ANNUAL REPORT

AVALON MINERALS LIMITED
2015

CORPORATE DIRECTORY

DIRECTORS

Graham Ascough
Non-Executive Chairman

Malcolm Norris
CEO and Managing Director

Crispin Henderson
Non-Executive Director

Don Hyma
Non-Executive Director

COMPANY SECRETARY

Gavin Leicht

SECURITIES EXCHANGE LISTING

Avalon Minerals Limited shares are listed on the Australian Securities Exchange

Ordinary fully paid shares

ASX Code: AVI

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DEAR SHAREHOLDER

On behalf of the Board of Directors, it is my pleasure to present the 2015 Annual Report for Avalon Minerals Limited ('Avalon' or 'Company').

2014/2015 has been a challenging time for Avalon operating within the Resources Sector that continues to face challenging times and in unpredictable equity markets in Australia and overseas. Avalon has re-focussed its Viscaria Project in Sweden as predominately a copper only project based on the consensus that copper price outlook remains positive and future demand volumes will increase, while seeing the continuing weakness in iron prices and weak demand outlook. Avalon is making significant progress in extending the Viscaria copper resource towards its goal of being a long-term copper producer, beginning in 2018.

Confidence in meeting that goal has been driven by exploration successes in both the flagship Viscaria Copper Project and other resource discoveries within a 5km radius.The Company continues to receive strong support from its shareholders. In May 2015, Avalon completed a successful fundraising by way of a two tranche placement at market price, to raise $2.1M. In June 2015, the Company completed a further placement to a new European professional investor at a 25% premium to the volume weighted average price. All proceeds raised are utilised for ongoing operating costs and to progress Avalon's Viscaria Copper Project towards a production decision.

Further funds will be required to support the Company's strategy of progressing the Viscaria Copper Project through feasibility and permitting stages, in readiness for mine development. Several suitable capital raising options to ensure the Company is well funded to move forward to its next stage of development are under consideration.

The Company has recruited a team in the junior resource sector that we believe is second to none. Along with this team we also have funding and shareholder support, combined with the resource upside potential to give us great confidence that this project will be developed.

I would like to take this opportunity to express my thanks to Avalon's staff, management and my fellow directors for their dedication and work during the past 12 months. We are committed to progressing the Company and its flagship Viscaria Copper Project in Sweden for the benefit of all Avalon shareholders.

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

Yours sincerely

Graham Ascough

Chairman | Avalon Minerals Ltd
August 2015

OPERATING REVIEW

FOR THE YEAR ENDED 30 JUNE 2015

INTRODUCTION

Avalon Minerals Ltd ("Avalon" or "the Company") is an exploration and mineral development company, focussed on creating value for shareholders from the Viscaria Copper Project in northern Sweden.

Value for shareholders will be created by demonstrating that the Viscaria Copper Project is financially viable and is permitted for development and production. Additional value can also be created through exploration success and the discovery of new copper deposits within the Kiruna region of northern Sweden.

Avalon has a strong technical and operational team, which has significantly enhanced the quality and financial viability of the Viscaria Copper Project. The quality of Avalon's technical and operational team is one of the key strengths of the company.

Avalon's vision is to become a significant European focussed copper company, producing 50,000 tonnes of copper per year by 2025. The Viscaria Copper Project is currently moving through studies towards a decision to mine in 2017.

Avalon Minerals is in the business of maximising shareholder return through the discovery and development of safe, efficient and environmentally responsible mining projects in secure tenure jurisdictions that offer a clear, short-term path forward to development.

We will outperform our peers through ready access to existing infrastructure, low utility costs and recognised commodity exposure. The Viscaria Copper Project is the working model for future organic growth.

> "Avalon's vision is to become a significant European focussed copper company, producing 50,000 tonnes of copper per year by 2025"

PROJECT REVIEW

Avalon's flagship asset is the Viscaria Copper Project located in northern Sweden, 1,200km north of Stockholm, where the Company has delineated a global resource of 54 million tonnes of copper mineralisation at 1.1% Cu, containing 604,000 tonnes of copper.

The Viscaria Project area is located approximately 5km west of the mining town of Kiruna. It is close to major infrastructure, including the E10 highway, the Luleå-Kiruna-Narvik railway, and the established hydro-power grid.

Historically, the A Zone deposit at the Viscaria Copper Project produced 12.5Mt of ore at 2.3% copper and has excellent potential to become a producing mine again.

Kiruna is home to the world's largest underground iron ore mine called Kiirunavaara that is operated by LKAB (owned by the Swedish Government). Kiirunavaara has been in production since 1899 and has produced more than a billion tons of magnetite.

The Viscaria K7 Exploitation Concession Application was granted by the Bergsstaten (Mining Inspectorate of Sweden) on 27 November 2014. The grant follows the amendment to the Kiruna town planning act in December 2013 to allow for the grant of Exploitation Concessions over an area which includes power generation windmills and a power line which crosses the northern parts of A Zone and B Zone copper deposits.

The granting of an Exploitation Concession is a precursor to consideration by the regulator of the Environmental Impact Assessment and development permits required prior to the commencement of mining.

The Bergsstaten has previously approved two Exploitation Concessions for Viscaria, Viscaria K3 and Viscaria K4, which cover the D Zone and the southern part of the A Zone and B Zone mining areas. With the addition of Viscaria K7, approved Exploitation Concessions are now in place over all of the main mineralised zones at Viscaria. The exploitation concessions are valid to 2037 (K3 and K4) and 2039 (K7).

PROJECT LOCATION

> "The Viscaria Project area is close to major infrastructure, including the E10 highway, the Luleå-Kiruna-Narvik railway, and the established hydro-power grid"


VISCARIA COPPER PROJECT
NARVIK
KIRUNA
Iron Mine & Processing
Copper Mine
LULEÅ
Copper Smelter
FINLAND
SWEDEN
Copper Smelter
NORWAY
STOCKHOLM
AVALON
MINERALS LTD

COMPANY HIGHLIGHTS 2014–2015

- Share consolidation 1 for 10;
- Successful placements to raise $4.5 million (12 million shares at $0.035 per share; 83.584 million shares at $0.025 per share; and 24.375 million shares at $0.08 per share);
- Exploitation Concessions approved covering the main mineralisation at Viscaria;
- Progressing a revised copper-only Scoping Study;
- Exploration success at the 'near mine' scale;
- New management team in place; and
- Commenced Environmental and Social Impact Assessment ('ESIA') and stakeholder engagement.

SCOPING STUDY UPDATE

The 2014 Scoping Study showed that the Viscaria Project was a robust copper-magnetite development scenario , but weakness in the iron price has dictated a shift in project development strategy.

Avalon is pursuing a resource extension drilling program to allow for the completion of a copper only project development Scoping Study in the second half of 2015. The resource extensions are divided into A and D zones;

Engineering studies will focus on a low capex, high grade development opportunity, with the purpose of defining a project to Prefeasibility Study level during 2016, and a decision to build in 2017. The copper only Scoping Study increases the leverage to copper (copper price forecasts positive for beyond 2017), while removing the link to weak iron prices.

Key elements of the optimised Scoping Study

- High grade copper only opportunities exist at A Zone, B Zone and D Zone;
- At A Zone grades in excess of 1.25% copper ("Cu") in opencut positions and in excess of 2.5% Cu in underground positions are being investigated;
- At D Zone grades in excess of 1.7% Cu in underground positions are being investigated;
- Assess opportunities for combining material from A, B and D Zones to deliver a combined grade in excess of 1.4% Cu;
- Consider combinations of material from A, B and D Zone at Viscaria that may deliver at least 1 million tonnes per annum (Mtpa) of ore to the process plant over a period of approximately 10 years;
- Assess start up copper production opportunities in the range 13,000 to 18,000tpa, commencing 2018;
- Focus on initial opportunities at the $80-120 million CAPEX range;
- Start small (0.8 –1.2Mtpa) with upside potential to expand to scales up to 3.5Mtpa as contemplated in the 2014 Scoping Study;
- Metallurgy delivers premium quality products of copper concentrate (23 -26%);
- Advance the oxide copper potential and investigate opportunities for a small heap leach SX-EW component for grades in excess of 1% Cu and exploration potential in excess of 5Mt;
- Remove the magnetite concentrate stream that was contemplated in the 2014 Scoping Study from immediate studies. Upside potential to advance these studies and 'bolt this on' at a later stage if commercially viable.

Environmental and Social Impact Assessment activities have commenced and are premised on the re-opening of a former working mine to extract copper from extensions to known ore bodies.

It is envisaged that project execution time will be minimal due to the project's proximity to well-established infrastructure. For example, no power station or significant site access road will be required.

Previous Scoping Studies have identified a potential open-pit operation at A Zone that could support a 1.25% copper head grade. The development opportunity envisages this open-pit feed operating as a base load to be supplemented by underground material with similar grades to that recovered historically. Additional open-pit and underground feed will be defined by the resource extension drilling program defined below.

D ZONE UNDERGROUND

A drill program has been designed that aims to extend the D Zone Mineral Resource down plunge to the southwest. This area is referred to as the D Zone Underground and is approximately 350m below surface. Drilling by Avalon over the 2012-2013 winter period delineated two southwest plunging, relatively high grade copper zones that remain open at depth.

Drilling at D Zone in the 2014-2015 year demonstrates that mineralisation is improving in thickness and grade at depth in the central northern part of the deposit (Figures 1 & 2).

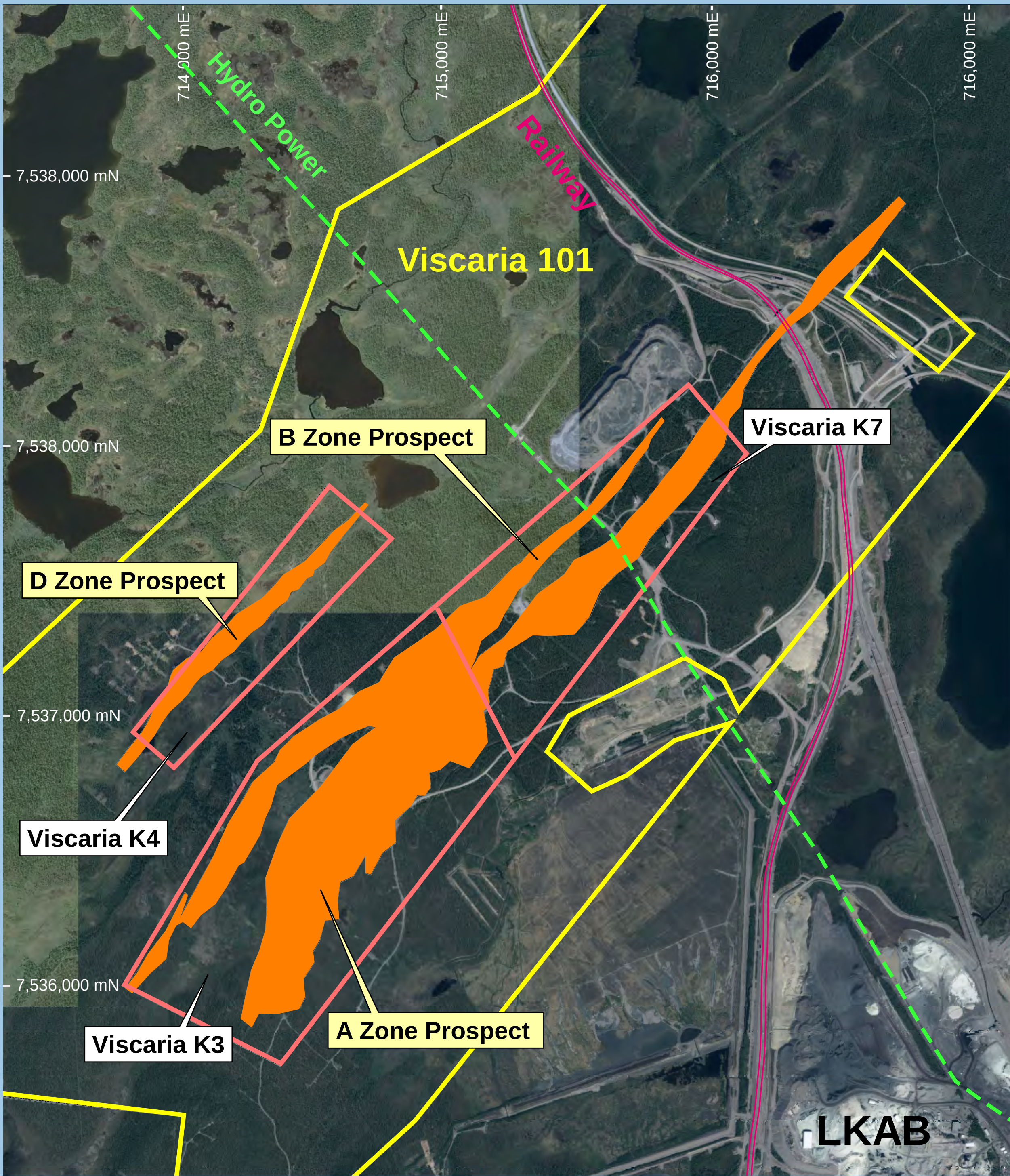
Figure 1 clearly shows a domain, developing at depth, of significant grade thickness improvement. A total of 6 holes were completed with significant assay results as follows (refer to ASX announcements dated 18 November 2014, 11 May 2015, 3 June 2015 and 2 July 2015):

- » VDD0180 targeting oxide copper mineralisation at the northeastern end of D Zone intersected 5.6m @ 1.6% Cu from 33.75m within a wider zone of 15.55m @ 0.7% Cu from 26.20m;
- » VDD0181 targeting oxide copper mineralisation at the southwestern end of D Zone intersected 23.95m @ 0.4% Cu from 98m but was abandoned in mineralisation due to hole collapse and stuck rods;
- » VDD0183 includes a broad mineralised interval of 57.4m at 0.5% Cu from 543.3m including: 17.3m at 0.4% Cu from 543.3m; 7.5m at 1.5% Cu from 577.15m, including 3.5m at 2.2% Cu from 577.15m; and 9.5m at 0.5% Cu from 591.5m;
- » VDD0185 intersected significant copper mineralisation outside the existing mineral resource area, in a down plunge position. Assays returned 10m at 1.2% Cu, including 5.6m at 1.6% Cu, including 2.1m at 2.3% Cu;
- » VDD0186 is the first hole to be drilled by Avalon from the south-east towards the north-west, and has provided a complete view of the interpreted stratigraphic hangingwall to D Zone. The hole was drilled between holes VDD 183 and 185 and intersected a 35m thick ironstone sequence (downhole thickness) with visible chalcopyrite across multiple intervals. This occurs within a broader 77m thick interval. This sequence has returned mineralised intervals not previously identified. Assays returned 149.45m at 0.38% Cu from 392m, which included a high grade intersection of 13.3m at 1.68% Cu from 506.7, including 9.4m @ 2% Cu, and an additional high grade zone of 3.55m @ 2.75% Cu from 527.55m. Two narrow intervals of very high grade copper also returned anomalous gold assays; intervals 529.7 to 530.0m and 536.1m to 536.4m intersected 10.1% Cu and 0.86g/t Au, and 7.2% Cu and 0.1g/t Au respectively within a 9.9m wide gold anomalous zone.

Drill holes VDD 183, 185 and 186, are all outside of the area of the current resource estimate, and demonstrate that the D Zone mineralisation continues to be open at depth. Drill hole targeting at D Zone is being directed by key resource estimate growth opportunities and in parallel with in-house mine planning scenarios.

The drilling program is aimed at further definition of high grade copper zones to support an updated resource estimate on a high grade copper only development scenario at Viscaria, to be delivered later in 2015, followed by an optimised Scoping Study.

Drill core from VDD186 at 536.2m showing breccia texture with significant chalcopyrite



View of Viscaria district

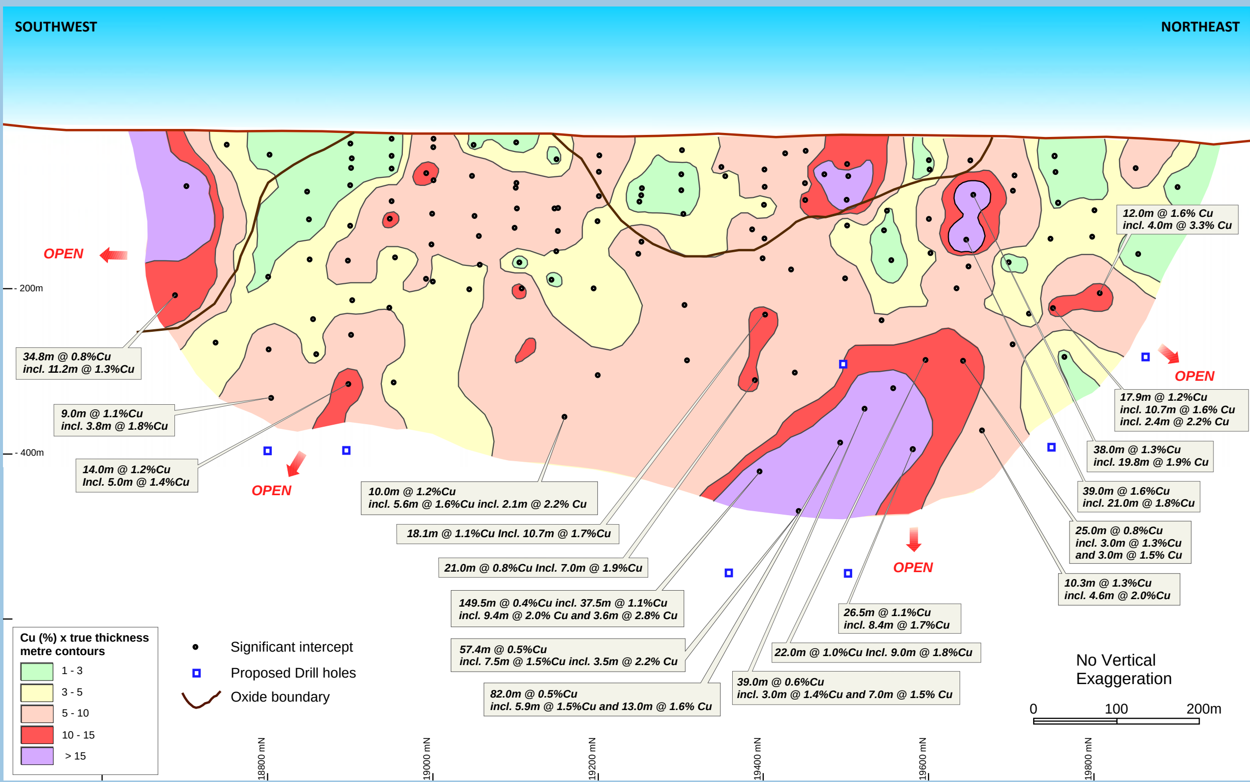
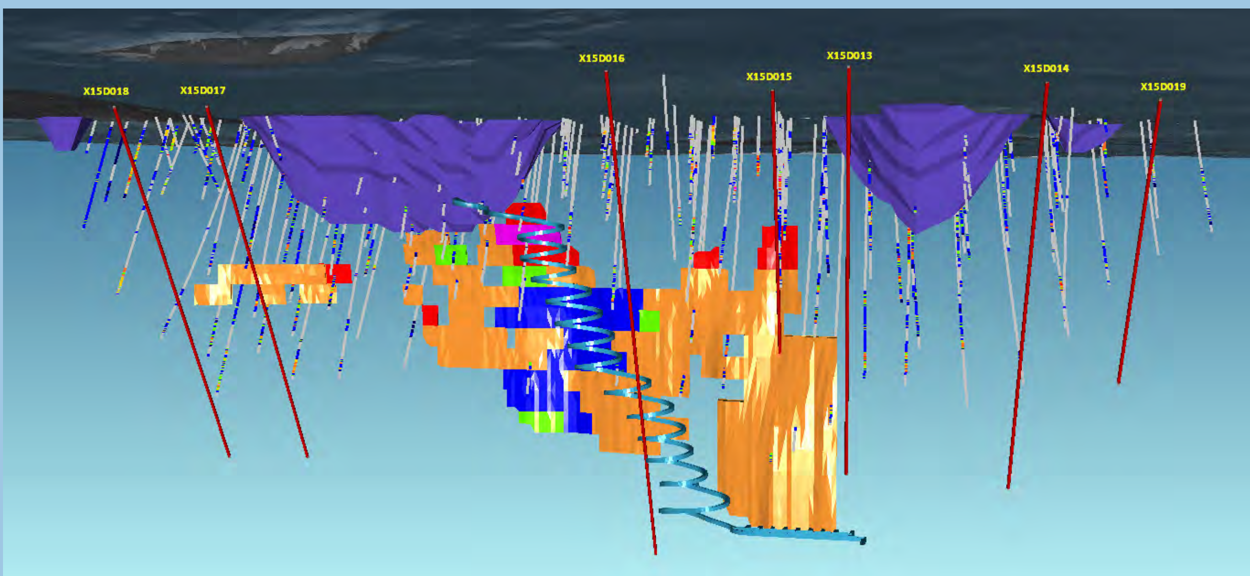


Figure 1: Schematic long-section of the D Zone Mineral Resource with drill hole pierce points. Blue squares are the proposed drill holes



D Zone showing planned open pit and schematic emerging mine planning scenario based on studies in progress, and current proposed drill holes

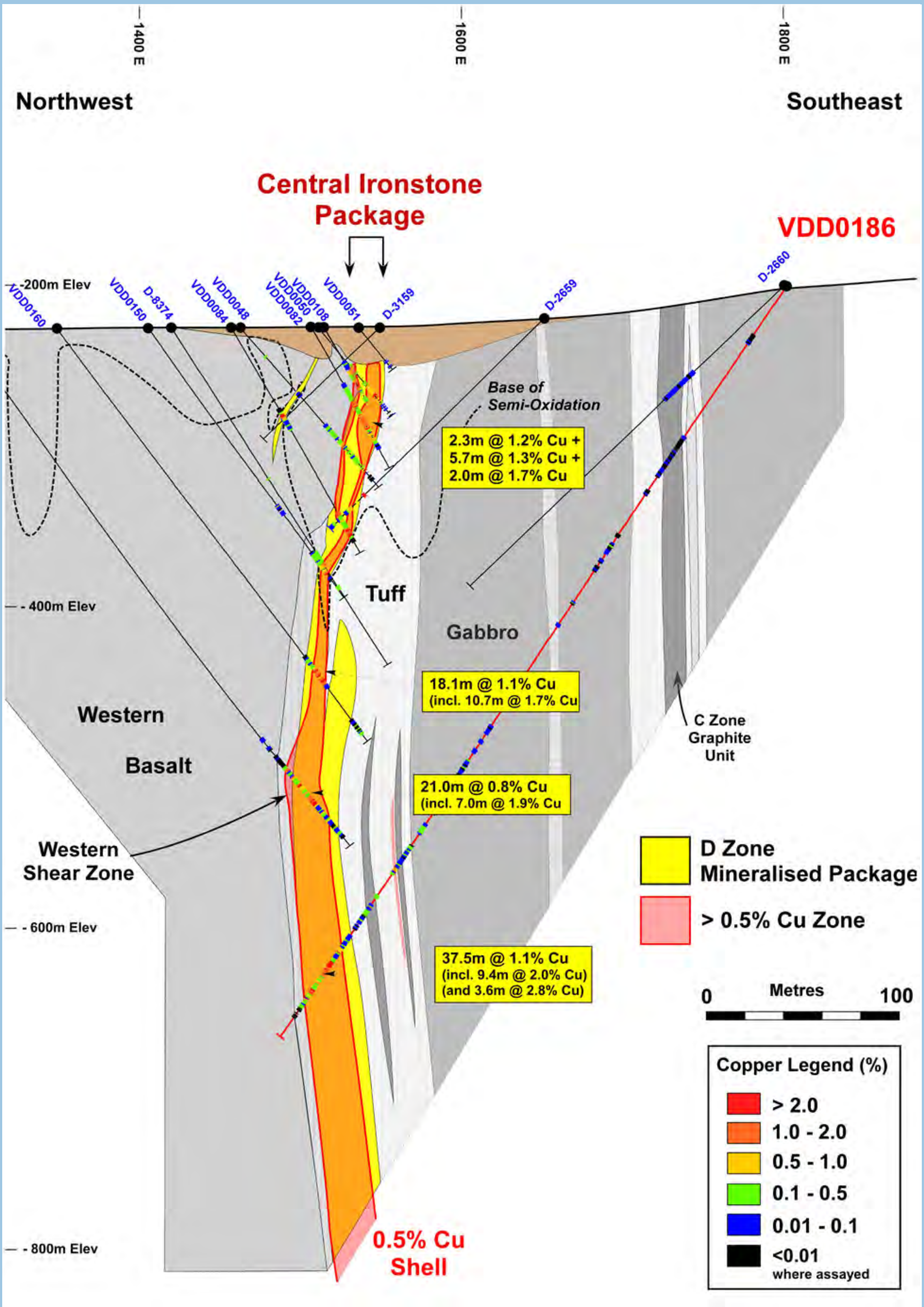


Figure 2: D Zone drill hole cross section 19400 mN

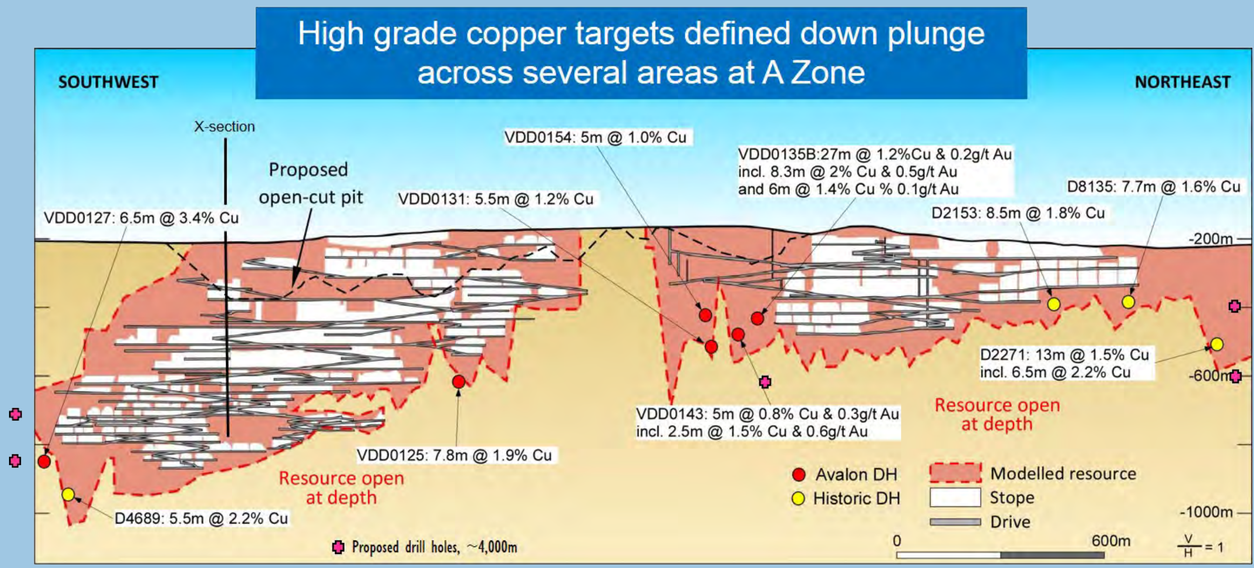


Figure 3: Schematic long-section of the A Zone Deposit showing the historic underground mining development and stoping and some interesting historic drilling results that were selected for further investigation.

A ZONE SOUTH DEEPS

A drill program has been designed that aims to extend the A Zone Mineral Resource to the southwest along plunge (Figure 3). This area is referred to as the A Zone South Deeps and is adjacent to some of the deepest underground mining development (~650m below surface) that was completed during the operation of the historic Viscaria Copper Mine. Drill hole VDD0127 was drilled by Avalon in 2012 into this area and intersected 6.5 metres at 3.4% Cu and was planned to follow up on historic drilling that intersected similar thicknesses and copper grades throughout this area.

A ZONE NORTH

A drill program has been designed that aims to infill and extend the A Zone Mineral Resource to the north of the underground development that was completed during the operation of the historic Viscaria Copper Mine. The A Zone North area is interpreted to be very prospective as a number of historic drill holes into this area intersected good thicknesses and grades of copper mineralisation. These include: D-2101 = 10 metres @ 2.1% Cu from 110.5m downhole; D-2211 = 2.5 metres @ 3.5% Cu from 134m downhole; D-2271= 13 metres @ 1.5% Cu from 265m downhole; and D-3144 = 6m @ 3.3% Cu from 37 metres.

Nine drill holes have been planned in the A Zone North area in order to define the mineralisation within this area.

A ZONE CENTRAL

A drill program has been designed that aims to extend the A Zone Mineral Resource at depth (~350m below surface) under the central-northern section of the underground development completed during the operation of the historic Viscaria Copper Mine. This area is referred to as the A Zone Central.

A review of the historic drilling results in this area as well as an investigation into the larger-scale geology has resulted in the generation of new theories on the geometry of the structures that could be controlling mineralisation in this area. This drill plan has been proposed to test this new theory. If this drilling is successful, then more drilling would need to be planned in order to define any JORC Compliant Mineral Resources in this area.

Drilling at A Zone in the 2014-2015 year returned assay results from 1 hole (refer to ASX announcement dated 12 January 2015):

VDD0182 was drilled into the A Zone Prospect to test the theory that a previously undefined footwall mineralisation zone existed. The hole intersected three zones of mineralisation:

- Main Zone: 22.3m @ 0.7% Cu from 64.70 metres downhole, including 3.1m @ 2.1% Cu from 82.90 metres downhole;
- Upper Zone: 7.95m @ 0.4% Cu from 21 metres downhole;
- New Footwall Zone: 10.55m @ 0.5% Cu from 125.45 metres downhole.

The results from VDD0182 have proved that the new footwall copper zone exists and could potentially increase the A Zone Mineral Resource estimate. The new footwall copper zone has not been factored into previous Open Pit Mining Studies and therefore, could potentially add to open-pittable tonnes available at A Zone.

VISCARIA EXPLORATION

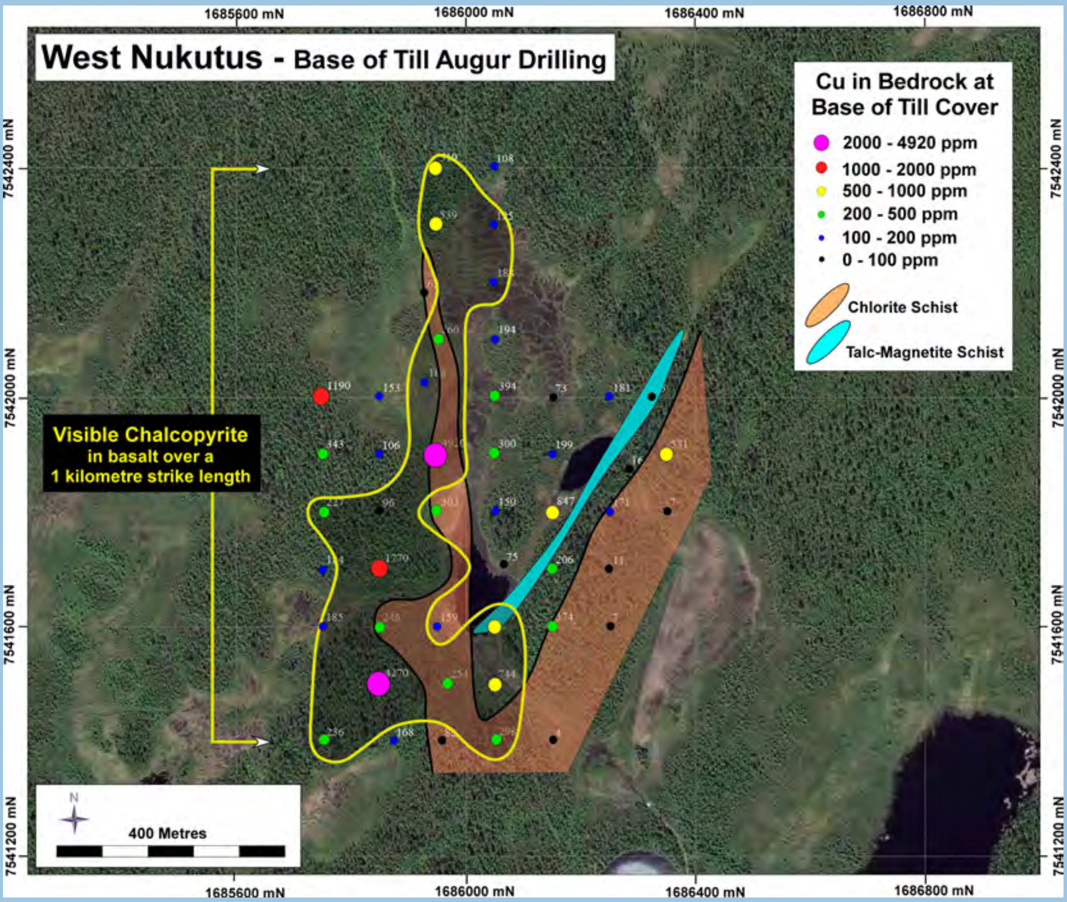
Several exploration prospects exist within 15km of the Mineral Resources that compose the Viscaria Copper Project. The most prospective are interpreted to be: West Nukutus, Nihka, Bahpagobba, and D Zone Extensions to the North and South.

WEST NUKUTUS

The West Nukutus Prospect is defined by a magnetic anomaly of similar magnitude and scale to D Zone. Little historic exploration appears to have been completed in this area. The closest historic drill hole (150m to the east) intersected up to 0.3% Cu and 0.5g/t Au but did not intersect the magnetic body.

An ASX announcement was made on 10 June 2015 outlining the discovery of a significant copper anomaly with supporting gold anomalism through bedrock auger sampling over the West Nukutus magnetic target. The West Nukutus target comprises a north-south trending complex magnetic anomaly with a strike extent of at least 1200m. A 49 hole auger drilling program was completed in May 2015 to sample the base of till and the uppermost bedrock. The drilling was completed on a 100 x 100m grid and copper anomalism has been detected across a significant area. Eighteen of the 49 auger holes intersected minor amounts of visible chalcopyrite (a copper bearing sulphide mineral). Assay results from the bedrock samples have defined a 1000m x 300m area of greater than 200ppm copper with local lower level anomalous gold. The area of anomalous copper is open to the north, south and west.

A new exploration tenement application to the east of West Nukutus has been lodged. Diamond drilling to test the West Nukutus target was completed in July 2015. The core is currently being logged and sampled.



NIHKA

The Nihka target is defined by an 1100m x 500m magnetic anomaly located approximately 2km south of A Zone (Figures 4 & 5). The anomaly displays similarities to the magnetic response of the Viscaria D Zone copper-magnetite deposit, but is significantly larger.

A 42 hole auger drilling program was completed in February 2015 to sample the base of till and the uppermost bedrock. Four of the holes intersected trace visible chalcopyrite. The copper bedrock anomalism overlaps the northern margin of the magnetic anomaly. The host rocks are mafic volcanic rocks, with local areas of gabbroic and other intrusive rocks. The domains of magnetite and copper anomalism correlate with areas of enhanced epidote and potassium feldspar alteration.

Diamond drill hole NDD001 was drilled to a depth of 326.5m and intersected a sequence of altered and brecciated basaltic rocks consistent with an iron oxide copper system (IOC system). The alteration assemblage included magnetite-epidote-albite-biotite-chlorite-carbonate-sulphide domains, with sulphide veinlets containing trace chalcopyrite. Local hydrothermal breccias have been identified which again are consistent with an IOC system. Significant intervals of high iron (Fe) values were intersected and comprised primarily magnetite alteration, with some hematite alteration. The interval 90m to 202m averaged 11.5% Fe, and within this were intervals of up to 20% Fe. These intervals were coincident with modelled magnetic bodies from the ground magnetics survey.

Several narrow intervals within the main zone of alteration returned copper assays of up to 0.18% Cu (see ASX announcement dated 10 July 2015).

The intensity of altered rock, together with the degree of brecciation and shearing suggests that the host rocks have undergone modification from a hydrothermal system. Avalon interprets these observations to support comparison to other magnetite-copper deposits in the district. Therefore further exploration is warranted. The area has no rock outcrop and is completely covered by glacial gravels.

Drill core from NDD 001 at 76.7m showing hematite alteration and pyrite-chalcopyrite in veins (0.16% Cu)

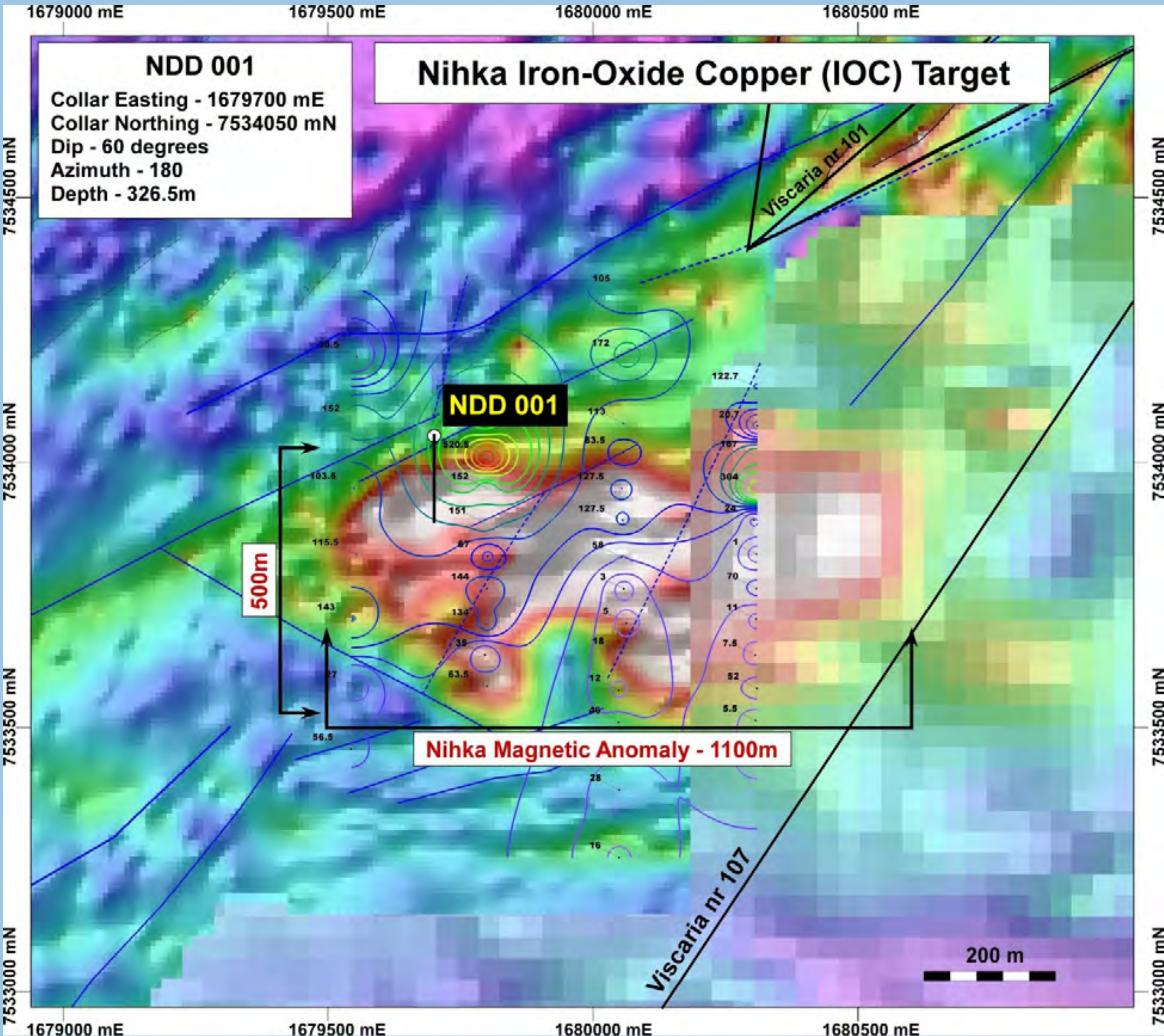


Figure 4: Nihka target – Location of drill hole NDD 001 on the northwest margin of the Nihka iron-oxide copper target. The Nihka magnetic anomaly is 1100m by 500m in dimension. Plotted overlying the magnetic anomaly is the location of base-of-till auger geochemical holes and contours on copper that were derived from this preliminary, surficial geochemical dataset

BAHPAGOBBA

The Bahpagobba target is defined by an electromagnetic ('EM') anomaly and complex magnetic anomalies adjacent to the northern end of the A Zone orebody. Bahpagobba has returned anomalous copper from historic geochemical sampling and drilling results including D2094: 7m @ 1% Cu from 123m; D2470:1.5m @ 1.8% Cu from 60.5m.

D ZONE SOUTH

The D Zone South target is defined by an extension of the magnetic anomalism at the main D Zone deposit and historic drilling results including VRC0079: 4m @ 0.6% Cu from 49m.

D ZONE NORTH

The magnetic anomaly that defines D Zone can also be traced to the north. One line of historical drill holes traversed this anomaly and intersections including 1m @ 2.4% Cu, 1m @ 1.6% Cu, and 1m @ 1% Cu were recorded.

OTHER PROSPECTS

Several other exploration prospects within 15km of the Viscaria Copper Project have been identified from historic data and regional exploration datasets. Avalon is currently progressing plans to advance some of these prospects.

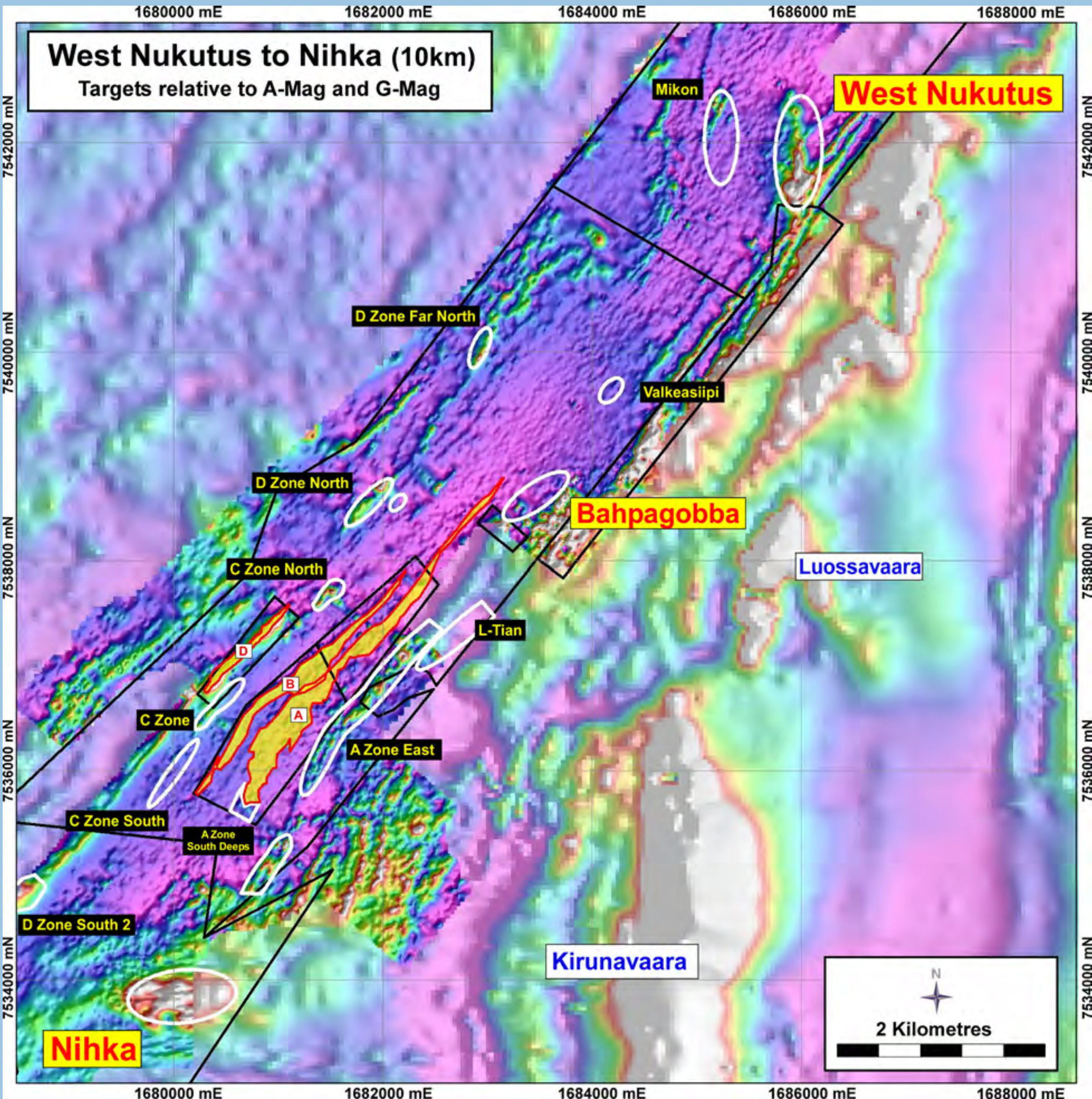


Figure 5: Location of the Nihka and West Nukutus targets relative to the Viscaria A, B and D Zone deposits. Background image is TMI magnetics

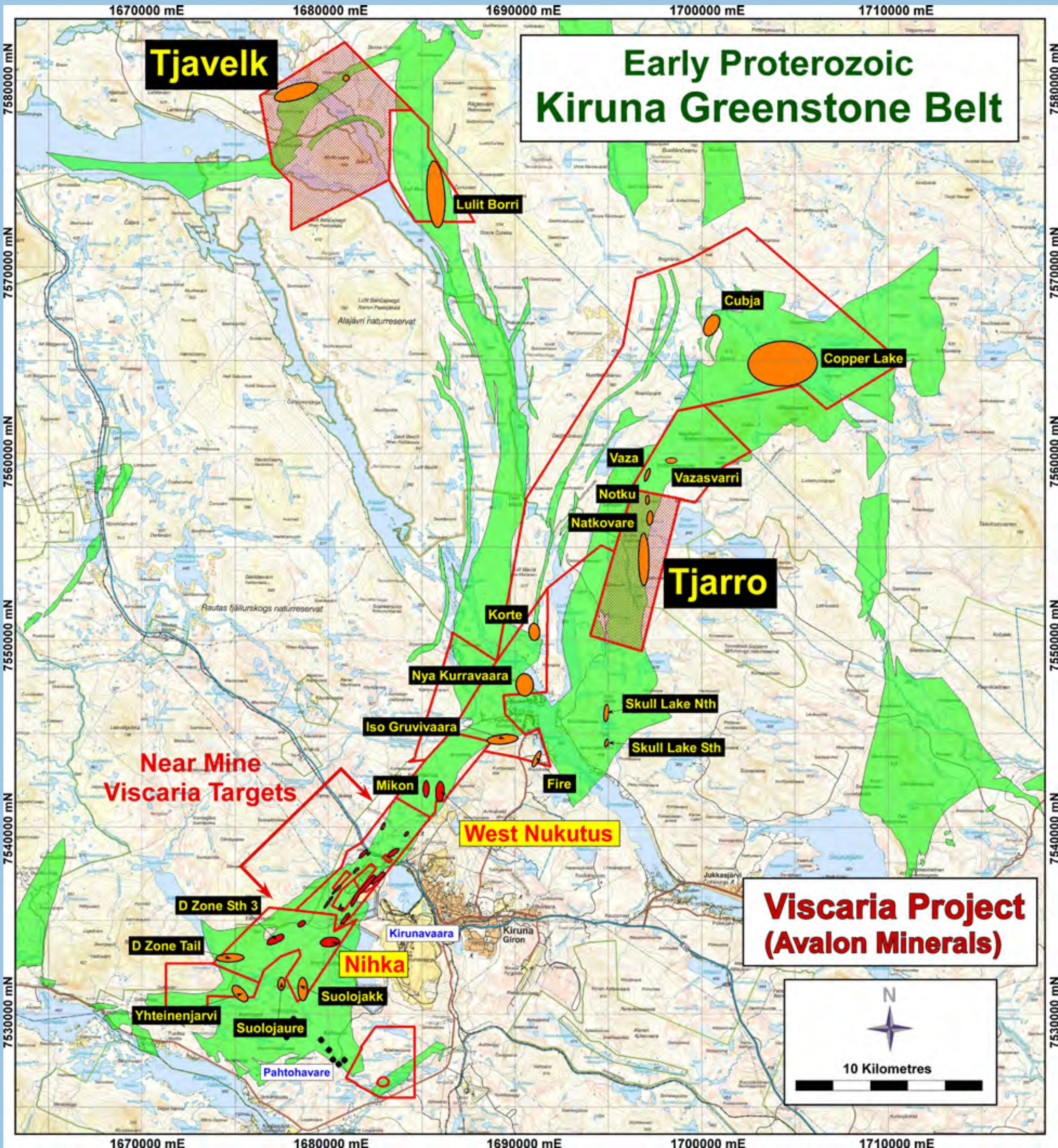


Figure 6: Greenstone belt and view of tenements

REGIONAL EXPLORATION

Avalon also holds a 100% interest in over 326km^2 of regional exploration tenements in the Kiruna district. These tenements are prospective for a range of deposit styles containing copper, gold, silver, zinc and iron ore.

A prospectivity analysis of these tenements was completed and priority prospects were identified for further assessment.

TJÄRRO

The Tjärro prospect is defined by historic copper and gold geochemical sampling and drilling results over a 7km strike length, including: D2808: 15m @ 1.34% Cu from 80m, including 8m of 1.71% Cu from 87m; DHLL96-4: 34.5m @ 0.63% Cu from 85.2 m, including 3.6m @ 1.63% Cu and 1.3 g/t Au from 90.4m and 4.05m @ 1.32% Cu and 0.86g/t Au from 115.45m; and DH 78004: 7m of 29.7% Fe, 0.4% Cu from 87m.

Drilling by Avalon of this target in 2012 intersected: 2.9m @ 0.7% Cu and 0.5g/t Au, within a larger mineralisation zone of 11.5m @ 0.4% Cu and 0.2g/t Au. This intersection was located 200 metres along strike to the south of the anomalous historic drilling results listed above, indicating that the prospect has good exploration potential along strike. Further exploration for this prospect has been planned.

The EM and magnetic data over this target has recently been remodelled and further work is being planned for drill testing in 2016.

TJÄVELK

The Tjävelk prospect has returned historical rock chip results of up to 12% Zn and 2% Cu. Some interesting historic drilling results include: DH 69102: 34m @ 39.4% Fe, 0.2% Cu from 50m; and DH 69103: 39m @ 38.4% Fe, and 0.12% Cu.

The EM and magnetic data over this target has recently been remodelled and further work is being planned for drill testing in 2016.

VISCARIA MINERAL RESOURCE

The Viscaria Copper Project is divided into three deposits: A Zone, B Zone and D Zone. A Zone is a copper deposit that was mined by Outokumpu OYJ between 1983 and 1997. Development consisted of underground mining utilising sub-level stoping methods.

A total of 12.5Mt of ore with an average diluted grade of 2.3% copper was produced during this time. The A Zone mineralisation has been interpreted as being a Volcanogenic Massive Sulphide (VMS) style deposit.

B Zone is interpreted to be a second lens of the A Zone mineralisation. Some material was mined from one level of B Zone during the Outokumpu period with access via a development drive from the A Zone underground development.

D Zone is a copper and iron deposit and although directly adjacent to A Zone and B Zone, has a different mineralisation style. It has been previously been interpreted as an IOCG style deposit, or a VMS deposit. D Zone has not been mined.

The established JORC 2012 compliant Mineral Resource Estimates for the Viscaria Project are shown in Table 1. The Table also includes Mineral Resource Estimates for the Discovery deposit which is a separate deposit located 10km to the south and is the subject of a staged payment, milestone linked acquisition agreement between Avalon and Hannan's Reward Limited.

TABLE 1: CURRENTLY DEFINED MINERAL RESOURCE FOR COPPER REPORTED ON THE VISCARIA PROJECT ABOVE A 0.4% CU CUT-OFF

Resource Name	Classification	Tonnes (t)	Cu Grade (%)	Cu Metal (t)
A Zone	Measured	14,439,000	1.7	240,000
	Indicated	4,690,000	1.2	57,200
	Inferred	2,480,000	1.0	25,500
	Subtotal	**21,609,000**	**1.5**	**322,700**
B Zone	Measured	123,000	1.3	1,600
	Indicated	4,118,000	0.7	29,700
	Inferred	15,410,000	0.8	118,700
	Subtotal	**19,651,000**	**0.8**	**149,000**
D Zone Cu Resource	Measured	1,000,000	1.25	12,000
	Indicated	4,200,000	1.02	43,000
	Inferred	8,500,000	0.96	81,000
	Subtotal	**13,600,000**	**1.00**	**136,000**
Discovery Zone Cu Resource	Indicated	2,800,000	0.89	25,000
	Inferred	6,100,000	0.75	46,000
	Subtotal	**9,000,000**	**0.80**	**71,000**
Overall Cu	**Total**	**63,860,000**	**1.05**	**680,000**

CURRENTLY DEFINED MINERAL RESOURCE FOR IRON REPORTED ON THE VISCARIA PROJECT ABOVE A 15% MASS RECOVERY CUT-OFF

Resource Name	Classification	Tonnes (Million Tonnes)	Fe Grade (%)	Mass Recovery (%)	Estimated recoverable iron (Million Tonnes)
D Zone Fe Resource	Measured	2.0	28.7	35.1	0.5
	Indicated	9.7	27.2	33.1	2.2
	Inferred	13.9	25.7	31.0	3.0
	Subtotal	**25.6**	**26.5**	**32.1**	**5.7**
Discovery Zone Fe Resource	Indicated	3.0	40.6	53.2	1.1
	Inferred	6.7	37.7	49.0	2.3
	Subtotal	**9.7**	**38.5**	**50.3**	**3.4**
Overall Fe	**Total**	**35.3**	**29.8**	**37.1**	**9.1**

MINERAL RESOURCE ESTIMATION GOVERNANCE STATEMENT

All Mineral Resource estimates reported by Avalon Minerals Limited are prepared by independent, qualified mining industry professionals and in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code) 2012 Edition. Competent Persons named by the Company are Members or Fellows of the Australasian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and qualify as Competent Persons as defined in the JORC Code.

The Competent Persons have reviewed Avalon's sampling and Quality Control and Quality Assurance (QA/QC) practices to ensure samples are representative and unbiased; and that assay results are obtained with the appropriate level of confidence. Avalon Minerals Limited also produces internal Mineral Resource estimates synchronously with, but independent of, the Mineral Resource estimates calculated by the qualified mining industry professionals as an audit of the external result.

The tables above set out Mineral Resources for 2015, with no change to the overall tonnes and grade or Mineral Resource classification from the Mineral Resource reported for 2014.

Immediately after the 2013-2014 annual report period the A Zone Mineral Resource and the B Zone Mineral Resource were reclassified according to the guidelines outlined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012). The reclassification to JORC 2012 was completed with no change to the overall tonnes and grade or Mineral Resource classification.

COMPETENT PERSONS STATEMENT

The information in this report that relates to exploration results is based upon information reviewed by Mr Malcolm Norris who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Norris is a full time employee of Avalon Minerals Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Norris consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to the D Zone and Discovery Zone Mineral Resources are based on the information compiled by Trevor Ellice who is a Member of the Australasian Institute of Mining and Metallurgy and is a full time employee of HDR, Inc ("HDR"). HDR are an independent mining consultancy who have been engaged by Avalon Minerals Limited to perform geological consulting on a fee for service basis. Mr Ellice has sufficient experience that is relevant to the style of mineralisation being considered and to the activity being undertaken to qualify as a competent person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Ellice consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the A Zone and B Zone Mineral Resources are based on the information compiled by Dr Bielin Shi who is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of The Australian Institute of Geoscientists. Dr Bielin Shi is a full time employee of CSA Global Pty Ltd (CSA). CSA are an independent mining consultancy who have been engaged by Avalon Minerals Limited to perform geological consulting on a fee for service basis. Dr Bielin Shi has sufficient experience that is relevant to the style of mineralisation being considered and to the activity being undertaken to qualify as a competent person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Shi consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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 2015.

Directors

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

Mr Graham Ascough	(Non-Executive Chairman appointed 29 November 2013)
Mr Malcolm Norris	(Managing Director appointed 1 April 2014)
Mr Crispin Henderson	(Non-Executive Chairman appointed 25 March 2013 to 29 November 2013, Non-Executive Director thereafter)
Mr Paul Niardone	(Non-Executive Director appointed 10 February 2012, resigned 28 April 2015)
Mr Don Hyma	(Non-Executive Director appointed 19 March 2014)

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:

	2015 **$**	2014 $
Revenue and other income	**76,717**	43,711
Profit/(loss) before income tax	**(1,950,610)**	(4,204,601)
Income tax expense	**-**	-
Profit/(loss) attributable to members of Avalon Minerals Limited	**(1,950,610)**	(4,204,601)
Earnings per share	**2015** **cents**	2014 cents
Basic earnings per share	**(1.2)**	(4.1)

Financial Performance

During the year ended 30 June 2015 the Group incurred a loss of $1,950,610 (2014: loss of $4,204,601). The loss for this financial year is largely due to corporate costs incurred to fund the progression of the Scoping Study on Viscaria.

Financial Position

The Company's non-current assets decreased slightly from $37,145,415 at 30 June 2014 to $36,950,955 at 30 June 2015. This is largely due to expenditure incurred on the Viscaria asset being more than offset by Research and Development tax incentive for both the 2013/2014 year and the 2012/2013 year of $2,765,114 (net of fees) being received, which has been offset against the capitalised costs.

During the year, the Company had a net increase in contributed equity of $4,302,437 as a result of:

- A 1 for 10 share consolidation that was approved by shareholders at the AGM in November 2014.
- A placement of 23,375,000 (post consolidation numbers) fully paid shares for a consideration of $1,870,000 (8 cents per share) in August 2014.
- A placement of 500,000 fully paid shares each to the Chairman and Managing Director for a total consideration of $80,000 (8 cents per share) in November 2014.
- A placement of 83,583,870 fully paid shares for a consideration of $2,089,597 (2.5 cents per share) from March to May 2015.
- A placement of 12,000,000 fully paid shares for a consideration of $420,000 (3.5 cents per share) in June 2015.

At the end of the financial period, the Group had cash balances of $3,208,654 (2014 $684,747) and net assets of $39,838,129 (2014: $37,457,859). Total liabilities amounted to $730,162 (2014: $420,110) and included trade, other payables and provisions.

Events occurring after reporting date

There were no other significant changes in the state of affairs of the Group during the financial year.

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 Group will continue copper exploration and development activities. The Group 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 Group 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 Group 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:

Current directors:

Mr Graham Ascough *(appointed as Non-Executive Chairman 29 November 2013)*

Member of the Audit and Financial Risk Committee & Remuneration Committee

Experience and expertise

Mr Ascough (BSc, PGeo, MAusIMM) is a senior resources executive with more than 25 years of industry experience evaluating mineral projects and resources in Australia and overseas. He is currently non-executive Chairman of ASX listed companies: Phoenix Copper Limited, Mithril Resources Limited and Musgrave Minerals Limited.

Mr Ascough, a geophysicist by training, has had broad industry involvement playing a leading role in setting the strategic direction for companies, completing financing and in implementing successful exploration programmes. He is a member of the Australasian Institute of Mining and Metallurgy and is a Professional Geoscientist of Ontario, Canada.

Mr Ascough was the Managing Director of Mithril Resources Ltd from October 2006 until June 2012. Prior to joining Mithril in 2006, he was the Australian Manager of Nickel and PGM Exploration at the major Canadian resources house, Falconbridge Limited, which was acquired by Xstrata Plc in 2006.

Other directorships of listed companies in the past three years

Phoenix Copper Limited (appointed 7 December 2012)
Mithril Resources Limited (appointed 9 October 2006)
Musgrave Minerals Limited (appointed 26 May 2010)
Aguia Resources Limited (appointed 19 October 2010, resigned 15 November 2013)

Reproductive Health Services Limited (appointed 31 July 2013, resigned 2 April 2014)

Mr Malcolm Norris *(appointed as CEO & Managing Director 1 April 2014)*

Member of the Audit and Financial Risk Committee & Remuneration Committee

Experience and expertise

Mr Norris (MSc, Grad Dip App Fin, MAICD, FAusIMM) is a senior mining industry professional with extensive experience in business management, mineral exploration, development of new business opportunities and asset transactions. His roles have covered a wide range of commodities, geographic locations and management of global portfolios of projects in both large and small organisations.

Mr Norris holds an MSc in Geology and a Graduate Diploma in Applied Finance. He has more than 30 years of industry experience and in the last 15 years has focused primarily on corporate roles. He led the team which discovered the giant 2Bt Tujuh Bukit copper-gold deposit in Indonesia. Previous experience has included 23 years with WMC Resources, followed by roles with Intrepid Mines and SolGold.

Other directorships of listed companies in the past three years

SolGold PLC (appointed 1 November 2011, resigned 22 February 2013)

Mr Crispin Henderson *(appointed as Non-Executive Chairman 25 March 2013, resigned as Non-Executive Chairman 29 November, non-executive director thereafter)*

Chairman of the Audit and Financial Risk Committee & Member of the Remuneration Committee

Experience and expertise

Mr Henderson (FCA, FCCA, FCIM) has more than 45 years' experience in the financial services and fund management sectors, principally with PricewaterhouseCoopers (34 years) and Threadneedle Investments (from 2002-2013). 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).

Other directorships of listed companies in the past three years: Nil

Mr Don Hyma *(appointed as a Non-Executive Director 19 March 2014)*

Chairman of the Remuneration Committee & member of the Audit and Financial Risk Committee

Experience and expertise

Mr Hyma (BSc, MSc, PEng, IED) is a mining industry executive with more than 25 years of progressive capital project experience in the resource sector in Canada, Chile, New Caledonia and Australia. His experience includes direct involvement in delivering numerous major projects, taking them from studies through to implementation, for several multi-national resource companies in the nickel, copper and iron ore industries.

Mr Hyma holds a BSc in Mining Engineering and an MSc in Mineral Processing, along with an International Executive Management Diploma (INSEAD). Based in Perth, Mr Hyma is currently employed as the Chief Technical Officer for Mitsui & Co and has previously provided independent advisory services to several multi-national trading and resource companies. Previously, Mr Hyma was Vice-President – Expansion Projects for the Iron Ore Company of Canada and General Manager, Mine and Infrastructure Projects for Rio Tinto Iron Ore. Mr Hyma has also held senior management and engineering roles at Falconbridge Limited working on the Koniambo nickel, Raglan nickel and Collahuasi copper projects.

Other directorships of listed companies in the past three years: Nil

Mr Paul Niardone *(appointed as a non-executive Director 10 February 2012, resigned 28 April 2015)*

(Chairman of the Remuneration Committee & Member of the Audit and Financial Risk Committee until resignation)

Experience and expertise

Mr Niardone (MBA) 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.

Other directorships of listed companies in the past three years:

Minquest Limited (appointed 12 November 2014)

Company Secretary

Mr Gavin Leicht *(appointed 28 April 2015)*

Mr Leicht has 20 years experience in various financial roles, including more than 10 years in senior financial positions in the resources sector in Australia and overseas with Rio Tinto Limited and PanAust Limited. Mr Leicht holds a Bachelor of Commerce degree from the University of Newcastle. He is also a Member of the Australian Society of Certified Practising Accountants.

Ms Roslynn Shand *(appointed 16 February 2012, resigned 28 April 2015)*

Ms Shand has over 20 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.

Meetings of Directors

There were 14 meetings of the Company's board of Directors held during the year ended 30 June 2015. The number of meetings attended by each Director were:

	Meeting of Directors		**Remuneration Committee**		**Audit & Financial Risk Committee**	
	Entitled to attend	Attended	Entitled to attend	Attended	Entitled to attend	Attended
Mr Graham Ascough	14	14	1	1	2	2
Mr Malcolm Norris	14	14	1	1	2	2
Mr Crispin Henderson	14	14	1	1	2	2
Mr Paul Niardone	12	11	0	0	2	1
Mr Don Hyma	14	13	1	1	2	1

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

Remuneration report (Audited)

Key management personnel

The 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 and the Chief Financial Officer and company secretary of the Group.

Key management personnel at the date of this report are:

Directors of the Company

Chairman

Mr Graham Ascough	Non-Executive Chairman (appointed 29 November 2013)

Managing Director / CEO

Mr Malcolm Norris	Managing Director and CEO (appointed 1 April 2014)

Non-Executive Directors

Mr Crispin Henderson	Non-Executive Director (appointed as Chairman 25 March 2013, resigned as Chairman 29 November 2013, Non-Executive Director thereafter)
Mr Don Hyma	Non-Executive Director (appointed 19 March 2014)

Other directors during the year were:

Mr Paul Niardone	Non-Executive Director (appointed 10 February 2012, resigned 28 April 2015)

Other key management personnel

Mr Ray Robinson	General Manager Technical (appointed 12 January 2015)
Dr Bruce Rohrlach	General Manager Geology (appointed 7 April 2015)
Mr Gavin Leicht	Chief Financial Officer and Company Secretary (appointed 20 April 2015)
Dr Quinton Hills	Exploration Manager (appointed 12 March 2012, resigned 16 March 2015)
Ms Roslynn Shand	Company Secretary (appointed 13 February 2012, resigned 30 April 2015)

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

Remuneration report (Audited) (continued)

A Principles used to determine the nature and amount of remuneration

The Group'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 to 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 Group 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 and project development 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 and performance rights issues 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 Group. The Group 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)

	2015	2014	2013	2012	2011	2010
Impact on shareholder wealth						
Gain/(Loss) per share (cents)*	**(1.2)**	(4.1)	(14)	(18)	(11)	(11)
Share price (cents)*	**3**	9	17	70	170	170

* post consolidation

The 2012 performance rights plan links 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.

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 14 July 2015, and was deemed appropriate for the size and activities of the Company. Directors' remuneration is inclusive of committee fees. During the year, Non-Executive Directors took a voluntary 50% reduction in fees for a period of four months.

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.

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 performance rights plan and short-term incentives through cash bonuses)

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

Remuneration report (Audited) (continued)

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 car allowances, car parking and reasonable entertainment.

- *Post-employment benefits*

  Executives are permitted to nominate a superannuation fund of their choice to receive contributions.

- *Long-term benefits*

  Long-term benefits include long service leave entitlements.

Variable Remuneration

- *Performance Rights Plan*

  At the discretion of the Board, employees can be invited to participate in the Company's performance rights plan. The issue of performance rights is designed to reward key employees for performance and align their performance with the Company growth and strategic objectives. Options may also be granted, at the discretion of the Board, to employees upon commencement of employment with the Company. Options and performance rights issued to Directors are subject to shareholder approval.

- *Cash bonuses*

  The Board may exercise its discretion to award cash bonuses to executives based upon individual performance. No cash bonus was issued to any executives during the year ended 30 June 2015 (2014: nil).

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.

2015	Short-term benefits		Post-employment benefits		Share-based payments		
Name	Cash salary and fees $	Cash bonus $	Super-annuation $	Termination Payments $	Options and Rights $	Total $	Performance related %
Directors of Avalon Minerals Ltd:							
Mr G Ascough	62,500	-	-	-	-	62,500	-
Mr M Norris	270,000	-	25,650	-	163,763	459,413	-
Mr C Henderson	37,500	-	-	-	-	37,500	-
Mr P Niardone (2)	31,875	-	-	-	(110,551)	(78,676)	-
Mr D Hyma (1)	37,500	-	-	-	-	37,500	-
Other key management personnel:---							
Dr Q Hills (2)	229,936	-	15,644	57,813	(68,216)	235,176	-
Mr R Robinson (1)	108,808	-	10,337	-	28,927	148,071	-
Ms R Shand * (2)	91,542	-	8,696	67,102	(23,613)	143,727	-
Mr G Leicht (1)	40,256	-	3,824	-	34,373	78,454	-
Dr B Rohrlach * (1)	37,744	-	3,586	-	27,498	68,827	-
Total	**947,659**	**-**	**67,737**	**124,914**	**52,181**	**1,192,491**	

* Employed on a part time basis

1. Appointed during the year.
2. Resigned/finished during the year.

Options issued during the year vested immediately and can be exercised at any time up to expiry. The options issued are not dependent on the satisfaction of any performance conditions.

During the year, Non-Executive Directors took a voluntary 50% reduction in fees for a period of four months.

Remuneration report (Audited) (continued)

B *Details of remuneration (continued)*

2014	Short-term benefits		Post-employment benefits		Share-based payments		
Name	Cash salary and fees $	Cash bonus $	Super-annuation $	Termination Payments $	Options and Rights $	Total $	Performance related %
Directors of Avalon Minerals Ltd:							
Mr G Ascough (1)	43,750	-	-	-	-	43,750	-
Mr M Norris (1)	52,500	-	21,244	-	-	73,744	-
Mr C Henderson	80,417	-	-	-	-	80,417	-
Mr J Read (2)	146,132	-	8,333	358,750	(101,974)	411,241	(24.8%)
Data Siew Mun Chuang (2)	6,667	-	-	-	-	6,667	-
Mr P Niardone	41,583	-	1,418	-	53,445	96,446	55.4%
Mr D Hyma (1)	12,702	-	-	-	-	12,702	-
Mr Siew Mun Wai (2)	12,000	-	1,110	-	-	13,110	-
Mr Seng Han Gary Goh (2)	15,333	-	1,418	-	-	16,751	-
Other key management personnel:---							
Dr Q Hills	241,199	-	22,311	-	35,100	298,610	11.8%
Mr I Wallace (2)	260,659	-	24,111	126,690	(32,504)	378,956	(8.6%)
Ms R Shand *	94,842	-	8,773	-	12,150	115,765	10.5%
Ms L Cochrane * (2)	51,317	-	3,804	-	(11,251)	43,870	(25.6%)
Ms L Lindskog * (2)	94,201	-	29,598	-	(16,215)	107,584	(15.1%)
Total	**1,153,302**	**-**	**122,120**	**485,440**	**(61,249)**	**1,699,613**	

* Employed on a part time basis

1. Appointed during the year.
2. Resigned/finished during the year.

Comparative figures for Mr M Norris for 2014 have been amended to reflect the fact that share based payments were not approved by shareholders until the 2015 year.

C *Executive Contractual Arrangements*

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

Mr Malcolm Norris, Managing Director

Base salary, exclusive of superannuation and other benefits, is $270,000, to be reviewed, in accordance with performance, on 1 July 2015 and annual thereafter. Four weeks annual leave is provided. The initial term of employment is for a period of 18 months from commencement date.

The Executive Services Agreement stipulates Mr Norris or the Company may provide six (6) months written notice of termination. Should the employment of Mr Norris be terminated within 18 months after commencement (other than by Mr Norris or summary termination, but including as a result of a merger or takeover of the Company), the Company will pay remuneration otherwise payable for the unexpired period of the initial 18 month term of employment.

Remuneration report (Audited) (continued)

Other Key Management

Contracts for other Key Management Personnel have no fixed duration and can be terminated by the employee by providing three (3) months written notice. The Company may terminate employment by providing three (3) months written notice or by payment of three (3) months salary in lieu of notice.

Base salary for other Key Management Personnel are reviewed annually, in accordance with performance, on 1 July of each year.

D Share-based compensation

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

No new options or performance rights were granted as compensation to Directors, other than Mr M Norris, during the 2015 financial year. No new options or performance rights were granted as compensation to Directors during the 2014 financial year.

Shareholder approval was obtained at the 2014 AGM for the issue of 4 million options to Mr M Norris on the following terms:

- 1.5 million options each to acquire one new ordinary share in Avalon Minerals exercisable at greater of 6 cents per share or 50% above market price on date of issue with an exercise period of 3 years commencing on the date shareholder approval is granted and expiring on the third anniversary of that date; and
- 2.5 million options each to acquire one new ordinary share in Avalon Minerals exercisable at greater of 8 cents per share or 100% above market price on date of issue with an exercise period of 5 years commencing on the date shareholder approval is granted and expiring on the fifth anniversary of that date.

Options were granted to other Key Management Personnel during the financial years on the same terms as those issued to Mr M Norris:

- Mr R Robinson and Mr G Leicht 1 million options each and Dr B Rohrlach 800,000 options exercisable at 6 cents per share with an exercise period of 3 years from grant date; and
- Mr R Robinson and Mr G Leicht 1 million options each and Dr B Rohrlach 800,000 options exercisable at 8 cents per share with an exercise period of 5 years from grant date.

<u>*Option movements during the financial year (post consolidation):*</u>

2015	Beginning Balance	Granted as remuneration	Exercised during year	Options lapsed	Balance at end of year
Directors of Avalon Minerals Ltd:					
Mr M Norris	-	4,000,000	-	-	4,000,000
Mr P Niardone (1)	280,000	-	-	-	280,000
Other key management personnel:					
Dr Q Hills (1)	260,000	-	-	-	260,000
Mr R Robinson	-	2,000,000	-	-	2,000,000
Ms R Shand (1)	90,000	-	-	-	90,000
Mr G Leicht	-	2,000,000	-	-	2,000,000
Dr B Rohrlach	-	1,600,000	-	-	1,600,000
Total	**630,000**	**9,600,000**	**-**	**-**	**10,230,000**

1. Resigned/finished during the year. Options do not lapse upon resignation – Options expiry date 15 September 2015.

Remuneration report (Audited) (continued)

Fair value of options granted during the financial year (post consolidation):

The fair values of options granted to the Managing Director and other key management personnel have been calculated by an independent third party. This table summarises the details of the grants and assumptions that were used in determining the fair value of the options at grant date. The fair value is recognised as an expense over the period between grant date and vesting date.

All options issued vested immediately and can be exercised at any time up to expiry. The options issued are not dependent on the satisfaction of any performance conditions.

Grant Date	Options Issued	Expiry Date	Value per Option	Total Value	Exercise Price	Share price at Grant Date	Share Volatility	Risk Free rate of return
8 May 2015	1,800,000	5/05/2018	$ 0.0157	$ 28,260	$ 0.06	$ 0.035	274%	2.08%
8 May 2015	1,800,000	5/05/2020	$ 0.0186	$ 33,480	$ 0.08	$ 0.035	210%	2.26%
12 Jan 2015	1,000,000	12/01/2018	$ 0.0131	$ 13,100	$ 0.06	$ 0.025	271%	2.14%
12 Jan 2015	1,000,000	12/01/2020	$ 0.0158	$ 15,800	$ 0.08	$ 0.025	208%	2.25%
3 November 2014	1,500,000	3/11/2017	$ 0.0370	$ 55,527	$ 0.06	$ 0.040	150%	2.73%
3 November 2014	2,500,000	3/11/2019	$ 0.0433	$ 108,236	$ 0.08	$ 0.040	150%	2.97%
	9,600,000							

Performance Rights

Performance Rights movements during the financial year (post consolidation):

2015	Beginning Balance	Granted as remuneration	Exercised during year	Lapsed	Balance at end of year
Directors of Avalon Minerals Ltd:					
Mr P Niardone	350,000	-	-	(350,000)	-
Other key management personnel:---					
Dr Q Hills	325,000	-	-	(325,000)	-
Ms R Shand	112,500	-	-	(112,500)	-
Total	**787,500**	**-**	**-**	**(787,500)**	**-**

The performance rights granted to Directors and other key management personnel above have lapsed upon cessation of employment.

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 2015 year.

Shares Issued as a result of vesting performance rights

There were no shares issued as a result of the vesting of performance rights during the 2015 year.

Remuneration report (Audited) (continued)

Loans to key management personnel

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

Shareholdings of key management personnel

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

2015	Beginning Balance	Exercise of Options/rights	Purchases	Disposals	Net other change	Balance at end of year
Directors of Avalon Minerals Ltd:						
Mr G Ascough (2)(3)	220,000	-	2,500,000	-	-	2,720,000
Mr M Norris (1)(2)(3)	104,185	-	3,412,480	-	-	3,516,665
Mr C Henderson	607,521	-	-	-	-	607,521
Mr P Niardone (4)	420,000	-	-	(258,666)	(161,334)	-
Mr D Hyma	-	-	-	-	-	-
Other key management personnel:---						
Dr Q Hills (4)	215,000	-	-	-	(215,000)	-
Mr R Robinson (5)	-	-	800,000	-	-	800,000
Ms R Shand (4)	67,500	-	-	-	(67,500)	-
Mr G Leicht (5)	-	-	283,890	-	-	283,890
Dr B Rohrlach	-	-	-	-	-	-
Total	**1,634,206**	**-**	**6,996,370**	**(258,666)**	**(443,834)**	**7,928,076**

(1) On-market purchases or sales

(2) Shares purchased in Placement by G Ascough and M Norris post shareholder approval at AGM 3 November 2014 - 500,000 shares each at $0.08 per share

(3) Shares purchased in Placement by G Ascough and M Norris post shareholder approval at General Meeting 28 April 2015 - 2,000,000 and 2,622,480 shares respectively at $0.025 per share

(4) Net other changes reflects shares held upon cessation of employment with Avalon

(5) Shares purchased in Placement 8 May 2015 at $0.025 per share

Shares held by M Norris are via direct interest in 1,816,665 shares, 1,300,000 shares held by superannuation funds where Mr Norris is a direct beneficiary, and 400,000 shares held by an associate of Mr Norris.

End of Remuneration Report (Audited)

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 44.

Audit and Non-Audit Services

During the year BDO Audit Pty Ltd, 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.

Details of the amounts paid to the auditors of the Group, currently BDO Audit Pty Ltd, and their related practices for audit and non-audit services provided during the year are set out below:

	2015	2014
	$	$
BDO Audit Pty Ltd		
Audit services:		
Auditors of the Group:		
Audit and review of financial reports	**59,656**	59,527
Other BDO entities		
Other assurance services		
Technical accounting advice and payroll/VAT services in Sweden	**1,516**	13,597
Other services		
Taxation compliance services	**10,228**	10,940
	71,401	84,064

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

Mr Graham Ascough

Chairman

Brisbane, Queensland

25 August 2015

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DECLARATION OF INDEPENDENCE BY A J WHYTE TO THE DIRECTORS OF AVALON MINERALS LIMITED

As lead auditor of Avalon Minerals Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Avalon Minerals Limited and the entities it controlled during the period.

A J Whyte

Director

BDO Audit Pty Ltd

Brisbane, 25 August 2015

Statement

In recognising the need for the highest standards of corporate behaviour 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 Graham Ascough	Non-Executive Chairman	Independent
Mr Malcolm Norris	CEO/Managing Director	
Mr Crispin Henderson	Non-Executive Director	Independent
Mr Don Hyma	Non-Executive Director	Independent

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
- Securities trading
- Audit & Financial Risk
- Remuneration
- Board Charter
- Risk Management

Given the size of the Company and the nature of its activities, the processes for periodically evaluating the performance of the board, its committees and individual directors are informal. The company secretary is accountable directly to the board, through the chairman, on all matters to do with the proper functioning of the board.

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 Group 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, one Executive Director and two 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.

All directors are members of the Committee. Given the size of the Company and the nature of its activities, it is considered important that all directors participate in matters relating to audit and financial risk.

The Committee members are:

Mr Crispin Henderson (Chairman), Mr Graham Ascough, Mr Malcolm Norris and Mr Don Hyma

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 and Financial Risk 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 twice during the financial year. The Managing Director and the Chief Financial Officer and Company Secretary 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.

The Company does not currently have an internal audit function due to the size of the Company and the nature of its activities. 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, at least annually:

- 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.

The Committee has undertaken a review of the Company's risk management framework during the financial year.

This financial year the Managing Director and the Chief Financial Officer and Company Secretary 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

The Board has established a Remuneration Committee with all directors being members of the Committee. Given the size of the Company and the nature of its activities, all directors participate in matters relating to director nomination, and hence there is currently no Nominations Committee established.

The Remuneration Committee members are:

Mr Don Hyma, (Chairman), Mr Graham Ascough, Mr Malcolm Norris and Mr Crispin Henderson

The Committee deals with matters of remuneration for senior executives, with 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 nomination of new Directors and the setting, or review, of remuneration levels of non-executive Directors is dealt with by the full Board. 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 $15,000, 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 Company allows shareholders the option to receive communications from, and send communications to, the Company and its security registry electronically.

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. Staff changes implemented have resulted in reduced staffing levels and the Company currently has a female accounts person in Brisbane and a female administrator based in Sweden.

External Auditors

The external auditor is BDO Audit Pty Ltd. 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.

Economic, environmental and social sustainability risks

The Company does not at present have any material exposure to economic, environmental and social sustainability risks given its current activities.

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.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

	Note	2015 $	2014 $
Revenue from continuing operations	5	**76,717**	42,012
Other income	5	**-**	1,699
Employee Benefits Expense	6	**(957,740)**	(1,670,102)
Corporate and administration expenses		**(828,028)**	(2,346,398)
Depreciation expense		**(32,928)**	(56,754)
Loss on sale of fixed assets		**(29,416)**	-
Exploration expenditure not capitalised		**(178,964)**	(171,390)
Interest paid		**(250)**	(3,668)
Profit/(Loss) from continuing operations before income tax		**(1,950,610)**	(4,204,601)
Income tax expense	7	**-**	-
Net profit/(loss) for the period		**(1,950,610)**	(4,204,601)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**(46,685)**	(1,418,361)
Total comprehensive profit/(loss) for the period		**(1,997,295)**	(5,622,962)
Net profit/(loss) for the period is attributable to:			
Members of Avalon Minerals Ltd		**(1,950,610)**	(4,204,601)
		(1,950,610)	(4,204,601)
Total comprehensive profit/(loss) for the period attributable to:			
Members of Avalon Minerals Ltd		**(1,997,295)**	(5,622,962)
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:			
		Cents	Cents
Basic earnings per share	23	**(1.2)**	(4.1)
Diluted earnings per share	23	**(1.2)**	(4.1)

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

Consolidated Statement of Financial Position

As at 30 June 2015

ABN 68 123 184 412

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AVALON MINERALS LTD

	Note	2015 $	2014 $
Current assets			
Cash and cash equivalents	8	**3,208,654**	684,747
Trade and other receivables	9	**408,682**	47,807
Total current assets		**3,617,336**	732,554
Non-current assets			
Plant and equipment	10	**177,610**	291,858
Exploration and evaluation assets	11	**36,773,345**	36,853,557
Total non-current assets		**36,950,955**	37,145,415
Total assets		**40,568,291**	37,877,969
Current liabilities			
Trade and other payables	12	**611,253**	336,399
Provisions	13	**118,909**	83,711
Total current liabilities		**730,162**	420,110
Total liabilities		**730,162**	420,110
Net assets		**39,838,129**	37,457,859
Equity			
Contributed equity	14	**61,894,266**	57,591,829
Reserves	15	**3,483,314**	3,454,870
Accumulated losses		**(25,539,451)**	(23,588,840)
Total equity		**39,838,129**	37,457,859

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

2015	Contributed Equity $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
At the beginning of the financial year	**57,591,829**	**3,329,231**	**125,639**	**(23,588,840)**	**37,457,859**
Profit/(loss) for the year				**(1,950,610)**	**(1,950,610)**
Other comprehensive Income			**(46,685)**		**(46,685)**
Total comprehensive income/(loss) for the year	**-**	**-**	**(46,685)**	**(1,950,610)**	**(1,997,295)**
Shares issued	**4,459,597**				**4,459,597**
Share issue costs	**(157,160)**				**(157,160)**
Transfer between reserves					**-**
Share based payment transactions		**75,129**			**75,129**
Total Equity at the end of the financial year	**61,894,266**	**3,404,360**	**78,954**	**(25,539,451)**	**39,838,129**

2014	Contributed Equity $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
At the beginning of the financial year	**50,710,149**	**3,750,343**	**1,544,000**	**(19,384,239)**	**36,620,253**
Profit/(loss) for the year				(4,204,601)	(4,204,601)
Other comprehensive Income			(1,418,361)		(1,418,361)
Total comprehensive income/(loss) for the year	**-**	**-**	**(1,418,361)**	**(4,204,601)**	**(5,622,962)**
Shares issued	6,575,020				6,575,020
Share issue costs	(77,340)				(77,340)
Transfer between reserves	384,000	(384,000)			-
Share based payment transactions		(37,112)			(37,112)
Total Equity at the end of the financial year	**57,591,829**	**3,329,231**	**125,639**	**(23,588,840)**	**37,457,859**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Note	2015 $	2014 $
Cash flows from to/from operating activities			
Payments to suppliers and employees (incl GST)		**(1,800,058)**	(5,328,895)
Sundry income	5	**-**	1,699
Interest paid		**(250)**	(3,668)
Interest received	5	**76,967**	42,012
Net cash outflow from operating activities	16	**(1,723,341)**	(5,288,852)
Cash flows to/from investing activities			
Payments for plant and equipment		**(3,384)**	(3,708)
Exploration and evaluation expenditure		**(2,816,890)**	(1,749,177)
Research and development rebate		**2,765,114**	-
Net cash used in investing activities		**(55,161)**	(1,752,885)
Cash flows to/from financing activities			
Proceeds from issue of securities		**4,459,597**	6,652,360
Costs of share issues		**(157,160)**	(77,340)
Net cash provided by financing activities		**4,302,437**	6,575,020
Net increase/(decrease) in cash		**2,523,935**	(466,717)
Effect of exchange rate fluctuations on cash held		**(28)**	(34,495)
Cash and cash equivalents at the beginning of the financial year		**684,747**	1,185,959
Cash at the end of the financial year	8	**3,208,654**	684,747

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

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 2015, unless otherwise stated.

Corporate information

The consolidated financial report of Avalon Minerals Limited for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 25 August 2015.

Avalon Minerals Limited 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 9 Gardner Close, 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, the Company seeks to ensure that our corporate reporting is timely, complete and available globally at minimum cost to the Group. All financial reports, Company announcements and other information are available on the Company's 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.

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

Going concern

The Group incurred a net loss of $1,950,610 for the year ended 30 June 2015 (2014: $4,204,601 loss). As at 30 June 2015 the Group has net cash reserves of $3,208,654 (2014: $684,747) and a net current asset surplus of $2,887,174 (2014: $312,444).

The Group has a second payment of $3 million, in relation to the acquisition of Rakkurijarvi Exploration Permit and the Discovery Zone Exploitation Concession, due only following the grant of the Discovery Zone Exploitation Concession. The $3 million is a contingent liability as at 30 June 2015 and has also been recognised as a commitment for expenditure (refer notes 17 and 18). Should the Exploitation Concession not be approved and granted by 8 October 2015, and the parties do not agree on an extension, the $3 million will no longer be payable and the initial $1 million payment made by the Company will be refundable.

The ability of the Group to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the company to raise additional capital in the future; and
- the successful exploration and subsequent exploitation of the Group's tenements.

These conditions give rise to material uncertainty over the Group's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- To date the Group has funded its activities through issuance of equity securities and it is expected that the Group will be able to fund its future activities through further issuances of equity securities; and
- The directors believe there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities.

Note 1. Summary of Significant Accounting Policies (continued)

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

(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.

(c) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Avalon Minerals Limited ("Company", "Avalon" or "Parent Entity") as at 30 June 2015 and the results of all the subsidiaries for the financial period then ended. The Company and its subsidiaries together are referred to in this financial report as the Group or Consolidated Entity.

Subsidiaries are all those entities (including structured entities) over which the Group has control. The group has control over an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to use its controlling power to affect those returns.

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 Group 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.

Government grants

Revenue received from government grants, such as Research and Development rebates, are recognised in profit or loss on a systematic basis over the period(s) in which the entity recognises, as expenses, the costs for which the grant was intended to compensate. If the offset relates to items that have been capitalised (e.g. exploration assets, development assets, etc.), the offset income must be deferred by deducting the offset from the carrying amount of the asset for which the offset/grant was intended to compensate.

(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 18).

Note 1. Summary of Significant Accounting Policies (continued)

(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.

(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 of disposal 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 profit or loss.

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. 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.

Note 1. Summary of Significant Accounting Policies (continued)

(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 Group 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 profit or loss.

(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 Group 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss 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
- Mine infrastructure	50 years
- Motor vehicles	3-5 years
- Office furniture, fittings and equipment	3-5 years
- Computer and electronic equipment	3-5 years
- Leasehold improvements	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.

Note 1. Summary of Significant Accounting Policies (continued)

(n) Trade and other payables

Trade payables are carried at amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid and arise when the Group 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 are recognised when: the Group 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.

(p) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled in full within 12 months after the end 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 Group 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. Where applicable 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. Where applicable 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 rights that will ultimately vest because of internal conditions of the options or performance rights, 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.

Note 1. Summary of Significant Accounting Policies (continued)

(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 Group 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.

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.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off. All capitalised exploration assets are not being depreciated.

(t) Goods and services tax (GST) / Value added Tax (VAT)

GST is applicable to Australia and reported through the Australian Taxation Office whilst VAT is applicable in Sweden and reported through the Swedish Skatteverket Office. GST and VAT are the same tax instrument.

Revenues, expenses and assets are recognised net of the amount of associated GST/VAT, unless the GST/VAT incurred is not recoverable from the respective taxation offices. 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/VAT receivable or payable. The net amount of GST/VAT recoverable from, or payable to, the respective taxation offices is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST/VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the respective taxation offices, are presented as operating cash flows.

Note 1. Summary of Significant Accounting Policies (continued)

(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.

(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) Application of new and revised Accounting Standards

New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2014.

- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'
- AASB 2014-1 Amendments to Australian Accounting Standards includes several parts:
  - Part A - Annual Improvements 2010-2012 and 2011-2013 Cycles
  - Part B - Defined Benefit Plans: Employee Contributions (AASB 119)
  - Part C - Materiality

These amendments are either not relevant or have no significant impact on the Group's financial statements.

(w) New Accounting Standards issued but not yet effective

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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.

The Group's primary banker is National Australia Bank Limited. At balance sheet 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 2015 (2014: $Nil).

(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:

	2015	2014
	$	$
Liquid financial assets		
Three months or less	**3,519,675**	696,680
Greater than three months	**97,661**	35,874
	3,617,336	732,554
Liquid financial liabilities		
Three months or less	**611,253**	336,399
	611,253	336,399

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

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.

(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.

	2015 $	2014 $
Financial assets		
Cash and cash equivalents	**3,208,654**	684,747
	3,208,654	684,747

The following sensitivity analysis is based on the interest rate risk exposure in existence at the reporting date. The 1% sensitivity (2014: 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 2015, 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:

	2015 $	2014 $
Post tax gain/(loss)		
+1.0% (100 basis points)	**32,087**	6,847
-1.0% (100 basis points)	**(32,087)**	(6,847)

The average interest rate for the year ended 30 June 2015 was 2.10% (2014: 2.75%).

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 2015 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 Group and that are believed to be reasonable under the circumstances.

The Group 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:

Exploration and evaluation expenditure

The Group has carrying balances for exploration and evaluation assets. Exploration and evaluation assets have been capitalised on the basis that the Group will commence commercial production in the future from which the costs will be amortised in proportion to the depletion of the mineral resources. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. The carrying value of exploration and evaluation assets at 30 June 2015 is $36,773,345 (2014: $36,853,557)

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 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, mainly derived from interest, and non-current assets by geographical location is detailed below.

	2015 $	2014 $
Revenue/Income		
Australia	**76,529**	40,800
Sweden	**187**	2,911
	76,717	43,711
Non-current assets		
Australia	**11,339**	69,035
Sweden	**36,939,616**	37,076,380
	36,950,955	37,145,415

Note 5. Revenue and other income

	2015 $	2014 $
Interest Revenue	**76,717**	42,012
Sundry income	**-**	1,699

Note 6. Expenses

Profit/(loss) before income tax includes the following:

	2015 $	2014 $
Employee benefits expense*		
Salaries & wages	**472,729**	747,778
Directors' fees	**169,293**	218,094
Defined contribution superannuation expense	**61,961**	70,014
Share based payments - equity settled	**75,129**	(37,112)
Movement in leave provisions	**34,703**	(6,337)
Termination payments	**124,914**	485,440
Other	**19,011**	192,225
	957,740	**1,670,102**

* Excludes employee costs capitalised to exploration and evaluation expenditure

Rental expense related to operating lease	**139,432**	110,273

Note 7. Income tax

	2015 $	2014 $
(a) 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	**(1,950,610)**	(4,204,601)
At the Group's statutory income tax rate of 30%	**(585,183)**	(1,261,380)
Expenditure not allowable for income tax purposes	**38,947**	220,136
Expenditure allowable for income tax purposes	**(92,837)**	-
Deferred tax asset not brought to account as realisation is not considered probable	**639,073**	1,041,244
Income tax expense	**-**	-

	Statement of Financial Position 2015 $	2014 $
Deferred tax assets		
Employee provisions	**20,909**	19,976
Other accruals and provisions	**10,800**	57,683
Share issue costs charged to equity	**37,641**	27,725
Unused income tax losses	**2,103,850**	4,302,724
Deferred tax assets offset by deferred tax liabilities	**-**	-
Total deferred tax assets	**2,173,200**	4,408,108
Total unrecognised deferred tax assets	**(2,173,200)**	(4,408,108)
Net deferred tax assets	**-**	-

The Group 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. Cash and cash equivalents

	2015 $	2014 $
Cash on hand and at bank	**3,208,654**	684,747

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 2.35% (2014: 0.01% and 3.5%). The carrying amounts of cash and cash equivalents represent fair value.

Restricted cash balances totalling $47,987 (2014: $32,367) representing term deposits securing various performance guarantees have been disclosed under trade and other receivables (refer Note 9).

Note 9. Trade and other receivables

	2015 $	2014 $
Other debtors	**286,951**	11,933
Deposits	**47,987**	32,367
Prepayments	**73,744**	3,507
	408,682	47,807

Other debtors consist of invoices for recovery of costs as per contract terms, 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. Property, plant and equipment

	Office equipment $	Computer equipment $	Exploration equipment $	Leasehold improvements $	Mine infrastructure $	Motor Vehicles $	Total $
Year Ended 30 June 2015							
Carrying amount at beginning of financial year	**16,424**	**15,179**	**139,187**	**35,840**	**72,799**	**12,428**	**291,858**
Additions	**-**	**4,648**	**-**	**-**	**-**	**-**	**4,648**
Disposals	**(1,665)**	**(386)**	**-**	**(27,366)**	**-**	**-**	**(29,417)**
Depreciation expensed	**(3,879)**	**(7,181)**	**(13,394)**	**(8,474)**	**-**	**-**	**(32,928)**
Depreciation capitalised as exploration	**(5,174)**	**(3,698)**	**(37,046)**	**-**	**(1,929)**	**(7,754)**	**(55,601)**
Effect of movement in foreign exchange	**(84)**	**(59)**	**(623)**	**-**	**(60)**	**(125)**	**(950)**
Carrying amount at end of financial year	**5,622**	**8,504**	**88,125**	**-**	**70,810**	**4,549**	**177,610**
As at 30 June 2015							
At Cost	**54,398**	**190,495**	**339,531**	**-**	**78,362**	**23,858**	**686,645**
Accumulated Depreciation	**(48,776)**	**(181,991)**	**(251,406)**	**-**	**(7,553)**	**(19,309)**	**(509,035)**
	5,622	**8,504**	**88,125**	**-**	**70,810**	**4,549**	**177,610**
Year Ended 30 June 2014							
Carrying amount at beginning of financial year	26,234	40,403	201,692	48,551	77,532	21,058	415,470
Additions	468	3,240	-	-	-	-	3,708
Disposals	(678)	(1,602)	-	-	-	-	(2,280)
Depreciation expensed	(4,019)	(21,795)	(18,229)	(12,711)			(56,754)
Depreciation capitalised as exploration	(5,372)	(5,015)	(40,761)	-	(2,087)	(8,387)	(61,622)
Effect of movement in foreign exchange	(209)	(51)	(3,515)		(2,646)	(243)	(6,664)
Carrying amount at end of financial year	16,424	15,180	139,187	35,840	72,799	12,428	291,858
As at 30 June 2014							
At Cost	66,375	187,120	339,611	63,556	78,395	23,868	758,925
Accumulated Depreciation	(49,950)	(171,940)	(200,424)	(27,716)	(5,596)	(11,441)	(467,067)
	16,424	15,179	139,187	35,840	72,799	12,428	291,858

Note 11. Exploration and evaluation assets

	2015 $	2014 $
At Cost - less amounts written off	**36,773,345**	36,853,557
Balance at 1 July	**36,853,557**	37,494,950
Exploration and evaluation expenditure	**2,879,747**	1,810,747
Purchase price adjustment	**-**	(1,000,000)
Relinquished tenement expenditure written off	**(177,631)**	-
Research and development rebate	**(2,765,114)**	-
Effect of movement in foreign exchange	**(17,214)**	(1,452,140)
Balance at 30 June	**36,773,345**	36,853,557

The recovery of the Group's interest in exploration assets 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.

The Net Research & Development ("R&D") rebate relates to both the 2012/13 and 2013/14 years. AusIndustry, who manage the R&D tax incentive registration process have undertaken a review of the claim for the 2013/14 year and have requested additional information to address their understanding of the R&D activities that have been claimed. The due date for providing this additional information was 21 August 2015, with the Company providing further relevant information to support the R&D activities. As at the date of this report no response to the further information has been received from AusIndustry.

Note 12. Trade and other payables

	2015 $	2014 $
Trade payables	**394,787**	69,307
Sundry payables and accrued expenses	**216,466**	267,092
	611,253	336,399

Note 13. Provisions

	2015 $	2014 $
Employee leave liabilities	**118,909**	83,711

Note 14. Contributed equity

(a) Share capital

	Number of shares	2015 $
Ordinary shares - fully paid	**240,319,478**	**61,894,266**

(b) Movements in ordinary share capital

		Number of shares	Issue price $	$
	Balance as at 1 July 2013	562,017,007		50,710,149
Jul-13	Tranche 2 Performance Rights issued in lieu of cash			384,000
Aug-13	Share placement	26,523,616	0.013	344,807
Sep-13	Share placement	26,523,640	0.013	344,807
Oct-13	Rights Issue for cash (Tranche 1)	212,303,648	0.010	2,123,036
Nov-13	Rights Issue for cash (Tranche 2)	376,236,975	0.010	3,762,370
	Share issue costs			(77,340)
	Balance as at 30 June 2014	1,203,604,886		57,591,829

		Number of shares	Issue price $	$
	Balance as at 1 July 2014	**1,203,604,886**		**57,591,829**
Aug-14	Share placement	233,750,000	0.008	1,870,000
Nov-14	1 for 10 Consolidation	(1,437,354,886)	-	-
Nov-14	1 for 10 Consolidation	143,735,608	-	-
Nov-14	Share placement	1,000,000	0.080	80,000
Mar-15	Share placement	33,583,870	0.025	839,597
May-15	Share placement	50,000,000	0.025	1,250,000
Jun-15	Share placement	12,000,000	0.035	420,000
	Share issue costs			(157,160)
	Balance as at 30 June 2015	**240,319,478**		**61,894,266**

Note 14. Contributed equity (continued)

(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.

During the financial year the Company undertook a 1 for 10 share consolidation.

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

Information relating to the Employee 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 19.

(e) Options/Performance Rights

At the end of the 2015 financial year there were 13,600,000 performance rights/options over ordinary shares on issue (see Note 19).

(f) 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 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 and other payables. Trade and other payables are unsecured and usually paid within 30 days of recognition.

The ability to raise equity in the future to fund the Group's operations, investigations and exploration activities is a risk that could influence the activities of the Company. 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.

	2015	2014
	$	$
Current assets	**3,617,336**	732,554
Current liabilities	**730,162**	420,110
Liquidity ratio	**5 : 1**	1.7 : 1

The Company intends to raise funds in the short to medium term to fund its operating costs relating to exploration, investigating and evaluation activities.

Note 15. Reserves

	2015 $	2014 $
Share based payments reserve	**3,404,360**	3,329,231
Foreign currency translation reserve	**78,954**	125,639
Total reserves	**3,483,314**	3,454,870
Movements in reserves were as follows:		
Share based payments reserve		
Opening balance	**3,329,231**	3,750,343
Share based payments - employees	**69,576**	(421,112)
Share based payments - service providers	**5,553**	-
Closing balance	**3,404,360**	3,329,231
Foreign currency translation reserve		
Opening balance	**125,639**	1,544,000
Foreign exchange gains/(losses) on translation	**(46,685)**	(1,418,361)
Closing balance	**78,954**	125,639

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 is the Australian Dollar and that of its foreign subsidiaries is the Swedish Krona.

Note 16. Cash Flow Information

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

	2015 $	2014 $
Operating profit/(loss) after income tax	**(1,950,610)**	(4,204,601)
Non-cash flows in loss		
Depreciation	**32,928**	56,754
Asset write down	**205,784**	-
Share based payments - performance rights/options	**75,129**	(37,112)
Changes in operating assets and liabilities		
Decrease/(increase) in trade & other receivables	**(83,846)**	153,415
(Increase)/decrease in trade & other payables	**(4,933)**	(1,238,554)
(Decrease)/increase in provisions	**2,208**	(18,754)
	(1,723,341)	(5,288,852)

Note 17. Contingent liabilities

New Tenements

On 5 May 2013, the Group entered into a binding heads of agreement with Hannans Reward Limited ('Hannans') to acquire the Rakkurijarvi Exploration Permit and the Discovery Zone Exploitation Concession (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 $4 million.

In October 2013 the first $1 million was paid, with a second payment of $3 million due after ongoing environmental assessments and approval by the Swedish Mines Inspectorate of an exploitation concession.

If the concession is not granted within 2 years of the first payment date (being 8 October 2015) or a later date agreed by the parties, Hannans is required to refund the $1 million already paid by the Company.

As at the date of this report the approval process for the concession is yet to be completed, and no liability for the second payment of $3 million, due upon approval of an exploitation concession, has been provided for in the accounts due to the uncertainty of successfully obtaining an exploitation permit. In addition, no receivable for the refund of the initial $1 million, should the concession not be granted by 8 October 2015 and no extension is agreed to by both parties, has been provided for in the accounts due to the uncertainty of a later date being agreed to by both parties.

The $3 million has been disclosed as a capital commitment in Note 18.

The Company is not aware of any other material contingent liabilities at 30 June 2015 not otherwise disclosed in the Financial Statements.

Note 18. Capital and other commitments

(a) Capital Commitments

Commitments on Tenements	2015 $	2014 $
Existing Tenements		
- not later than 12 months	**90,000**	208,000
- between 12 months and 5 years	**45,000**	182,000
- greater than 5 years		-
New Tenements		
- not later than 12 months	**3,000,000**	-
- between 12 months and 5 years	**-**	3,000,000
	3,135,000	3,390,000

Existing Tenements

Exploration tenement fees are required to keep licenses in good standing. The Group is committed to this expenditure on the current tenements. In order to maintain current rights to tenure of its mineral tenement leases, the Group will be required to pay exploration tenement fees to Bergsstaten (Swedish Mines Inspectorate) in addition to prove reasonable exploration activities have been undertaken. 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 Group.

New Tenements

Refer to Note 17.

(b) Lease commitments

Operting lease payable	2015 $	2014 $
- not later than 12 months	**162,280**	197,279
- between 12 months and 5 years	**119,014**	197,122
- greater than 5 years	**-**	-
	281,294	394,401

The Group 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 19. Share-based payments

(a) Issue of Options and Performance Rights

2015

Options:

The table below outlines the key details for all options outstanding as at 30 June 2015:

Grant Date	Options Issued	Expiry Date	Value per Option	Total Value	Exercise Price	Share price at Grant Date	Share Volatility	Risk Free rate of return
29 May 2015	300,000	29/05/2018	$ 0.0157	$ 4,710	$ 0.06	$ 0.030	274%	2.08%
29 May 2015	300,000	29/05/2020	$ 0.0186	$ 5,580	$ 0.08	$ 0.030	210%	2.26%
8 May 2015	1,800,000	5/05/2018	$ 0.0157	$ 28,260	$ 0.06	$ 0.035	274%	2.08%
8 May 2015	1,800,000	5/05/2020	$ 0.0186	$ 33,480	$ 0.08	$ 0.035	210%	2.26%
12 Jan 2015	1,000,000	12/01/2018	$ 0.0131	$ 13,100	$ 0.06	$ 0.025	271%	2.14%
12 Jan 2015	1,000,000	12/01/2020	$ 0.0158	$ 15,800	$ 0.08	$ 0.025	208%	2.25%
3 November 2014*	2,100,000	3/11/2017	$ 0.0370	$ 77,738	$ 0.06	$ 0.040	150%	2.73%
3 November 2014	2,500,000	3/11/2019	$ 0.0433	$ 108,236	$ 0.08	$ 0.040	150%	2.97%
29 Sept 2012	120,000	30/09/2015	$ 0.6550	$ 78,600	$ 0.50	$ 0.700	94.35%	2.75%
27 July 2012	1,100,000	30/09/2015	$ 0.6550	$ 720,500	$ 0.50	$ 0.700	94.35%	2.75%
5 June 2012	780,000	30/09/2015	$ 0.6235	$ 486,330	$ 0.50	$ 0.800	106.83%	3.66%
23 May 2012	600,000	30/09/2015	$ 0.6000	$ 360,000	$ 0.50	$ 0.900	106.83%	3.66%
	13,400,000							
Weighted Average $			$ 0.1442		$ 0.15	$ 0.179		

Following obtaining shareholder approval on 3 November 2014, the Company issued a total of 4,000,000 options to Mr M Norris (1.5 million exercisable at 6 cents per share, and 2.5 million exercisable at 8 cents per share).

* 600,000 Options issued to Viaticus Capital LLC under the same terms as the issue to Mr M Norris on 3 November 2014.

The fair values of the options have been determined by an external party using a Trinomial Lattice model which defines the conditions under which employees are expected to exercise their options after vesting in terms of the share price reaching a specified multiple of the exercise price.

Share price volatility has a powerful influence on the estimation of the fair value of an option, much of the value of which is derived from its potential appreciation. The more volatile the share price, the more valuable the option. Volatility for the fair value of the options has been determined by the external party performing the valuation.

Note 19. Share-based payments (continued)

The table below outlines the movements for all options during 2015:

Grant Date	Beginning Balance	Granted during year	Exercised during year	Lapsed	Balance at end of year
29 May 2015	-	300,000	-	-	300,000
29 May 2015	-	300,000	-	-	300,000
8 May 2015	-	1,800,000	-	-	1,800,000
8 May 2015	-	1,800,000	-	-	1,800,000
12 Jan 2015	-	1,000,000	-	-	1,000,000
12 Jan 2015	-	1,000,000	-	-	1,000,000
3 November 2014*	-	2,100,000	-	-	2,100,000
3 November 2014	-	2,500,000	-	-	2,500,000
29 Sept 2012	120,000	-	-	-	120,000
27 July 2012	1,100,000	-	-	-	1,100,000
5 June 2012	780,000	-	-	-	780,000
23 May 2012	600,000	-	-	-	600,000
Total	**2,600,000**	**10,800,000**	**-**	**-**	**13,400,000**

Performance Rights:

The table below outlines the movements for all performance rights during 2015:

2015	Beginning Balance	Granted as remuneration	Exercised during year	Lapsed	Balance at end of year
Tranche 1	445,000	-	-	(365,000)	80,000
Tranche 2	-	-	-	-	-
Tranche 3	667,500	-	-	(547,500)	120,000
Total	**1,112,500**	**-**	**-**	**(912,500)**	**200,000**

Performance rights to Key Management Personnel and other employees who have left the company automatically lapsed and were cancelled.

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; expiry 7 years (27 July 2019)
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; expiry 7 years (27 July 2019)

Note 19. 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 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.

2014

There were no new Options or Performance Rights issued to Key Management Personnel and other employees during 2014.

(b) Amortisation expense of Options and Performance Rights

The amortised expense for options in the statement of profit or loss and other comprehensive income for the year ended 30 June 2015 was $280,594 (2014: $6,490).

The amortised income/expense for performance rights in the statement of profit or loss for the year ended 30 June 2015 was $205,446 income (2014: $43,602 income).

Note 20. Related party transactions and Key Management Personnel

Controlling entities

The ultimate parent entity in the wholly-owned Group is Avalon Minerals Limited.

Interests in subsidiaries are disclosed in note 22.

Key Management Personnel compensation

	2015	2014
	$	$
Short-term employee benefits*	**1,140,310**	1,760,862
Share based payments	**52,181**	(61,249)
	1,192,491	1,699,613

* Includes termination payments

Note 21. Events occurring after reporting date

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

Note 22. Subsidiaries

2015

Name of entity	Country of incorporation	Class of shares	Ownership interest held by group *
Avalon Minerals Adak AB	Sweden	Ordinary	100%
Avalon Minerals Viscaria AB	Sweden	Ordinary	100%
Xmin Pty Ltd	Australia	Ordinary	100%

2014

Name of entity	Country of incorporation	Class of shares	Ownership interest held by group *
Avalon Minerals Adak AB	Sweden	Ordinary	100%
Avalon Minerals Viscaria AB	Sweden	Ordinary	100%
Xmin Pty Ltd	Australia	Ordinary	100%

* The proportion of ownership interest is equal to the proportion of voting power held

Note 23. Earnings per share

	2015 cents	2014 cents
Basic earnings per share	**(1.2)**	(4.1)
Diluted earnings per share	**(1.2)**	(4.1)
Weighted average number of shares used as the denominator	**Number**	Number
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share (post consolidation)	**160,255,735**	101,848,574
Profit/(losses) used in calculating basic and diluted losses per share	**$**	$
	(1,950,610)	(4,204,601)

As the potential ordinary shares (from options/performance rights on issue) have an anti-dilutive effect, they have not been included in the calculation of diluted earnings per share.

Note 24. Remuneration of auditors

	2015 $	2014 $
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		
Audit and review of consolidated financial statements	**48,826**	48,000
Audit of Swedish sibsidiaries financial statements	**10,830**	11,527
Other services		
Accounting advice - Australia	**-**	13,597
Taxation matters - Australia	**8,681**	6,000
Accounting advice - Sweden	**1,516**	-
Taxation matters - Sweden	**1,547**	4,940

Note 25. 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 2015 (2014: nil).

The balance of the Company's franking account is nil (2014: nil).

Note 26. Parent Entity Information

Information relating to Avalon Minerals Limited:

	2015 $	2014 $
Current assets	**3,120,503**	663,480
Non-current assets	**1,358,852**	1,159,680
Total assets	**4,479,355**	1,823,160
Current liabilities	**334,223**	377,068
Total liabilities	**334,223**	377,068
Net assets	**4,145,132**	1,446,092
Issued Capital	**61,894,266**	57,591,830
Accumulated losses	**(61,153,494)**	(59,474,969)
Share based payment reserve	**3,404,360**	3,329,231
Total shareholders' equity	**4,145,132**	1,446,092
Net income/(loss) for the year	**(1,678,525)**	(3,956,016)
Total Comprehensive income/(loss)	**(1,678,525)**	(3,956,016)

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 totalling $47,987 (2014: $32,367) 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. Its subsidiary, Avalon Minerals Adak AB, has a contingent liability of $3M as per the Hannans agreement (refer Note 17).

Directors' Declaration

In accordance with a resolution of the Directors of Avalon Minerals Limited 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 2015 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; and

(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 2015.

On behalf of the Board

Mr Graham Ascough
Chairman

Brisbane, Queensland

25 August 2015

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INDEPENDENT AUDITOR'S REPORT

To the members of Avalon Minerals Limited

Report on the Financial Report

We have audited the accompanying financial report of Avalon Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 company'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 company'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 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Avalon Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Avalon Minerals Limited is 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 2015 and of its performance for the year ended on that date; and

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

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

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(a) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 33 to 41 of the directors' report for the year ended 30 June 2015. 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 Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Avalon Minerals Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

A J Whyte
Director

Brisbane, 25 August 2015

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

SHAREHOLDINGS

Substantial shareholders

The following are substantial shareholders within the Company as per announcements to ASX as at 21 August 2015.

Holders (above 5%)	Ordinary shares held	Interest held
Tan Sri Abu Sahid Bin Mohamed*	32,261,909	13.42%
Valbonne II	27,433,942	11.42%
Phoenix Copper Ltd	12,892,013	5.36%

* Mr Tan Sri Abu Sahid Bin Mohamed and Mr Lim Heng Suan are considered as associates and their shareholdings combined above

Class of shares and voting rights

At 21 August 2015, there were 900 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 21 August 2015, 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 31 July 2015)

Category	Number of holders Ordinary shares	 Unlisted Options
1 – 1,000	173	-
1,001 – 5,000	234	-
5,001 – 10,000	118	-
10,001 – 100,000	262	6
100,001 and over	113	14
	900	20

There were 599 holders holding less than a marketable parcel.

Unquoted Securities

Options and performance rights on issue were allotted as part of an employee share option plan and performance rights plan and are unquoted.

Restricted Securities

There were no restricted securities as at 21 August 2015.

Twenty Largest Security holders as at 21 August 2015

Holder name	Ordinary Shares	
	Number	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	33,035,812	13.75
MR ABU SAHID BIN MOHAMED	22,368,276	9.31
J P MORGAN NOMINEES AUSTRALIA LIMITED	22,360,975	9.30
PERSHING AUSTRALIA NOMINEES PTY LTD <INDIAN OCEAN A/C>	16,472,013	6.85
CITICORP NOMINEES PTY LIMITED	15,052,873	6.26
WYNTORC SA	12,000,000	4.99
MARILEI INTERNATIONAL LIMITED	11,000,000	4.58
MR LIM HENG SUAN	9,893,633	4.12
POTEZNA GROMADKA LTD	9,000,000	3.75
NATIONAL NOMINEES LIMITED <DB A/C>	7,440,000	3.10
BGL INVESTMENTS PTY LTD <BGL INVESTMENTS A/C>	7,151,015	2.98
DARREN CARTER	5,170,680	2.15
VIATICUS CAPITAL LLC	3,640,000	1.51
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	2,930,000	1.22
MR GAVIN JOHN REZOS	2,860,000	1.19
MR GRAHAM LESLIE ASCOUGH + MRS PATRICIA LYNN ASCOUGH <ASCOUGH FAMILY A/C>	2,720,000	1.13
MR ROBERT ARTHUR BEHETS + MRS KRISTINA JANE BEHETS <BEHETS FAMILY A/C>	2,575,000	1.07
DPS CAPITAL PTY LTD	2,000,000	0.83
UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	1,922,350	0.80
CS FOURTH NOMINEES PTY LTD	1,875,000	0.78
Total	**191,467,627**	**79.67**

Other information

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

TENEMENT SCHEDULE

Tenement Holder	Tenement Name	Location	Status	Ownership
Avalon Minerals Viscaria AB	Viscaria No 1	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 2	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 3	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 101	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 104	Norrbotten, Sweden	Relinquished	0%
Avalon Minerals Viscaria AB	Viscaria No 105	Norrbotten, Sweden	Relinquished	0%
Avalon Minerals Viscaria AB	Viscaria No 106	Norrbotten, Sweden	Relinquished	0%
Avalon Minerals Viscaria AB	Viscaria No 107	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 108	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 112	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 113	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Vittangijarvi No 1	Norrbotten, Sweden	Relinquished	100%
Avalon Minerals Viscaria AB	Huornas No 1	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Huornas No 2	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K No 3	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K No 4	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K No 7	Norrbotten, Sweden	Granted	100%
Avalon Minerals Adak AB	Rakkurijärvi No 1	Norrbotten, Sweden	Granted	100%*
Avalon Minerals Adak AB	Rakkurijärvi K No 1	Norrbotten, Sweden	Application	100%*
Avalon Minerals Viscaria AB	Nihka East	Norrbotten, Sweden	Granted	100%
Avalon Minerals Adak AB	Goddevarri	Norrbotten, Sweden	Application	100%

*once acquisition from HNR (Hannans Reward Ltd (ASX:HNR) complete


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