferred tax assets and liabilities at 30 June relate to the following:				
Deferred tax liabilities				
Prepayments	**12,422**	462	**(12,422)**	(462)
Deferred tax liabilities offset by deferred tax assets	**(12,422)**	(462)	**-**	**-**
Net deferred tax liabilities	**-**	-		
Deferred tax assets				
Employee provisions	**30,740**	17,449	**(44,301)**	(41,389)
Other accruals and provisions	**21,318**	15,262	**(20,186)**	(2,819)
Share issue costs charged to equity	**-**	-	**-**	-
Unused income tax losses	**3,261,480**	2,497,561	**914,096**	1,109,532
Total deferred tax assets	**3,313,538**	2,530,272	**837,187**	1,064,862
Total unrecognised deferred tax assets	**(3,301,116)**	(2,529,810)	**(837,187)**	(1,064,862)
	12,422	462	**-**	-
Deferred tax assets offset by deferred tax liabilities	**(12,422)**	(462)	**-**	-
Net deferred tax assets	**-**	-	**-**	-

The Consolidated Entity has not recognised the deferred tax assets in the financial statements as it is not considered probable that sufficient taxable amounts will be available in future periods with which to be offset.

Note 8. Current assets – Cash and cash equivalents

	Consolidated	
	2013	2012
	$	$
Cash on hand and at bank	**1,185,959**	694,310

Cash at bank earns interest at floating rates based on daily bank deposit rates. The cash at bank is bearing floating interest rates between 0.01% and 5.0% (2012: 0.00% and 4.75%). The carrying amounts of cash and cash equivalents represent fair value. During the year the Group also held term deposits bearing interest rates of 2.9% and 5.0%.

Restricted cash balances totaling $32,367 (2012: $78,945) representing term deposits securing various performance guarantees have been disclosed under trade and other receivables (refer Note 9).

Note 9. Current assets – Trade and other receivables

	Consolidated	
	2013	2012
	$	$
Other debtors	**127,448**	389,923
Deposits	**32,367**	78,945
Prepayments	**41,407**	1,540
	201,222	470,408

Other debtors consist of GST and VAT receivables from the taxation authorities and other minor amounts. All receivables are carried at amortised cost which approximates their fair value. All receivables excluding deposits are non-interest bearing. All receivables balances are current and no allowance has been made for impairment as it is highly probable that all receivables will be recovered.

Note 10. Non-current assets – Plant and equipment

	Consolidated	
	2013	2012
	$	$
Plant and equipment		
Plant and equipment at cost	**881,811**	584,634
Less accumulated depreciation	**(466,341)**	(328,562)
	415,470	256,072

Plant and Equipment movements
Movement in the carrying amounts of property, plant and equipment between the beginning and end of the financial year is set out below.

	2013	2012
	$	$
Balance at 1 July	**256,072**	270,996
Additions - plant and equipment	**238,930**	130,241
Effect of movements in exchange rates	**12,178**	(2,160)
Depreciation expense	**(91,710)**	(90,558)
Disposals – at cost	**-**	(94,513)
Disposals – accumulated depreciation	-	42,066
Balance at 30 June	**415,470**	256,072

Note 11. Non-Current assets – Exploration and evaluation

	Consolidated	
	2013	2012
	$	$
Exploration and evaluation		
Exploration and evaluation – at cost less amounts written off	**37,494,950**	21,659,085
Movements reconciliation		
Opening Balance	**21,659,085**	20,126,704
Tenement acquisition	**2,000,000**	-
Exploration and evaluation expenditure	**10,111,082**	3,475,103
Effect of movements in exchange rates	**3,724,783**	(871,593)
Expenditure written off	-	(1,071,129) *
Closing Balance	**37,494,950**	21,659,085

The recovery of the Consolidated entity's interest in exploration expenditure is dependent upon:

- the continuance of the Company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

* Expenditure incurred on the Adak tenements was written off in full in 2012 as exploration at this site has ceased.

Note 12. Current Liabilities – Trade and other payables

	Consolidated	
	2013	2012
	$	$
Tenement acquisition	**2,000,000**	-
Trade payables	**335,292**	619,321
Sundry payables and accrued expenses	**239,591**	337,715
	2,574,883	957,036

New Tenements

On 5 May 2013 the Group entered into a binding heads of agreement with Hannans Reward Limited to acquire the Rakkurijarvi Exploration Permit and the Discovery Zone Exploitation Concession, which cover the Discovery Zone and Tributation Zone prospects (which are currently 100% owned by Hannans subsidiary, Kiruna Iron AB) as well as the exploration area surrounding the Discovery Zone located in Kiruna district at Sweden (Discovery projects) for AUD$4 million.

The first AUD$2 million dollar payment is recorded in current liabilities. On 3 July 2013 Avalon received a statutory demand from Hannans, pursuant to which it was alleged that the first AUD$2 million was due and payable. The Company did not believe the debt was due for payment as all conditions to the agreement had not been met. This matter was set down to be heard in court in early November 2013. The parties had continued to negotiate a commercial outcome. On 30 September 2013 the Company agreed to vary the payment terms to the following:

In consideration for the Sale, Avalon agrees to pay, and Hannans agrees to accept as full and final payment for the Sale, the sum of $4,000,000 (Consideration) as follows:

(a) subject to Avalon gaining access to a sum of at least AUD$2,100,000 of the funds raised from a rights issue pursuant to an offer document dated 22 August 2013 (Rights Issue) (which for the avoidance of doubt will only occur once Avalon issues shares which correspond to that amount (Relevant Shares), Avalon agrees to pay into Hannans' Nominated Bank Account AUD$1,000,000 on or before the date that is 3 Business Days after issue of the Relevant Shares (First Payment);
(b) in the event that the Relevant Shares are not able to be issued by Avalon (due to a restriction imposed by a regulatory body), Avalon agrees to make the First Payment into Hannans' Nominated Bank Account on or before 31 October 2013; and
(c) within 5 Business Days of the Discovery Exploitation Concession being granted (Concession Grant Date), Avalon will deposit a cash payment of AUD$3,000,000 into Hannans' Nominated Bank Account (Final Payment).

This $2 million debt had been recorded as a liability in the accounts at 30 June 2013. With the Variation, $1 million will be due for payment in October 2013 and the second payment of $3 million will be due for payment after ongoing environmental assessments and approval by the Swedish Mines Inspectorate. The directors do not expect this process to be completed until the second half of the 2014 calendar year.

Note 13. Provisions

	Consolidated	
	2013	2012
	$	$
Current		
Employee leave liaibilities	**102,465**	58,164
	102,465	58,164

Note 14. Contributed equity

	Number of shares	2013 $
(a) Share capital		
Ordinary shares – fully paid	562,017,007	50,710,149

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price $	$
	Balance at 30 June 2011	**215,738,002**		**31,454,613**
July 2011	Shares issued to professional and sophisticated investors	1,862,221	0.18	120,000*
	Less: transaction costs on issue of shares			(576)
September 2011	Shares issued to professional and sophisticated investors	19,891,111	0.09	1,790,200
	Less: transaction costs on issue of shares			(87,418)
October 2011	Shares issued to professional and sophisticated investors	1,570,000	0.09	141,300
March 2012	Partly paid options issued to Underwriter of Rights Issue			60,000
March 2012	Shares issues pursuant to 1 for 5 non-renounceable pro-rata rights issue	47,812,268	0.06	2,868,736
	Less: transaction costs on issue of shares			(241,690)
March 2012	Shares issued to Underwriter	4,000,000	-	-
	Balance at 30 June 2012	**290,873,602**		**36,105,165**
July 2012	Shares issued to professional and sophisticated investors	39,979,189	0.09	3,598,127
	Less: transaction costs on issue of shares			(116,319)
August 2012 to March 2013	Options issued to employees			200,000
November 2012	Shares issued to professional and sophisticated investors	115,285,714	0.07	8,070,000
	Less: transaction costs on issue of shares			(565,087)
November 2012	Tranche 2 Performance Rights Issued	14,700,000	0.07	1,102,500
April 2013	Shares issued to professional and sophisticated investors	25,075,000	0.05	1,253,750
	Less: transaction costs on issue of shares			(65,400)
May 2013	Shares issued to professional and sophisticated investors	66,666,666	0.015	1,000,000
June 2013	Shares issued to professional and sophisticated investors	9,436,836	0.015	141,553
	Less: transaction costs on issue of shares			(14,140)
		562,017,007		**50,710,149**

* $215,200 was received prior to 30 June 2011

Subsequent to the end of the financial year

On 9 August 2013 the Company announced a fully underwritten non-renounceable rights issue. The rights issue is a 1 for 1 non-renounceable pro-rata rights issue to raise approximately $5.62 million at an offer price of $0.01 per new share. The offer was fully underwritten by Avalon's largest shareholder, Tan Sri Abu Sahid Bin Mohamed, who held a 19.9% interest in Avalon at the time of the rights issue. The rights issue is subject to review by the Takeovers Panel. On 27 September 2013 variations to the interim orders have allowed the access to $2.1 million from the rights issue. The shares will now be allocated to the relevant parties. For further details on the status of the rights issue, please refer to events occurring after reporting date in the Director's report (page 7) and Note 23.

Note 14. Contributed equity (continued)

Other Placements
On 19 August 2013 the Company issued 26,523,616 shares at 1.3 cents per share to professional and sophisticated investors.

On 5 September 2013 the Company issued a further 26,523,616 shares at 1.3 cents per share to professional and sophisticated investors.

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Effective 1 July 1998, the Corporations Legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

(d) Employee and Director's Option Plan / Performance Right's Plan

Information relating to the employee and Director's share option plan and performance right's plan, including details of instruments issued, exercised and lapsed during the financial year are set out in Note 21.

(e) Options

At the end of the financial period there were 52,800,000 performance rights/options over ordinary shares on issue as shown below:

- 1,000,000 options exercisable at 40 cents and expiring 31 January 2014;
- 500,000 options exercisable at 30 cents and expiring 1 July 2014;
- 26,000,000 options with an issue price of 1c, exercise price 5c and an expiry date of 30 September 2015;
- 25,300,000 performance rights (see Note 21), expiring 5 June 2019.

(f) Movements in Options / Performance Rights

Date	Details	Number of options/ Performance Rights
	Balance at 30 June 2011	**8,000,000**
21 July 2011	Expiry of options	(100,000)
8 December 2011	Expiry of options	(500,000)
11 January 2012	Expiry of options	(600,000)
6 February 2012	Expiry of options	(600,000)
21 February 2012	Expiry of options	(600,000)
19 March 2012	Expiry of options	(3,000,000)
20 March 2012	Allotment of options	6,000,000
27 April 2012	Expiry of Options	(300,000)
5 June 2012	Allotment of Options	7,800,000
5 June 2012	Performance Rights Issued	15,600,000
	Balance at 30 June 2012	**31,700,000**
27 July 2012	Allotment of Options	11,000,000
27 July 2012	Performance Rights Issued	22,000,000
29 September 2012	Allotment of Options	1,200,000
29 September 2012	Performance Rights Issued	2,400,000
7 November 2012	Performance Rights Exercised	(14,700,000)
30 January 2013	Options Lapsed	(500,000)
27 April 2013	Vesting Conditions for Options not met	(300,000)
	Balance at 30 June 2013	**52,800,000**

Note 14. Contributed equity (continued)

(g) Capital management

The objective is to ensure the entity continues as a going concern as well as to maintain an optimal structure to reduce the cost of capital. Avalon Minerals Ltd is a junior exploration company and it is dependent from time to time on its ability to raise capital from the issue of new shares and its ability to realise value from its exploration and evaluation assets. The Board is responsible for capital management. This involves the use of cash flow forecasts to determine future capital management requirements. Capital management is undertaken to ensure a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements. The Company does not have any debt facilities and is not subject to any external capital requirements. Surplus funds are invested in a cash management account and are available as required. Financial liabilities of the Group at balance date are trade, tenement acquisition payable and other payables. Refer to Note 12 for details of the terms of the tenement acquisition payable. Trade and other payables are unsecured and usually paid within 30 days of recognition.

Risk for the Group is the ability to raise equity in the future. The Group has historically raised sufficient capital to fund its operations, however, it recognises that it is at risk of financial markets which dictate its ability to fund operations beyond exhaustion of the current cash funds. Various fund raising activities have occurred since the end of the financial year, refer Note 23.

	Consolidated	
	2013	2012
	$	$
Current assets	**1,387,181**	1,164,718
Current liabilities	**2,677,348**	1,015,200
Liquidity ratio	**0.52%**	1.15%

The Company needs to raise funds in the short term to pay debts as and when they fall due. Refer to capital raising activities in events occurring after reporting date (Note 23 and Note 1(a)) to review activities undertaken.

Note 15. Reserves

	Consolidated	
	2013	2012
	$	$
Share based payments reserve	**3,750,343**	1,365,485
Foreign currency translation reserve	**1,544,000**	(2,213,732)
Total reserves	**5,294,343**	(848,247)
Movements in reserves		
Share-based payments reserve		
Balance at 1 July	**1,365,485**	470,080
Option expense	**3,487,358**	895,405
Transfer to contributed equity upon exercise of Performance Rights	**(1,102,500)**	-
Balance at 30 June	**3,750,343**	1,365,485
Foreign currency translation reserve		
Balance at 1 July	**(2,213,732)**	(1,197,820)
Foreign exchange loss on translation of foreign subsidiaries	**3,757,732**	(1,015,912)
Balance at 30 June	**1,544,000**	(2,213,732)

Note 15. Reserves (continued)

Nature and purpose of reserves
Share-based payments reserve
The share based payments reserve is used to record the fair value of share based payments provided to Directors, employees, including key management personnel, and contractors as payment for services.

Foreign currency translation reserve
The foreign currency translation reserve is used to recognise foreign exchange gains or losses arising on the translation of the financial report of foreign subsidiary companies. The functional currency of Avalon Minerals Ltd is the Australian Dollar and that of its foreign subsidiaries is the Swedish Krona.

Note 16. Accumulated losses

	Consolidated	
	2013	2012
	$	$
Balance at 1 July	**(13,192,243)**	(8,736,292)
Net loss attributable to members of Avalon Minerals Ltd	**(6,191,996)**	(4,455,951)
Balance at 30 June	**(19,384,239)**	(13,192,243)

Note 17. Key management personnel disclosures

(a) Directors

The following persons were Directors of Avalon Minerals Ltd during the financial year:

Chairman
Mr Crispin Henderson (appointed Non-Executive Chairman 25 March 2013)
Tan Sri Abu Sahid Bin Mohamed (appointed as a Director 12 January 2009, a Non-Executive Chairman on 9 February 2012 and resigned as the Chairman and as a Director on 25 March 2013)

Managing Director and CEO
Mr J Read (Managing Director from 10 February 2012 to 26 September 2013. Mr Read remains a Non-Executive Director of the Company)

Non-Executive Directors

Mr P Niardone (appointed 10 February 2012)

Mr Siew Mun Wai (appointed 10 February 2012)

Mr Seng Han Gary Goh (appointed 10 February 2012)

Dato Siew Mun Chuang (appointed 10 February 2012)

Alternative Non-Executive Director

Mr Ler Leong Keh (appointed 2 August 2013)

(b) Other key management personnel

Name	**Position**
Ms Ros Shand	Company Secretary (appointed 13 February 2012)
Mr Ian Wallace	Commercial Manager (appointed 13 February 2012)
Ms Linda Cochrane	Chief Financial Officer (appointed 20 February 2012)
Dr Quinton Hills	Exploration Manager (appointed 12 March 2012)
Mr Nick Bryce	Principal Geologist (resigned 20 July 2012)
Ms Louise Lindskog	Country Manager Sweden (appointed 12 November 2012)

Note 17. Key management personnel disclosures (continued)

Key management personnel compensation

	Consolidated 2013 $	Consolidated 2012 $
Short term employee benefits	**1,455,083**	1,362,771
Long term employee benefits	**-**	-
Post-employment benefits	**139,638**	110,436
Share based payments	**2,724,461**	535,153
	4,319,182	2,008,360

(c) Equity instrument disclosures relating to key management personnel

Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions, can be found in the Remuneration Report on page 32 to 33.

Option holdings

2013	Balance at the beginning of the period	Granted as remuneration	Exercised during the period	Options Lapsed	Balance at the end of the period (2)	Vested and exercisable at the end of the period
Director	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Tan Sri AS Mohamed (1)	300,000	-	-	(300,000)	-	-
Mr J Read	5,000,000	-	-	-	5,000,000	-
Mr P Niardone	2,800,000	-	-	-	2,800,000	-
Other key management personnel						
Dr Q Hills	-	2,600,000	-	-	2,600,000	-
Mr I Wallace	-	2,600,000	-	-	2,600,000	-
Ms R Shand	-	900,000	-	-	900,000	-
Ms L Cochrane	-	900,000	-	-	900,000	-
Ms L Lindskog (commenced employment 12 November 2012)	-	1,200,000	-	-	1,200,000	-
Total	8,100,000	8,200,000	-	(300,000)	16,000,000	-

(1) Tan Sri AS Mohamed resigned as Non-Executive Chairman and a Director on 25 March 2013
(2) Or date ceased to be a member of key management personnel

2012	Balance at the beginning of the period	Granted as remuneration	Exercised during the period	Options Lapsed	Balance at the end of the period (6)	Vested and exercisable at the end of the period (6)
Director	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Mr DL McSweeney (1)	600,000	-	-	(600,000)	-	-
Mr AT Munckton (2)	4,500,000	-	-	(3,000,000)	1,500,000	1,500,000
Tan Sri AS Mohamed	600,000	-	-	(300,000)	300,000	-
Mr S Stone (3)	600,000	-	-	(600,000)	-	-
Mr A Al-Khadra (4)	600,000	-	-	(600,000)	-	-
Mr J Read	-	5,000,000	-	-	5,000,000	-
Mr P Niardone	-	2,800,000	-	-	2,800,000	-
Other key management personnel						
Mr PA Bridson (5)	1,000,000	-	-	(500,000)	500,000	500,000
Total	7,900,000	7,800,000	-	(5,600,000)	10,100,000	2,000,000

(1) Mr D McSweeney resigned as Executive Chairman on 6 February 2012
(2) Mr A Munckton resigned as Managing Director on 19 March 2012
(3) Mr S Stone resigned as a Non-Executive Director on 11 January 2012
(4) Mr A Al-Khadra resigned as a Non-Executive Director on 21 February 2012
(5) Mr P Bridson resigned as Company Secretary and Consulting CFO on 8 December 2011
(6) Or date ceased to be a member of key management personnel

Note 17. Key management personnel disclosures (continued)

Performance Rights provided as remuneration

Details of performance rights issued, together with terms and conditions, can be found in the Remuneration Report on pages 33 to 34 and Note 21.

Performance Rights

2013	Balance at the beginning of the period	Performance Rights granted as remuneration	Balance at the end of the period	Vested and exercised during the period	Unvested at the end of the period
Director	**Number**	**Number**	**Number**	**Number**	**Number**
Mr J Read	10,000,000	-	10,000,000	3,750,000	6,250,000
Mr P Niardone	5,600,000	-	5,600,000	2,100,000	3,500,000
Other key management personnel					
Dr Q Hills	-	5,200,000	5,200,000	1,950,000	3,250,000
Mr I Wallace	-	5,200,000	5,200,000	1,950,000	3,250,000
Ms R Shand	-	1,800,000	1,800,000	675,000	1,125,000
Ms L Cochrane	-	1,800,000	1,800,000	675,000	1,125,000
Ms L Lindskog (commenced employment 12 November 2012)	-	2,400,000	2,400,000	600,000	1,800,000
Total	**15,600,000**	**16,400,000**	**32,000,000**	**11,700,000**	**20,300,000**

2012	Balance at the beginning of the period	Performance Rights granted as remuneration	Balance at the end of the period	Vested and exercised during the period	Unvested at the end of the period
Director	**Number**	**Number**	**Number**	**Number**	**Number**
Mr J Read	-	10,000,000	10,000,000	-	10,000,000
Mr P Niardone	-	5,600,000	5,600,000	-	5,600,000
Total	**-**	**15,600,000**	**15,600,000**	**-**	**15,600,000**

Share holdings

The numbers of shares in the Company held during the financial year by each Director and the key management personnel of the Consolidated Entity, including their personally related entities, are set out below.

2013 Name	Balance at the beginning of the period	Received during the period on the exercise of performance rights	Other changes during the period (1)	Balance at the end of the period (2)
Director	**Number**	**Number**	**Number**	**Number**
Mr C Henderson	-	-	3,037,604	3,037,604
Tan Sri AS Bin Mohamed (resigned 25 March 2013)	49,726,012	-	20,000,000	69,726,012
Mr J Read	500,000	3,750,000	-	4,250,000
Mr P Niardone	-	2,100,000	100,000	2,200,000
Mr Siew Mun Wai	-	-	-	-
Mr Seng Han Gary Goh	-	-	-	-
Dato Siew Mun Chuang	27,760,833	-		27,760,833
Other key management personnel				
Dr Q Hills	200,000	1,950,000	-	2,150,000
Mr I Wallace	100,000	1,950,000	-	2,050,000
Ms L Cochrane	-	675,000	-	675,000
Ms R Shand	-	675,000	-	675,000
Ms L Lindskog	-	600,000	-	600,000
Total	**78,286,845**	**11,700,000**	**23,137,604**	**113,124,449**

(1) Other changes represent on-market share purchases, off-market share transfers, rights issue entitlements and balances held upon termination.

(2) Or date ceased to be a member of key management personnel

Note 17. Key management personnel disclosures (continued)

2012 Name	Balance at the beginning of the period	Received during the period on the exercise of options	Other changes during the period (1)	Balance at the end of the period (2)
Director	**Number**	**Number**	**Number**	**Number**
Mr DL McSweeney	14,526,282	-	(3,727,620)	10,798,662
Mr AT Munckton	978,000	-	59,600	1,037,600
Tan Sri AS Bin Mohamed	41,438,344	-	8,287,668	49,726,012
Mr S Stone	1,385,942	-	665,186	2,051,128
Mr A Al-Khadra	-	-	-	-
Mr AH Kamaruddin	200,000	-	40,000	240,000
Mr GC Steinepreis	-	-	-	-
Mr J Read	-	-	500,000	500,000
Mr P Niardone	-	-	-	-
Mr Siew Mun Wai	-	-	-	-
Mr Seng Han Gary Goh	-	-	-	-
Dato Siew Mun Chuang	-	-	27,760,833	27,760,833
Other key management personnel				
Mr PA Bridson	90,000	-	(90,000)	-
Dr Q Hills	-	-	200,000	200,000
Mr I Wallace	-	-	100,000	100,000
Ms L Cochrane	-	-	-	-
Ms R Shand	-	-	-	-
Total	**58,618,568**	**-**	**33,795,667**	**92,414,235**

(1) Other changes and balances held upon termination.
(2) Or date ceased to be a member of key management personnel

(d) Loans to key management personnel

There were no loans made to Directors or other key management personnel of Avalon Minerals Ltd.

(e) Other transactions with key management personnel

During the prior financial year the Company paid fees of $19,585 to MSP Engineering Pty Ltd, a company of which Mr McSweeney was the Chairman and a shareholder. Amounts were billed based upon normal market rates for engineering services and were due and payable under normal payment terms. Mr McSweeney resigned from Avalon Minerals on 6 February 2012.

There were no further transactions or balances outstanding at 30 June 2013 with key management personnel.

Note 18. Remuneration of auditors

	Consolidated	
	2013 **$**	2012 $
During the period the following fees were paid or payable for services provided by the auditor of the Company and its related practices:		
Audit and Review Services		
KPMG		
Audit and review of consolidated financial statements	**53,507**	47,642
Audit of Swedish subsidiaries financial statements	**8,375**	10,903
Other Services		
KPMG		
Accounting advice - Australia	**-**	1,955
Taxation matters – Australia	**37,955**	26,825
Accounting advice – Sweden	**7,060**	-
Taxation matters – Sweden	**15,886**	-

Note 19. Contingent liabilities

The Company is not aware of any material liabilities at 30 June 2013 not disclosed in the Financial Statements. Refer to Note 23 Status of Takeovers Panel proceedings. Liabilities may arise as a result of matters before the Takeover Panel proceedings. Some may have resulted from events prior to 30 June 2013, however cannot be quantified until the Takeovers Panel have made their determinations.

Note 20. Capital and other commitments

(i) Capital Commitments

	Consolidated	
	2013	2012
Commitments on Tenements are as follows:	**$**	$
Expenditure Commitments:		
Existing Tenements		
- not later than 12 months	65,000	94,210
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
New Tenements		
- between 12 months and 5 years	2,000,000	-
	2,065,000	94,210

Existing Tenements

Exploration expenditure commitments are required to keep licenses in good standing. The Consolidated Entity is committed to this expenditure on the current tenements. In order to maintain current rights to tenure of its mineral tenement leases, the Consolidated Entity will be required to outlay amounts to meet minimum expenditure requirements to the Bergsstaten (Swedish Mines Inspectorate). These obligations may be varied from time to time, or subject to approval, and are expected to be fulfilled in the normal course of operations of the Consolidated Entity.

New Tenements

On 5 May 2013 the company entered into a binding heads of agreement with Hannans Reward Limited to acquire the Rakkurijarvi Exploration Permit and the Discovery Zone Exploitation Concession, which cover the Discovery Zone and Tributation Zone prospects (which are currently 100% owned by Hannans subsidiary, Kiruna Iron AB) as well as the exploration area surrounding the Discovery Zone located in Kiruna district at Sweden (Discovery projects) for AUD$4 million.

The first AUD$2 million dollar payment is recorded in current liabilities, refer Note 12. The second payment is conditional upon ongoing environmental assessments and approval by the Swedish Mines Inspectorate and therefore is disclosed as a capital commitment. The terms of payment under the heads of agreement with Hannans Reward Limited were varied subsequent to the end of the financial year. Please refer to Note 23 for further details on the variation.

(ii) Lease commitments

	2013	2012
Operating Lease Payable:	**$**	$
- not later than 12 months	275,364	189,870
- between 12 months and 5 years	223,584	270,418
- greater than 5 years	-	-
	498,948	460,288

The Consolidated Entity is currently occupying its registered office and pays rent to the owner on normal commercial terms and conditions. There is also an office in Lulea, Sweden and a core shed in Kiruna, Sweden under operating leases.

Note 21. Share-based payments

A. New Issue of Options and Performance Rights to Key Management Personnel and other Employees

On 27 July 2012 the Board approved the issue of 12,200,000 options to Key Management Personnel and other employees. The issue price was 1 cent per share and the exercise price is 5 cents per share. The options expire on 30 September 2015. 11,000,000 were issued on 27 July 2012 and 1,200,000 were issued on 29 September 2012. All options vested to the Key Management Personnel upon issue as there were no performance or service conditions attached to these options.

Staff Member	Options Issued
Key Management Personnel	
Mr Ian Wallace (Business Manager)	2,600,000
Dr Quinton Hills (Exploration Manager)	2,600,000
Ms Linda Cochrane (Chief Financial Officer)	900,000
Ms Ros Shand (Company Secretary)	900,000
Ms L Lindskog (Sweden Country Manager)	1,200,000
Other employees	4,000,000
Total	12,200,000

Also on 27 July 2012, 22,000,000 performance rights were issued to Key Management Personnel and employees. On 29 September 2012 a further 2,400,000 performance rights were issued to Key Management Personnel. Performance rights issued were as follows:

Staff Member	Performance Rights Tranche 1 Shares	Performance Rights Tranche 2 Shares	Performance Rights Tranche 3 Shares	Performance Rights Total
Key Management Personnel				
Mr Ian Wallace (Business Manager)	1,300,000	1,950,000	1,950,000	5,200,000
Dr Quinton Hills (Exploration Manager)	1,300,000	1,950,000	1,950,000	5,200,000
Ms Linda Cochrane (Chief Financial Officer)	450,000	675,000	675,000	1,800,000
Ms Ros Shand (Company Secretary)	450,000	675,000	675,000	1,800,000
Ms L Lindskog (Sweden Country Manager)	600,000	600,000	1,200,000	2,400,000
Other employees	2,000,000	3,000,000	3,000,000	8,000,000
Total	6,100,000	8,850,000	9,450,000	24,400,000

Performance Conditions attached to the performance rights were:
1. Tranche one = the closing price of the shares being 12c or more for 10 consecutive ASX trading days
2. Tranche two = the total combined JORC compliant mineral resources on the Viscaria project reaching 10Mt at 2.5% Cu or more
3. Tranche three = the closing price of the shares being 30c or more for 10 consecutive ASX trading days

Each tranche of Shares will not be able to be released from the Share Plan until the performance based Vesting Conditions for that tranche have been achieved. The conditions associated with Tranche two were met on 29 October 2012 and the shares vested with employees on 7 November 2012. 8,850,000 shares were issued to Key Management Personnel and other employees as a result of the vesting of Tranche two performance rights. 5,850,000 shares were issued to Directors as a result of the vesting of Tranche two performance rights (the grant of performance rights to Directors was previously approved by shareholders on 5 June 2012). The remaining performance rights remain unvested.

Note 21. Share-based payments (continued)

B. Options

Set out below is a summary of the movement in options for the current financial year.

Grant Date 2013	Expiry Date	Issue Price $	Exercise Price $	Balance at beginning of the period Number	Issued during the period Number	Exercised during the period Number	Forfeited/expired during the period Number	Balance at the end of the period Number
27 February 2010	31 January 2013	-	0.30	500,000	-	-	(500,000)	-
27 February 2010	31 January 2014	-	0.40	1,000,000	-	-	-	1,000,000
22 September 2010	1 July 2014	-	0.30	500,000	-	-	-	500,000
3 May 2011	27 April 2015	-	0.30	300,000	-	-	-	300,000
23 May 2012	30 September 2015	0.01	0.05	6,000,000	-	-	-	6,000,000
5 June 2012	30 September 2015	0.01	0.05	7,800,000	-	-	-	7,800,000
27 July 2012	30 September 2015	0.01	0.05	-	11,000,000	-	-	11,000,000
29 September 2012	30 September 2015	0.01	0.05	-	1,200,000	-	-	1,200,000
Total		-		**16,100,000**	**12,200,000**	**-**	**(500,000)**	**27,800,000**

Set out below is the movement in options for the 2012 financial year.

Grant Date 2012	Expiry Date	Issue Price $	Exercise Price $	Balance at beginning of the period Number	Issued during the period Number	Exercised during the period Number	Forfeited/expired during the period Number	Balance at the end of the period Number
13 January 2009	31 July 2011	-	0.20	100,000	-	-	(100,000)	-
27 February 2010	31 January 2013	-	0.30	500,000	-	-	-	500,000
27 February 2010	31 January 2014	-	0.40	1,000,000	-	-	-	1,000,000
22 September 2010	1 July 2014	-	0.30	500,000	-	-	-	500,000
22 September 2010	1 July 2015	-	0.40	500,000	-	-	(500,000)	-
3 May 2011	27 April 2014	-	0.30	2,700,000	-	-	(2,700,000)	-
3 May 2011	27 April 2015	-	0.30	2,700,000	-	-	(2,400,000)	300,000
23 May 2012	30 September 2015	0.01	0.05	-	6,000,000	-	-	6,000,000
5 June 2012	30 September 2015	0.01	0.05	-	7,800,000	-	-	7,800,000
Total		-		**8,000,000**	**13,800,000**	**-**	**(5,700,000)**	**16,100,000**

(i) Fair Value of Options Granted during the 2013 Financial Year

The fair value of options issued during 2013 were independently valued using the Binomial method of valuation.

Grant Date	**27 July 2012**	**29 September 2012**
Issue Price	$0.01	$0.01
Exercise Price	$0.05	$0.05
Share price at Grant Date	$0.09	$0.07
Share volatility	94.35%	94.35%
Risk free rate of return	2.75%	2.75%
Number of options issued	11,000,000	1,200,000
Value per option	$0.07	$0.07
Total Value	**$720,500**	**$78,600**

Fair Value of Options Granted during the 2012 Financial Year

The fair value of options issued during 2012 were independently valued using the Binomial method of valuation.

Grant Date	**23 May 2012**	**5 June 2012**
Issue Price	$0.01	$0.01
Exercise Price	$0.05	$0.05
Share price at Grant Date	$0.09	$0.08
Share volatility	106.83%	106.83%
Risk Free rate of return	3.66%	3.66%
Number of options issued	6,000,000	7,800,000
Value per option	$0.06	$0.06
Total Value	**$360,000**	**$486,330**

Note 21. Share-based payments (continued)

(ii) Amortisation expense for options

The amortised expense in the statement of profit or loss and other comprehensive income for the year ended 30 June 2013 was $799,100 (30 June 2012: $756,988).

C. Performance Rights

The performance rights plan is an equity linked incentive plan established to more closely align rewards for performance of key employees with the achievement of the Company's growth and strategic objectives.

Summary of Key Terms of Performance Rights Plan (Rights Plan)

Eligibility Criteria

a) The rights plan is available to full and part time employees of the Company, Directors of the Company and "associates" (as defined for Australian income tax purposes) of any of those persons (Eligible Participants). Participation in the rights plan is by invitation only.

Structure and Administration of the Rights Plan

b) The rights plan provides for performance rights to be acquired by:
   i. Eligible Participants who have accepted an invitation to acquire performance rights under the rights plan;
   ii. The key terms and conditions of the rights plan are set out in the rights plan and provided to Eligible Participants;
   iii. Subject to ASX listing rules, the Board may from time to time amend or add to all as any of the provisions of the rights plan or the terms and conditions of any performance rights granted, including vesting conditions.

c) The total number of performance rights is 40 million (subject to the Board amending the rights plan rules).

d) Acquisition of Performance Rights
   All performance rights are offered to Eligible Participants for no consideration.

e) Performance Rights Exercise Price
   Within 10 business days after a performance right has vested (ie the vesting conditions linked to the performance rights have been satisfied) the Company will award the Eligible Participant the number of shares applicable to those performance rights free of charge.

f) Shares
   i. Each performance right will entitle the eligible participant to receive one fully paid ordinary share in the Company, if the vesting conditions are satisfied;
   ii. The Company will apply to ASX for allocated shares to be listed.

g) Lapse
   An unvested performance right will lapse upon the earliest to occur of (amongst other circumstances):
   i. The Eligible Participant transferring or granting a security of interest over a performance right;
   ii. The Eligible Participant ceasing to be an eligible employee (other than for ill health or death, the Board determines within 3 months of the relevant event, that the performance right will still vest);
   iii. The Eligible Participant acting fraudulently or dishonestly or in breach of the eligible participant's obligations to any group member;
   iv. A resolution being passed or order being made to wind up the Company;
   v. The vesting conditions in respect of a performance right not being met within any applicable period; and
   vi. The 7th year of the grant date.

h) Assignability
   i. Performance rights are not transferable except with the prior written consent of the Board, which may be withheld in its absolute discretion;
   ii. Performance rights are transferable to the extent necessary to allow exercise by personal representatives pursuant to the plan in the event of the death of the holder.

Note 21. Share-based payments (continued)

i) Restrictions
   i. For the first 3 months after the date shares are issued to participants (Trading Lock Period), 25% of those shares issued on that date (Locked Shares), will be subject to a Trading Lock;
   ii. During the Trading Lock Period, the Locked Shares may not be transferred and the Eligible Participant must not grant any security interest in or over (or to otherwise dispose or deal with) the Locked Shares or any interest held in the Locked Shares.

j) Vesting
   Vesting conditions will be determined by the Board at the time an invitation inviting Eligible Participants to participate in the rights plan is made. Generally, performance rights will not vest until the relevant vesting conditions linked to those performance rights have been satisfied. However:
   i. In the case of ill health or death the vesting conditions may be waived by the Board in its absolute discretion;
   ii. If a 'Change of Control' (ie takeover bid (as defined under the Corporations Act) is made to acquire at least 50% of the Shares, a person obtains voting power in the Company of more than 33% and the takeover bid is or has become unconditional or a Court has sanctioned a compromise or arrangement under Part 5.1 of the Corporations Act (other than the purpose of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other entity or entities)) occurs, and there is no contravention of the applicable laws (for example the ASX Listing Rules and the Corporations Act), subject to the terms and conditions of the grant of a performance right, all those performance rights will immediately vest to shares.

2013 Key Management Personnel and Employee Performance Rights

Movement in performance rights during the 2013 financial year were as follows:

2013	Balance at the beginning of the period	Performance Rights granted as remuneration	Balance at the end of the period	Vested and exercised during the period	Unvested at the end of the period
Director	**Number**	**Number**	**Number**	**Number**	**Number**
Mr J Read	10,000,000	-	10,000,000	3,750,000	6,250,000
Mr P Niardone	5,600,000	-	5,600,000	2,100,000	3,500,000
Key management personnel					
Dr Q Hills	-	5,200,000	5,200,000	1,950,000	3,250,000
Mr I Wallace	-	5,200,000	5,200,000	1,950,000	3,250,000
Ms R Shand	-	1,800,000	1,800,000	675,000	1,125,000
Ms L Cochrane	-	1,800,000	1,800,000	675,000	1,125,000
Ms L Lindskog (commenced employment 12 November 2012)	-	2,400,000	2,400,000	600,000	1,800,000
Other employees	-	8,000,000	8,000,000	3,000,000	5,000,000
Total	**15,600,000**	**24,400,000**	**40,000,000**	**14,700,000**	**25,300,000**

The following table summarises the key assumptions adopted for the valuation of performance rights issued in the current financial year:

	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2	Tranche 3	Total
Issue Date	27-Jul-12	27-Jul-12	27-Jul-12	29-Sep-12	29-Sep-12	29-Sep-12	
Number granted	5,500,000	8,250,000	8,250,000	600,000	600,000	1,200,000	24,400,000
Expected life (in days)	338	182.5	1433	275	94	1370	
Share volatility %	94.35	94.35	94.35	94.35	94.35	94.35	
Risk free rate %	2.75	2.75	2.75	2.75	2.75	2.75	
Valuation at grant date $	0.09	0.09	0.072	0.07	0.07	0.056	
Gross value per tranche	495,000	742,500	594,000	42,000	42,000	67,200	1,982,700

Performance Conditions:
1. Tranche one = the closing price of the shares being 12c or more for 10 consecutive ASX trading days
2. Tranche two = the total combined JORC compliant mineral resources on the Viscaria project reaching 10Mt at 2.5% Cu or more
3. Tranche three = the closing price of the shares being 30c or more for 10 consecutive ASX trading days

Note 21. Share-based payments (continued)

Each tranche of Shares will not be able to be released from the Share Plan until the performance based Vesting Conditions for that tranche have been achieved. The tranche two performance conditions were met on 29 October 2012 and the shares vested with Directors, Key Management Personnel and other employees on 7 November 2012. The conditions of tranche one and three have not been met at the time of this report.

2012 Performance Rights issued to Directors

The performance rights issued during the 2012 financial year were:

2012	Balance at the beginning of the period	Performance Rights granted as remuneration	Balance at the end of the period	Vested and exercised during the period	Unvested at the end of the period
Director	**Number**	**Number**	**Number**	**Number**	**Number**
Mr J Read	-	10,000,000	10,000,000	-	10,000,000
Mr P Niardone	-	5,600,000	5,600,000	-	5,600,000
Total	**-**	**15,600,000**	**15,600,000**	**-**	**15,600,000**

The following table summarises the key assumptions adopted for valuation of the performance rights issued during the 2012 financial year.

	Tranche 1	Tranche 2	Tranche 3	Total
	3,900,000	5,850,000	5,850,000	15,600,000
Issue Date	5 June 2012	5 June 2012	5 June 2012	
Expected life (in days)	365	182.5	1460	
Share volatility	90.0%	90.0%	90.0%	
Risk free rate	2.61%	2.61%	2.61%	
Valuation at grant date $	0.12	0.12	0.10	
Gross value per tranche	$468,000	$702,000	$595,530	$1,765,530

Performance Conditions:
1. Tranche one = the closing price of the shares being 12c or more for 10 consecutive ASX trading days
2. Tranche two = the total combined JORC compliant mineral resources on the Viscaria project reaching 10Mt at 2.5% Cu or more
3. Tranche three = the closing price of the shares being 30c or more for 10 consecutive ASX trading days

Each tranche of Shares will not be able to be released from the Share Plan until the performance based Vesting Conditions for that tranche have been achieved.

Amortisation expense for Directors and Employee Performance Rights

The amortised expense in the statement of profit or loss for the year ended 30 June 2013 was $2,688,258 (30 June 2012: $138,417).

Note 22 Related party transactions

Controlling entities
The ultimate parent entity in the wholly-owned Group is Avalon Minerals Ltd.

Ownership interests in Group entities
Interests held in subsidiaries are set out in Note 24 – Group entities.

AVALON MINERALS LTD
Notes to the Financial Statements (continued)
For the year ended 30 June 2013

Note 23. Events occurring after reporting date

Heads of Agreement with Hannans Reward Limited
On 3 July 2013 Avalon received a statutory demand from Hannans Reward Limited pursuant to a binding heads of agreement. AUD$2 million is recorded as a liability in the accounts at 30 June 2013 (refer Note 12). The Company did not believe the debt was due for payment, as all conditions to the agreement had not been met. This matter was set down to be heard in court in early November 2013. The parties had continued to negotiate a commercial outcome. On 30 September 2013 the parties agreed to vary the payment terms to the following:

In consideration for the Sale, Avalon agrees to pay, and Hannans agrees to accept as full and final payment for the Sale, the sum of $4,000,000 (Consideration) as follows:

(a) subject to Avalon gaining access to a sum of at least AUD$2,100,000 of the funds raised from a rights issue pursuant to an offer document dated 22 August 2013 (Rights Issue) (which for the avoidance of doubt will only occur once Avalon issues shares which correspond to that amount (Relevant Shares), Avalon agrees to pay into Hannans' Nominated Bank Account AUD$1,000,000 on or before the date that is 3 Business Days after issue of the Relevant Shares (First Payment);
(b) in the event that the Relevant Shares are not able to be issued by Avalon (due to a restriction imposed by a regulatory body), Avalon agrees to make the First Payment into Hannans' Nominated Bank Account on or before 31 October 2013; and
(c) within 5 Business Days of the Discovery Exploitation Concession being granted (Concession Grant Date), Avalon will deposit a cash payment of AUD$3,000,000 into Hannans' Nominated Bank Account (Final Payment).

Capital Raising
On 9 August 2013 Avalon Minerals Ltd announced a fully underwritten non-renounceable rights issue. The rights issue is a 1 for 1 non-renounceable pro-rata rights issue to raise approximately $5.62 million at an offer price of $0.01 per new share. The offer was fully underwritten by Avalon's largest shareholder, Tan Sri Abu Sahib Mohamed, who held a 19.9% interest in Avalon at the time of the rights issue.

The Company was to use the proceeds raised under the rights issue to:
a) fund preparatory work required for the bankable feasibility study on the Company's Viscaria Copper-Iron Project in Sweden;
b) investigate and advance business development opportunities for the Company, with the goal of creating value for shareholders;
c) fund the acquisition of tenements; and
d) provide working capital to the Company generally.

On 6 September 2013, the Australian Government's Takeovers Panel announced that one of Avalon's shareholders had made an application to the Takeovers panel. The applicant submitted (among other things) that the underwriter and his associates may obtain control of Avalon to the detriment of Avalon shareholders. The applicant also submitted that the structure of, and disclosure in relation to, the rights issue was unacceptable. Interim orders were made by the Takeovers panel which includes:

(1) Avalon must immediately take all action necessary to postpone the commencement of deferred settlement trading of new shares to be issued under the rights issue announced by Avalon on 9 August 2013.
(2) Avalon must not issue or allot any new shares under the right issue without the prior approval of the Panel.
(3) Any money received by Avalon as subscriptions for new shares under the rights issue must be held:
    a. Separately from all other Avalon funds and
    b. On trust for the subscribers.
(4) Tan Sri Abu Sahid Mohamed must not rely on any right he may have to terminate the underwriting agreement between him and Avalon by reason of or as a consequence of the application to the Panel in this matter or these interim orders.
(5) These interim orders have effect until the earliest of:
    a. Further order of the Panel
    b. The determination of the proceedings and
    c. 2 months from the date of these interim orders.

$3.6 million in funds received under the rights issue was held in trust pending the final orders of the Takeovers Panel. On 27 September 2013 the Panel varied the interim orders, the effect of which included:
- Avalon can proceed with completion of its rights issue only in respect of shares subscribed for by Tan Sri Abu Sahid Mohamed, Dato Lim Heng Suan and Dato Siew Mun Chuang;
- Subscription money for shares subscribed for under the rights issue by all other shareholders continue to be held on trust for those shareholders;
- Tan Sri Abu, Dato Lim and Dato Siew must not acquire any Avalon shares (other than shares issued to them under the rights issue) nor dispose, transfer or grant a security interest over any shares issued to them under the rights issue and;
- Tan Sri Abu must not exercise or rely on any right he may have to terminate the underwriting agreement as a consequence of the Panel application or any interim orders made.

Note 23. Events occurring after reporting date (continued)

As a result of this variation, $2.1 million is now available to the Company and will be transferred from trust to the Company's bank account.

Even with $2.1 million received as a result of the variation to the interim orders, further funding will be required by the Company. The Directors are confident in being able to raise funds as required to continue the Company's operations.

The application to the Takeovers Panel is still under consideration by the panel and final orders are now expected in early October. Should there be adverse outcomes from the matters set out above, there may be uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial reports.

<u>Further share placements after reporting date</u>
On 19 August 2013 the company issued 26,523,616 shares at 1.3 cents per share to professional and sophisticated investors. On 5 September 2013 the company issued a further 26,523,640 shares at 1.3 cents per share to professional and sophisticated investors. $689,614 was raised from the two placements.

<u>Status of Takeovers Panel proceedings</u>
The Company is currently subject to proceedings before the Takeovers Panel (Panel) which were commenced in connection with the recent fully underwritten rights issue which closed on 9 September 2013 (Rights Issue). The Company is subject to strict confidentiality undertakings in favour of the Panel and other parties to the Proceedings. There are a number of matters currently being considered by the Panel, which may result in findings (among other things) that the Company and potentially others, have or may have contravened relevant securities laws, including the Corporations Act 2001 (Cth) and the ASX Listing Rules. Until the Panel concludes the proceedings, these matters are subject to uncertainty.

There is also the potential for claims to be made against the Company in connection with the Rights Issue and related disclosures, its surrounding circumstances, acquisitions of shares in the Company (other than in accordance with the Corporations Act) or the recent suspension of the Managing Director. Notwithstanding any final orders that may be made by the Panel, ASIC may consider it appropriate to further investigate matters the subject of the Panel proceedings. Additionally, the Panel may refer matters back to ASIC for their further investigation. Such investigations could lead to claims or prosecutions against the Company, its directors and officers and potentially others. At this time, no determinations have been made, or other indications given, by the Panel in respect of any potential contraventions. Accordingly, the Company is unable to quantify the effect of final orders or additional investigations may have on the position of the Company as at the date of this Report.

The Panel has made interim orders on 9 September 2013 which were varied on 11 September 2013 and 27 September 2013. The effect of these interim orders is that the Company must not issue any shares under the Rights Issue, except for certain 'excluded shares' identified in the Panel's media release on 27 September 2013. Accordingly, the Company has been permitted access to approximately $2.1 million of the funds raised under the Rights Issue, with the balance of Rights Issue subscription funds (Balance Funds) being held on trust pending final orders of the Panel. It is possible that the Panel's final orders may prevent the Company from accessing the Balance Funds, or that the Company may need to take additional steps to access those funds which may cause further delay in accessing the Balance Funds.

Note 24. Related parties

Subsidiaries

2013

Name of entity	Country of incorporation	Class of shares	Equity holding
Avalon Minerals Adak AB	Sweden	Ordinary	100%
Avalon Minerals Viscaria AB	Sweden	Ordinary	100%
Xmin Pty Ltd	Australia	Ordinary	100%

2012

Name of entity	Country of incorporation	Class of shares	Equity holding
Avalon Minerals Adak AB	Sweden	Ordinary	100%
Avalon Minerals Viscaria AB	Sweden	Ordinary	100%
Resource Properties Pty Ltd	Australia	Ordinary	100%
Xmin Pty Ltd	Australia	Ordinary	100%

Note 25. Cash Flow Information

Reconciliation of net loss after tax to net cash outflow from operating activities

	Consolidated	
	2013	2012
	$	$
Operating loss after income tax	(6,191,996)	(4,455,951)
Non-cash flows in loss		
Depreciation	91,710	90,558
Exploration expenditure written off	-	1,071,129
Share based payments – performance rights/options	3,487,358	895,405
Loss on sale of plant and equipment	-	52,447
Changes in assets and liabilities		
(Increase)/decrease in trade & other receivables	269,186	(216,260)
Decrease/(increase) in trade & other payables	166,488	(189,111)
(Increase)/decrease in provisions	44,301	(61,017)
Cash flow from operations	(2,132,953)	(2,812,800)

Note 26. Earnings per share

	Consolidated	
	2013	2012
	cents	cents
Basic and diluted earnings per share	(1.4)	(1.8)
Weighted average number of shares used as the denominator	**Number**	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	426,560,308	246,382,783
Effect of dilution:		
Share options/performance rights	-	-
Weighted average number of ordinary shares used as the denominator adjusted for the effect of dilution	426,560,308	246,382,783
Further potential ordinary shares (options) not considered to be dilutive	56,136,438	4,007,741
Losses used in calculating basic and diluted losses per share	**$**	**$**
Net loss	(6,191,996)	(4,455,951)

Potential ordinary shares (options) not considered to be dilutive represents that number of employee and Director options and performance rights on issue at reporting date with exercise prices or performance hurdles in excess of the average market price per share for the period.

Note 27. Dividends

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial period ended 30 June 2013 (2012: nil).

The balance of the Company's franking account is nil (2012: nil).

Note 28. Parent Entity Information

Information relating to Avalon Minerals Ltd:

	2013 **$**	2012 $
Current assets	**957,721**	798,415
Total assets	**1,082,083**	992,954
Current liabilities	**492,889**	310,469
Total liabilities	**492,889**	310,469
Net Assets	**589,194**	682,485
Issued capital	**50,610,149**	36,105,165
Accumulated losses	**(53,771,298)**	(36,788,164)
Share-based payments reserve	**3,750,343**	1,365,484
Total shareholders' equity	**589,194**	682,485
Loss of the parent entity	**(16,983,183)**	(7,046,302)
Total comprehensive income of the parent entity	**-**	-

There have been no guarantees entered into by the Parent Entity in relation to any debts of its subsidiaries.

The Parent Entity has restricted cash balances totaling $32,367 (2012: $71,039) representing term deposits securing performance guarantees over rental of the Company's office premises.

The Parent Entity has no contractual commitments for the acquisition of property, plant or equipment.

AVALON MINERALS LTD
Directors' Declaration

In accordance with a resolution of the Directors of Avalon Minerals Ltd I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;*

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(b)

(c) subject to the achievement of matters described in note 1(a), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2013.

On behalf of the Board

Mr Crispin Henderson
Chairman

Brisbane, Queensland
30 September 2013

Independent auditor's report to the members of Avalon Minerals Ltd

Report on the financial report

We have audited the accompanying financial report of Avalon Minerals (the company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

Inherent uncertainty regarding continuation as a going concern

Without modifying our opinion expressed above, attention is drawn to note 1(a) in the financial report. As a result of matters described in note 1(a), the Group is reliant upon raising additional funds to enable it to continue with its operations, including its ongoing exploration programs. These conditions indicate the existence of a material uncertainty which may cast significant doubt regarding the ability of the Group to continue as a going concern and therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 25 to 34 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Avalon Minerals Ltd for the year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Jason Adams
Partner

Brisbane
30 September 2013

AVALON MINERALS LTD
ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report.

SHAREHOLDINGS

Substantial shareholders

The following are substantial shareholders within the Company as at 27 September 2013.

Holders (above 5%)	Ordinary shares	
Tan Sri Abu Sahid Bin Mohamed	111,841,380	18.18%
Lim Heng Suan	72,701,435	11.82%
Commonwealth Bank of Australia Group (CBA)	35,769,384	6.08%

Class of shares and voting rights

At 27 September 2013, there were 984 holders of the ordinary shares of the Company. The voting rights attached to the ordinary shares, set out in clause 12.7 of the Company's Constitution, are:

Subject to any special rights or restrictions for the time being attached to any class or classes of Shares, at meetings of Shareholders or classes of Shareholders:

- each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
- on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder has one vote; and
- on a poll every person present who is a Shareholder or a proxy, attorney, or Representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those shares, (excluding amounts credited).

At 27 September 2012, there were options and performance rights over unissued ordinary shares. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised or the performance rights have vested.

On-market buy-back

There is no current on-market buy-back.

Distribution of Share Holders (as at 27 September 2013)

Category	Number of holders Ordinary shares	Unlisted Options
1 – 1,000	54	-
1,001 – 5,000	75	-
5,001 – 10,000	74	-
10,001 – 100,000	457	-
100,001 and over	324	15
	984	15

AVALON MINERALS LTD
ASX Additional Information (continued)

There were 540 holders holding less than a marketable parcel.

Unquoted Securities

The options and performance rights on issue were issued as part of an employee share option plan, Director option plan and performance rights incentive scheme and are unquoted.

Restricted Securities

There were no restricted securities as at 27 September 2013:

Twenty Largest Security holders as at 27 September 2013

Holder name	Ordinary Shares	
	Number	%
Mr Abu Sahid Bin Mohamed	111,841,380	18.18
Mr Lim Heng Suan	72,701,435	11.82
Citicorp Nominees Pty Limited	42,060,995	6.84
JP Morgan Nominees Australia Ltd <Cash Income A/C>	32,154,046	5.23
HSBC Custody Nominees (Australia) Ltd – GSCO ECA	29,300,000	4.76
Pershing Australia Nominees Pty Ltd <Indian Ocean A/C>	26,890,010	4.37
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	22,875,877	3.72
JP Morgan Nominees Australia Limited <Cash Income A/C>	21,413,676	3.48
National Nominees Limited	21,307,445	3.46
Brookman Resources Pty Ltd <David McSweeney S/F A/C>	9,799,939	1.59
Mr Antonio Claudio D'Ercole	7,938,725	1.29
Spectral Investments Pty Ltd <Lithgow Family A/C>	7,218,236	1.17
HSBS Custody Nominees (Australia) Limited	7,084,450	1.15
Flue Holdings Pty Ltd	4,128,662	0.67
Mr Ross Anthony Ajax	4,000,000	0.65
Mr Emanuel Jose Fernandes Dias	3,944,770	0.64
Osiris Capital Investments Pty Ltd	3,800,000	0.62
Read Assets Holdings Pty Ltd <Read Family A/C>	3,750,000	0.61
Slade Technologies Pty Ltd <Embrey Facility S/F A/C>	3,500,000	0.57
Mr David Donald Boyer <DB Family A/C>	3,426,000	0.56
Total	**439,135,646**	**71.40**

Other information

Avalon Minerals Ltd, incorporated and domiciled in Australia, is a publicly listed company limited by shares.