ANNUAL REPORT

AVALON MINERALS LIMITED

2016

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Gavin Leicht

AUDITOR

BDO Audit Pty Ltd

Level 10/12 Creek Street
Brisbane Qld 4000

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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AUSTRALIAN BUSINESS NUMBER

68 123 184 412

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Graham Ascough
CHAIRMAN

On behalf of the Board of Directors, it is my pleasure to present the 2016 Annual Report for Avalon Minerals Limited ('Avalon' or 'Company')

Despite the continuing challenging times in the resources sector and the unpredictable equity markets in Australia and overseas, 2015/2016 saw Avalon make significant progress towards its goal of becoming a long-term copper producer with its flagship Viscaria Copper Project. The Company achieved excellent drilling results, completed a new Mineral Resource Estimate for the D Zone copper deposit at Viscaria, published the re-focussed copper only Scoping Study and commenced the Environmental Impact Assessment.

During the year Avalon also signed two agreements to secure new interests over known lithium properties in Finland and Sweden. All exploration areas within the Scandinavian portfolio are supported by high quality infrastructure. Good quality open file data exists and compilation and interpretation of this data has commenced.

Low sovereign risk in Finland and Sweden, and Avalon's operating base from Kiruna in northern Sweden, together with local partnerships, support this initiative. Securing an advanced, drill ready lithium deposit at Kietyönmäki, and documented lithium-bearing pegmatites in all other areas held and under application, allows for rapid advancement towards definition of a maiden resource and potential initiation of a lithium project scoping study in 2017.

The Company continues to receive strong support from its shareholders, and in July 2016, Avalon completed a successful fundraising to new, professional investors as well as to existing large shareholders with a placement at market price, to raise approximately $2M. The proceeds raised are to be utilised to progress Avalon's lithium projects with a 3,000m drilling programme at Kietyönmäki, progressing the ESIA at Viscaria and for ongoing operating costs and working capital.

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 built 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 the Viscaria 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, its flagship Viscaria Copper Project in Sweden, and the new lithium projects in Scandinavia for the benefit of all Avalon shareholders.

Yours sincerely

Graham Ascough
Chairman

15 August 2016

Avalon's vision is to become a significant European focussed copper and lithium company.

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, the Kietyönmäki Lithium Project, and prospective lithium and gold projects in Scandinavia.

Value for shareholders will be created by:

1. demonstrating that the scale of the Viscaria Copper Project can be sustainably increased, is financially viable and is permitted for development and production;
2. delivering a maiden mineral resource estimate at the Kietyönmäki Lithium Project and demonstrating a viable development scenario; and
3. exploration success at Avalon's other lithium projects in Finland and Sweden, exploration success at the Satulinmäki and Riukka Gold prospects, 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 its Projects. The quality of Avalon's technical and operational team is one of the key strengths of the company.

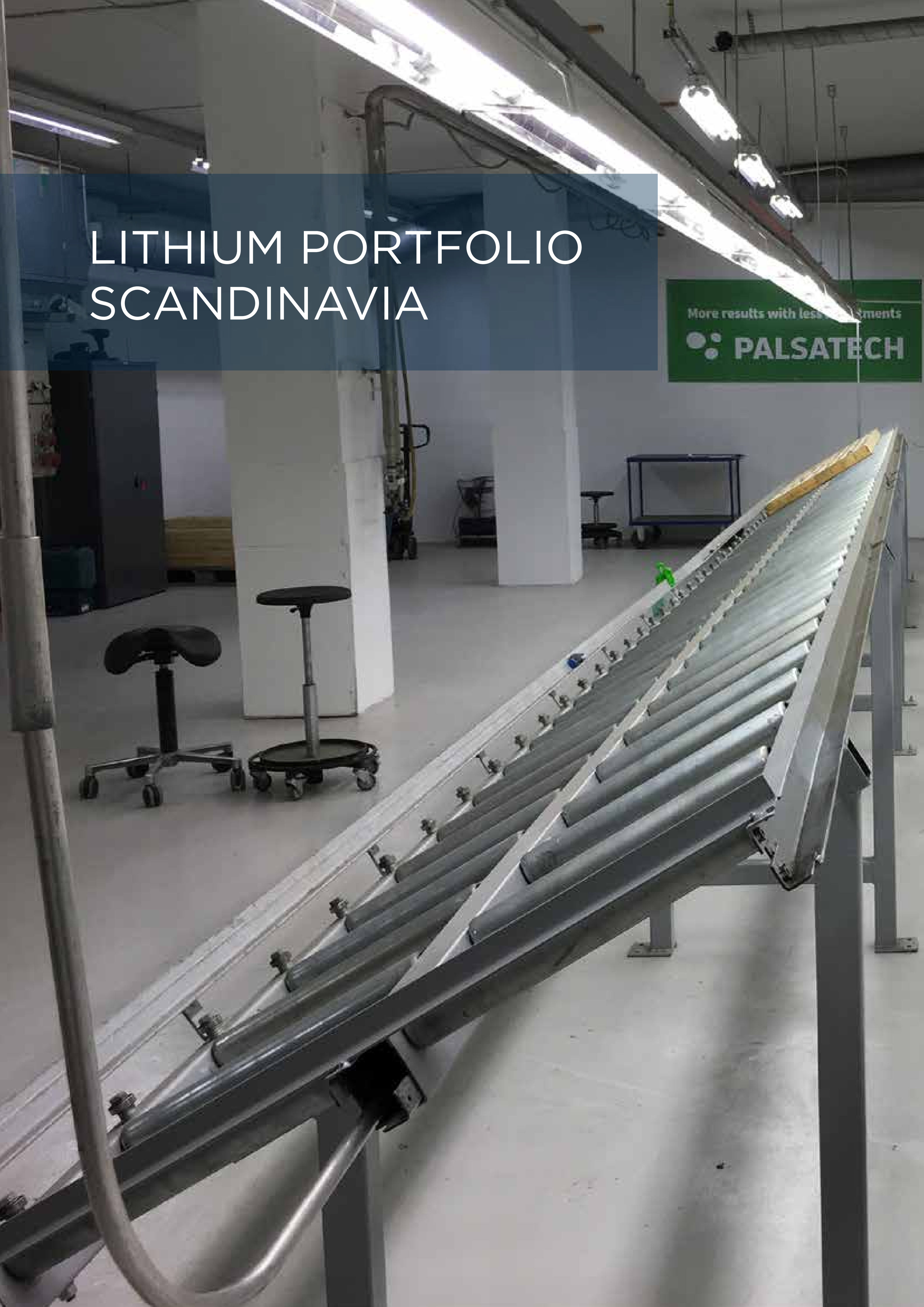
Avalon's vision is to become a significant European focussed copper and lithium company. The Viscaria Copper Project is currently moving through studies and permitting with a decision to mine anticipated in 2018, while the lithium projects are at an earlier stage of exploration with a view to defining a maiden resource at the Kietyönmäki lithium pegmatite deposit within the next 12 months.

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, low sovereign risk 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.

COMPANY HIGHLIGHTS 2015–2016

- Completion of a new Mineral Resource Estimate for the D Zone copper deposit at Viscaria;
- Release of revised copper-only Scoping Study for the Viscaria Copper Project;
- Exploration success outside of the Mineral Resource Estimate area to increase the scale of the Viscaria Copper Project;
- Agreements to secure interests over known lithium properties in Finland and Sweden;
- Progression of Environmental and Social Impact Assessment ('ESIA') at Viscaria and stakeholder engagement;
- Rights Issue of 1 share for every 2 held completed with total acceptance of 61%, being 77.52 million shares at $0.027 per share (including subsequent placement of part of the shortfall to one shareholder of their full entitlement) raising a total of $2.1 million;
- Successful placements to raise $1.2 million (14.85 million shares at $0.027 per share; and 49.41 million shares at $0.016 per share).

LITHIUM PORTFOLIO SCANDINAVIA



LITHIUM PORTFOLIO

SCANDINAVIAN LITHIUM PROJECTS

During the year Avalon entered into two agreements to secure interests over known lithium properties in Finland and Sweden.

In Finland, Avalon, through subsidiary Scandian Metals Pty Ltd ("Scandian"), finalised an earn-in agreement with Canadian company Nortec Minerals Corp over the Tammela (Somero) Project, which incorporates the Kietyönmäki lithium occurrence in southern Finland. The terms of that agreement were announced on 19 May 2016.

Avalon, through Scandian, has also lodged Applications for Exploration Reservations in the Tammela, Kaustinen and Seinäjoki areas which are still being processed by the Finnish Safety and Chemicals Agency (Tukes; the government department responsible for administering mining tenure in Finland). Some of the areas under application have competing applications, but these do not compromise Avalon's exploration and proposed resource definition drilling program at the Kietyönmäki deposit.

In Sweden Avalon, through Scandian, has entered into a Heads of Agreement with private Australian interests to explore two approved Exploration Concessions and an application for an Exploration Concession in Vasternorrlands, referred to as the Ladum Project.

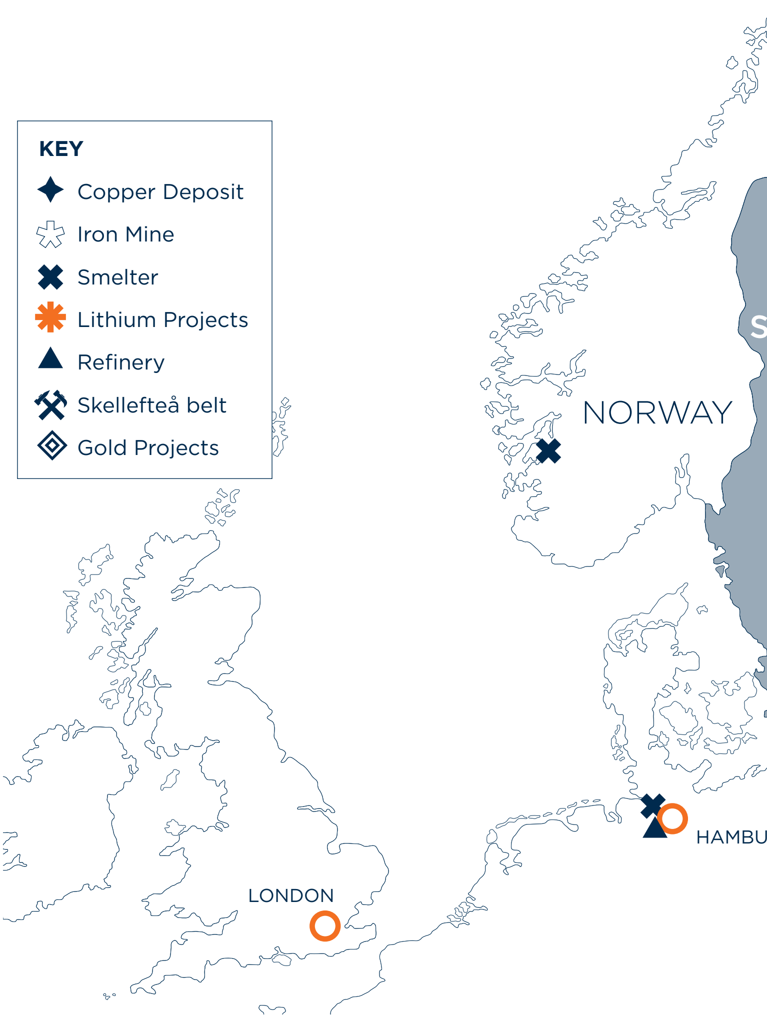
The Australian interests include a private company held by well-known and highly respected geologist and analyst David Ransom, with a 20% equity position in Scandian, and the issuance of 5 million shares in Avalon being granted to the private Australian interests in exchange for vending these prospects into Scandian.

Avalon, through Scandian Metals, assumes responsibility for a 1% net smelter royalty payable to the original Swedish claim owner.

Avalon will fund exploration on the Scandian portfolio of lithium projects and standard dilution clauses apply once expenditure thresholds are exceeded.

All exploration areas within the Scandinavian portfolio are supported by high quality infrastructure. Good quality open file data exists and compilation and interpretation of this data has commenced.

Low sovereign risk in Finland and Sweden, and Avalon's operating base from Kiruna in northern Sweden, together with local partnerships, support this initiative. Securing an advanced, drill ready lithium deposit at Kietyönmäki, and documented lithium-bearing pegmatites in all other areas held and under application, allows for rapid advancement towards definition of a maiden resource.



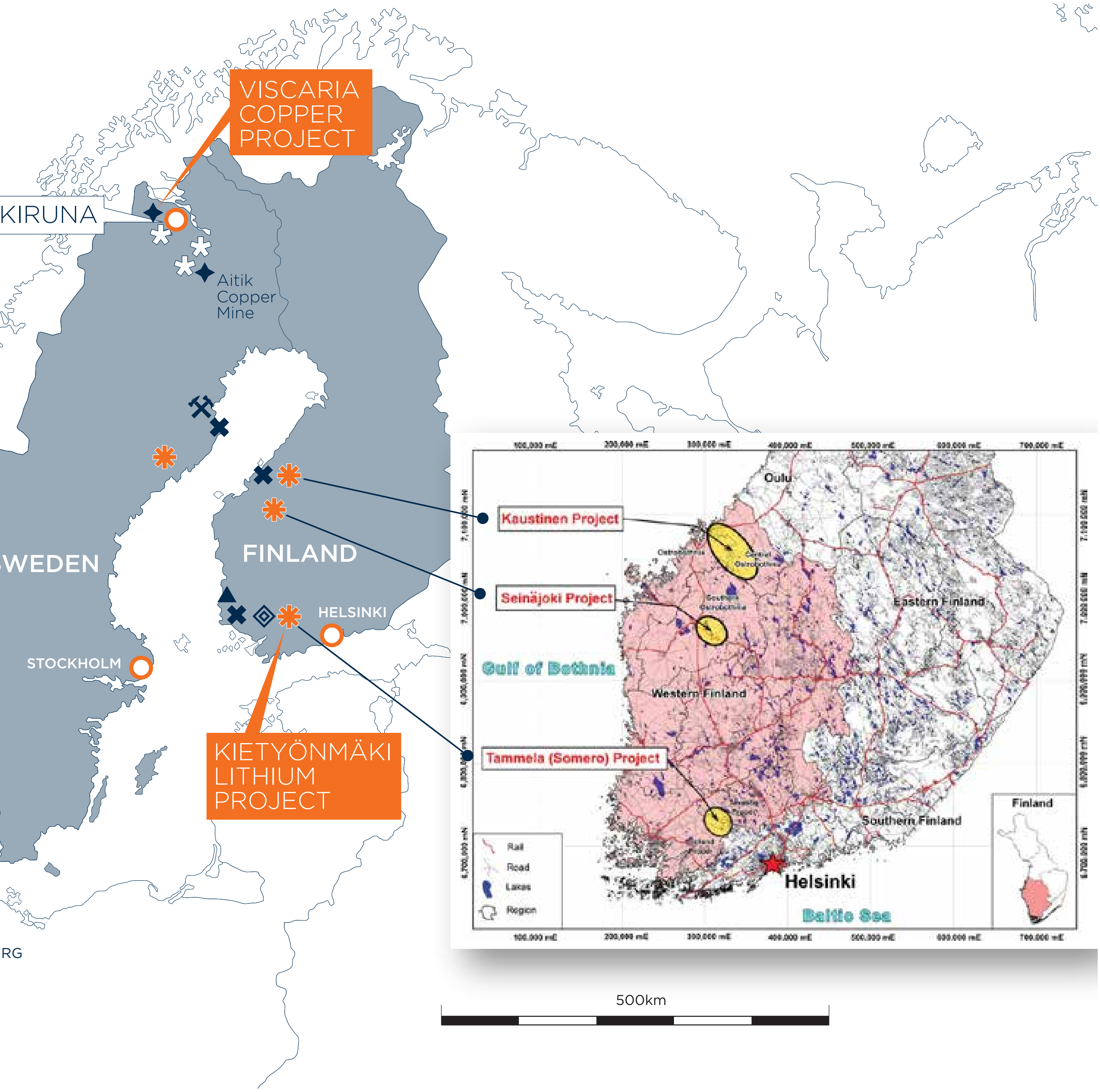


Figure 1: Regional locations of lithium projects within the Avalon portfolio

SOMERO LITHIUM PROJECT

Lithium mineralisation at Kietyönmäki is hosted in a spodumene-bearing pegmatite dyke swarm. The Kietyönmäki lithium pegmatite deposit was drilled during the period 1987 and 1988 by GTK. Seventeen shallow diamond drill holes were completed to test down to 70m below surface across two traverses, and one traverse of very shallow holes to identify bedrock.

Assays from drill holes drilled by the Geological Survey of Finland (GTK), and confirmed by Nortec, include 9m at 2.2% Li_2O within a broader zone of 24m at 1.3% Li_2O within drill hole R310.

The Kietyönmäki lithium deposit is held under approved claims and field work has commenced in July with drilling expected to commence in late August 2016. Avalon has also lodged further Exploration Reservation applications in the Somero district in southern Finland.

Avalon has estimated an Exploration Target of 8–15Mt at 1.4%– 1.8% Li_2O (refer to ASX announcement dated 14 June 2016). The potential quantity and grade is conceptual in nature. There has to date been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource. The Corporate Presentation released on 14 June 2016 provides further background on this target.

The Exploration Target is comprised of:

- 4–6Mt at the Main dyke drilled to a depth of 300m below surface. Existing drilling has tested the dyke to 65m below surface
- 2–5Mt from outcropping and lithium bearing pegmatite dykes immediately south-west of the Main Dyke, where there has not been previous drilling
- 2–5Mt from lithium pegmatite dykes, partially drill tested, to the north-east of the Main Dyke
- 2–3Mt from mapped dykes within a 1km radius, and primarily along strike, of the Main Dyke, where there has not been previous drilling

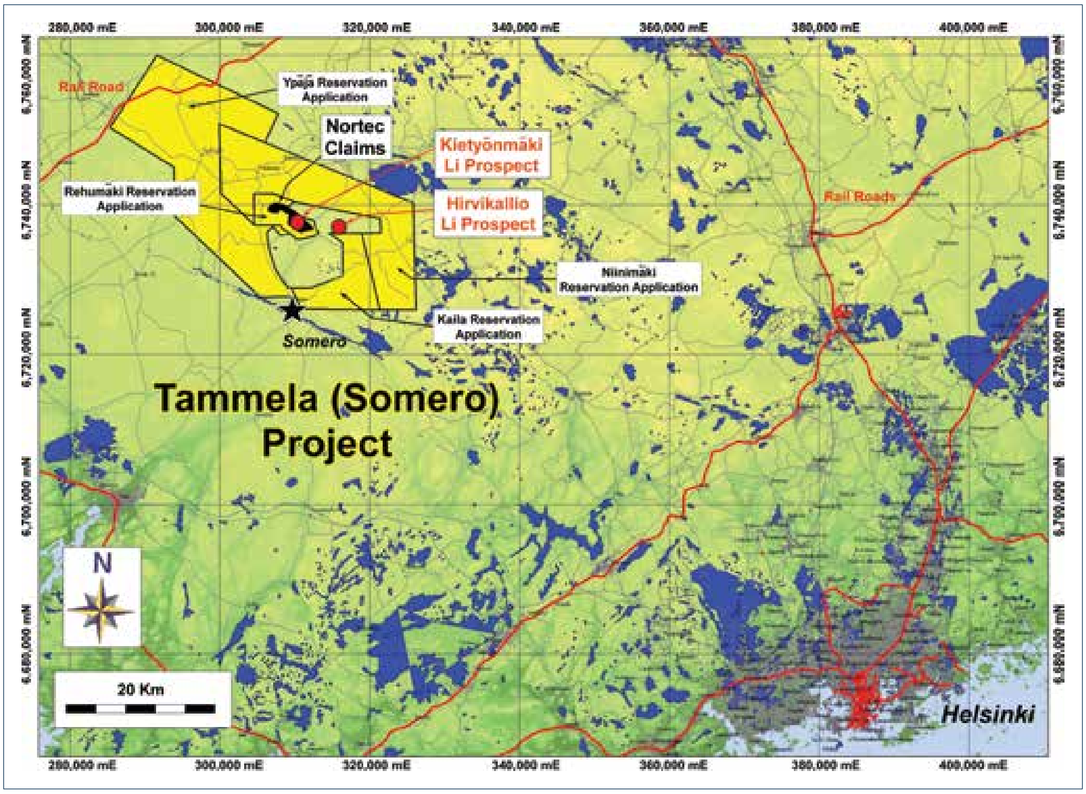


Figure 2: Areas of Exploration Reservation Applications by Avalon, and claims held through the Nortec Agreement. The Hirvikallio lithium prospect is surrounded by Natura 2000 environmental areas and hence is excluded from the current claim areas.

Table 1: Kietyönmäki assay results (GTK Drilling)

Drill Hole	From (m)	To (m)	Interval (m)	Li_2O%
R307	14.1	37.1	23.0	1.53
including	14.1	16.4	2.3	1.78
	18.0	21.8	3.8	1.77
	24.2	37.1	12.9	1.83
R308	3.7	11.3	7.6	1.37
including	3.7	6.0	2.3	2.01
	8.3	11.3	3.0	1.63
R309	3.0	10.5	7.5	1.49
including	3.0	4.2	1.2	1.40
	6.0	10.5	4.5	1.99
R310	11.7	14.7	3.0	1.23
	65.0	83.0	18.0	1.79
including	68.0	77.0	9.0	2.60
	70.0	73.0	3.0	4.35
R311	20.3	41.9	21.6	1.42
R315	24.1	36.8	12.7	1.10
R316	86.0	99.0	13.0	1.66
including	86.0	95.0	9.0	1.88
	98.0	99.0	1.0	3.90
R317	41.4	45.3	3.9	1.28

SOMERO GOLD OPPORTUNITY

The Nortec Agreement also includes two defined gold opportunities (Satulinmäki and Riukka) held within the claim areas and further exploration will be undertaken to assess these areas. All historical drilling is shallow and has only tested to ~70m below surface. Historical assays by GTK included 22m @ 3.6g/t from 50 metres (hole 391) at Satulinmäki.

KAUSTINEN LITHIUM PROJECT

In the Kaustinen district in central Finland Avalon, through Scandian, has lodged an Exploration Reservation application and 2 smaller Exploration Permit applications directly adjacent to defined lithium deposits within the Central Ostrobothnia district, home to several known lithium pegmatites some of which are at an advanced stage of PFS and held by private Finnish company Keliber Oy.

SEINÄJOKI LITHIUM PROJECT

One Exploration Reservation application has been lodged over an area of 207km[2] covering a documented lithium pegmatite occurrence, and at the southern end of the regional geological province that includes the Kaustinen district in the north.

Reconnaissance exploration will commence upon approval of the Exploration Reservation.

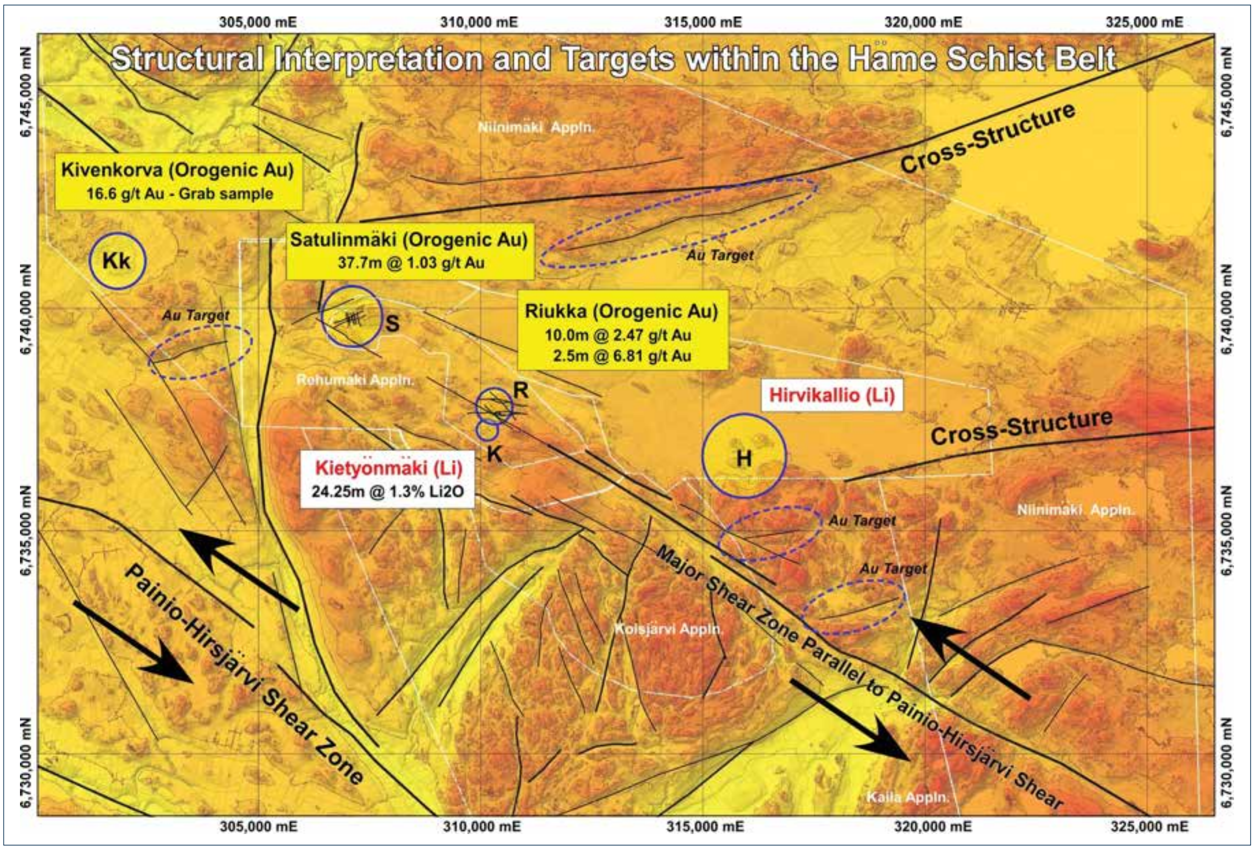


Figure 3: Somero gold opportunity

LADUM LITHIUM PROJECT

In Sweden Avalon, through Scandian, has entered into a Heads of Agreement with private Australian interests to explore two approved Exploration Concessions and an application for an Exploration Concession in Vasternorrlands, referred to as the Ladum Project.

The Ladum Project covers areas within a regional pegmatite district that has seen minor historical exploration primarily for tin. Most of this exploration was undertaken by LKAB in the 1980's. The exploration included geophysics, till-sampling, and general geological mapping and investigations.

This work resulted in a number of tin, niobium, tantalum and lithium bearing pegmatites being defined. After this initial program LKAB ceased all exploration and focussed its business on iron ore developments in northern Sweden near Kiruna.

The main prospect secured under approved Exploration Concession consists of a NE-trending lithium-bearing pegmatite dyke swarm, and is located within forested terrain with easy access through logging roads. Main roads, power lines and local towns such as Sollefteå are all nearby. Ports are located approximately 75km to the south-east. The climate in the area is relatively mild due to proximity to the Baltic Sea.

FLAGSHIP VISCARIA COPPER PROJECT


STENBACKEN

VISCARIA COPPER PROJECT

Avalon's flagship asset is the Viscaria Copper Project located in northern Sweden, 1,200km north of Stockholm, where the Company has estimated a global resource of 52.4 million tonnes of copper mineralisation at 1.2% Cu, containing 608,900 tonnes of copper.

The Viscaria Copper Project area is located approximately 5 km 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. Avalon's development plans envisage open pit development of the A and B Zone deposits, and open pit and underground development of the D Zone deposit.

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 ore.

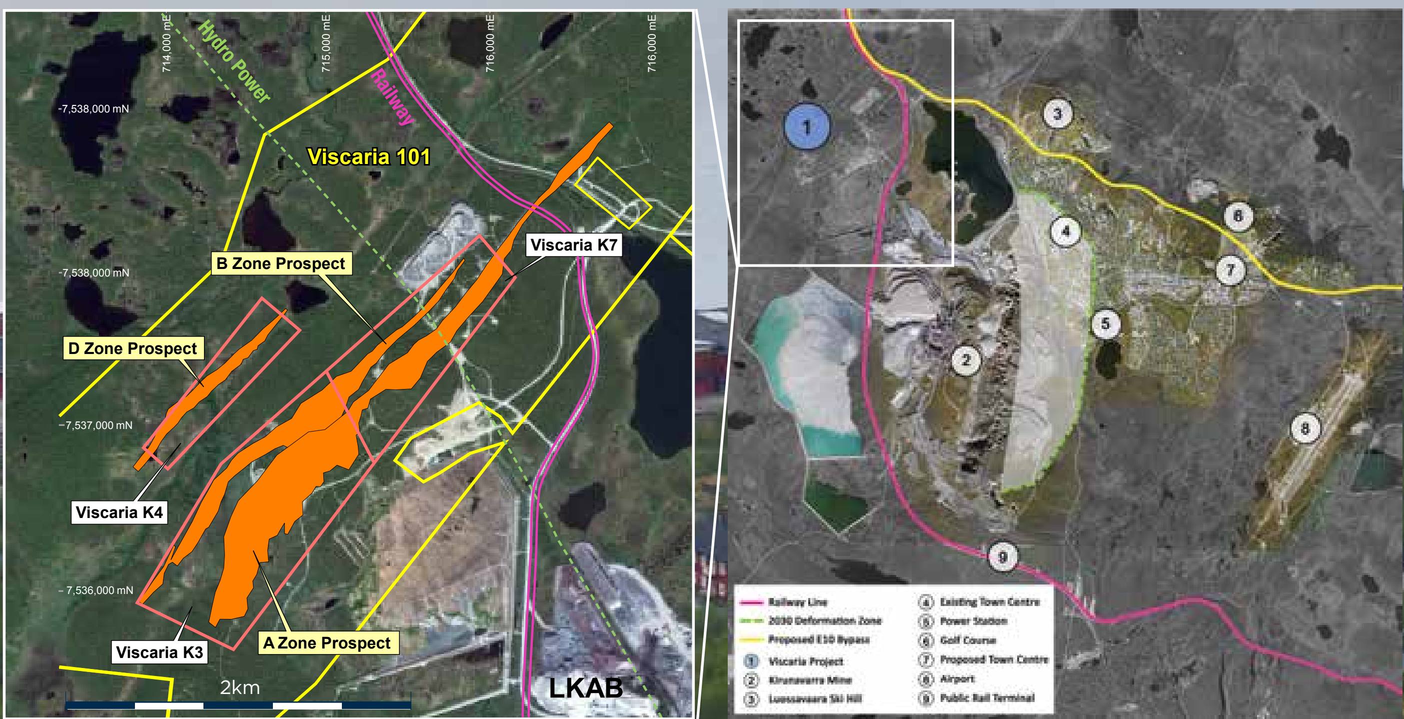


Figure 4: Location of the Viscaria Copper Project with copper orebodies shown in orange

SCOPING STUDY

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

The Scoping Study, and subsequent Updated Scoping Study considered a Base Case and Target Case development propositions involving standard industry technology partnered with infrastructure opportunities and local equipment manufacturer support not seen by any competitor. The Studies have determined that the Viscaria Copper Project demonstrates robust project fundamentals with low technical risk.

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, camp, airstrip or significant site access road will be required. The Project contemplates the concurrent development of three open pit mining operations at A Zone, B Zone and D Zone and an underground operation at D Zone all located within one kilometre of a central ore processing facility

On 5 April 2016, the Company announced that it had progressed work on a 2.0Mtpa Target Case for the Project. The results of this work demonstrated that a 2.0Mtpa project delivering greater than 20,000t copper in concentrate per annum is a viable development scenario. (refer to Tables 2 and 3- The Company confirms that it is not aware of any new information that materially affects the information provided in the previous announcements and all material assumptions underpinning the estimates continue to apply and have not materially changed).

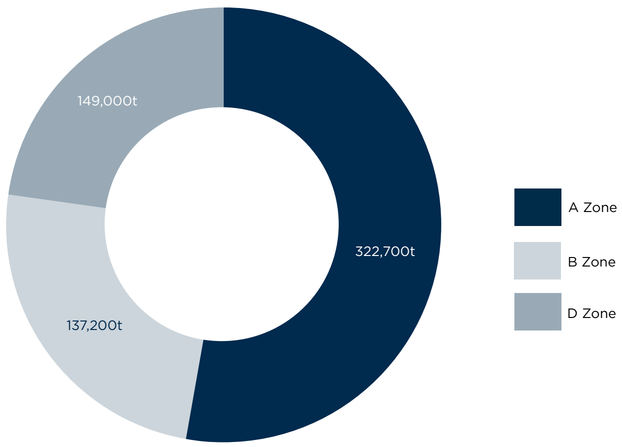
Increased mining inventory has come from an expanded open pit and an increased degree of confidence in exploration potential from holes drilled at D Zone at the end of 2015, yet to be included in the mineral resource estimate. Detailed reappraisal of all drilling data has identified opportunities for improved project metrics, such as additional copper mineralised zones in the footwall and hanging wall of A and B Zone orebodies, and improved understanding of the structural model and geometry for the Viscaria orebodies.

PERMITTING

The Environment and Social Impact Assessment (ESIA) activities are continuing, premised on the re-opening of a former working mine to extract copper from extensions to known ore bodies, and provide critical input into the environmental permitting required to allow for development.

Two approved Exploitation Concessions (K3 and K4) are in place over the main mineralised zones at Viscaria and are valid to 2037. Subsequent to the end of the financial year, the approved, but under appeal, K7 Exploitation Concession at Viscaria was returned to the Swedish Mines Inspectorate for further review as part of an industry wide examination of appealed exploitation concessions in Sweden. Approved Exploitation Concessions K3 and K4, which cover the main areas of Viscaria copper mineralisation, remain in force and are not affected by this development.

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.



Viscaria Copper Mineral Resource Estimate: 2016

VISCARIA MINING INVENTORY

Mineral Resource	Tonnes (Mt)	Grade (% Cu)
A Zone#	21.6	1.5
B Zone#	19.7	0.8
D Zone Open Pit˜	3.1	0.8
D Zone Underground*	8	1.4
Total	52.4	1.2

Mining Inventory	Tonnes (Mt) 2015	Tonnes (Mt) 2016	Grade (% Cu) 2015	Grade (% Cu) 2016
A Zone Open Pit˜	2.6		1.3	
B Zone Open Pit˜	2		0.7	
Combined A & B Zone Open Pit˜^		8		0.9
D Zone Open Pit˜	1.6	1.6	0.9	0.9
D Zone Underground˜^	3.8	5	1.5	1.5
Exploration target^		3.0-4.0		1.3-1.8
Total	**10**	**18**	**1.2**	**1.2**

* 2015 JORC Mineral Resource estimate
# 2014 JORC Mineral Resource estimate, based on initial work completed in Nov 2011; 0.4% COG all considered to be open-pittable
˜ 2015 Scoping Study Mining Inventory
^ 2016 updated target Mining Inventory

VISCARIA MILESTONES

JANUARY 2012
Viscaria K3 & 4 Mining Exploitation Concessions Granted

NOVEMBER 2015
Updated Mineral Resource Estimate D Zone

DECEMBER 2015
Scoping Study
Low technical risk, robust fundamentals

JANUARY 2016
Viscaria EIS underway - Final path to permitting

APRIL 2016
Updated work on Scoping Study to increase scale of Project

JUNE 2016
EISA progressing

Table 3: Viscaria Scoping Study metrics

	2015 Scoping Study	Target Case A and Expanded Case	
Process plant size	1.2Mtpa scenario	2.0Mtpa scenario	3.0Mtpa scenario
Strip ratio (LOM)	5.8	6.0	8.4
Process	Crush, grind and copper flotation plant		
Recovery rates	90.2%	90.2%	90.2%
Copper Production			
LOM	107kt	200kt	260kt
Average per annum	12kt	21kt	30kt
Mine life	Minimum eight years, open	Minimum nine years, open	Minimum nine years
Development capital			
Site Infrastructure	US$87m (A$119m)	US$115m	US$145m
Underground	US$15m (A$20m)	US$15m	US$15m
Sustaining capital (LOM)			
Site Infrastructure	US$10.6m (A$14m)	US$14m	US$18m
Underground	US$20.0m (A$27m)	US$35	US$35
Cash operating cost			
LOM C1	US$1.86/lb (A$2.54/lb)		
LOM AISC	US$2.10/lb (A$2.87/lb)	Targeting <US$2.00/lb	
Copper price	US$3.25/lb (A$4.45/lb)	US$3.00	US$3.00
Exchange rate			
AUD : USD	0.73	0.73	0.73
NPV pre-tax (7%)	US$74m (A$102m)	Targeting >US$150 million	
IRR pre-tax (%)	22%	Targeting >28%	
Payback period	3.7 years	<4 years	<4 years
Capital intensity	US$7,335/t cu p.a.	~US$5,750	~US$5,100

EVALUATION PROGRAMME

D ZONE

The objectives of the drilling program over the 2015–2016 year were to define thicker and higher grade zones of copper mineralisation at depth, and outside of the historical area of mineral resources at D Zone. These objectives were met, with drilling by Avalon being extremely successful and defining two southwest plunging lenses of improving grade and thickness at depth.

Assay results from eleven diamond drill holes were received during the 2015–2016 year and significant intersections are included in the table to the right (refer to ASX announcements dated 2 July 2015, 15 July 2015, 11 August 2015, 2 September 2015, 21 September 2015, 20 October 2015, 30 November 2015, 8 December 2015 and 18 December 2015. The Company confirms that it is not aware of any new information that materially affects the information provided in the previous announcements):

VDD0186 is the first hole to be drilled by Avalon from the south-east towards the north-west, and provided a complete view of the interpreted stratigraphic hangingwall to D Zone. The hole was drilled between holes VDD 183 and 185 and has intersected a 35m thick ironstone sequence (downhole thickness) with visible chalcopyrite across multiple intervals. This sequence has returned mineralised intervals not previously identified. Two narrow intervals of very high grade copper also returned anomalous gold assays.

Drill holes VDD 187 and 188 were targeted to define shallower high grade copper zones and potentially identifying zones that could link other isolated high grade zones as development plans are advanced. VDD 187 results support the interpretation that the higher grade intersections in VDD 159 and VDD 156 can be linked through a south plunging zone of higher grade mineralisation.

Lower grade hangingwall and footwall zones were also recorded in VDD 187 and 188 and these will be further investigated to establish if they develop into target horizons elsewhere at D Zone.

VDD 189, 190, 192 and 193 (VDD 191 was abandoned at 56.6m due to deviation away from the target zone), were targeted to deliver significant vertical extension to the higher grade, and thicker portion of D Zone copper mineralisation.

VDD186

149.45m at 0.38% Cu from 392m including 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.

VDD187

17.9m at 1.2% Cu from 252.6m including 6.2m at 1.7% Cu from 257.4m.

VDD188

6.85m at 0.7% Cu from 270.7m, including 1.4m at 1.5% Cu from 271.7m.

VDD189

10.3m at 1.3% Cu from 500m including 4.6m at 2.0% Cu from 501m.

VDD190

26.5m at 1.1% Cu from 532.6m including 8.4m at 1.7% Cu from 536.8m.

VDD192

21.8m at 1.4% Cu from 471.2m including 7.4m at 1.9% Cu from 471.7 and 6.5m @ 1.5% Cu from 486.6m.

VDD193

26.7m at 2.6% Cu from 564.6m including 6.6m at 3.5% Cu from 565.4m; 5.2m at 2.9% Cu from 573.0m, and 6.9m at 2.6% Cu from 584.4m.

VDD193W

39.6m at 0.8% Cu from 318m including 4.5m at 2.0% Cu from 320m; and 4.3m at 2.4% Cu from 353.3m.

VDD194

5.45m at 0.6% Cu from 606.3m including 1.95m at 1.25% Cu from 609.8m.

VDD195

2.8m at 2.5% Cu from 713.65m and 21.5m at 1.5%Cu from 737.6m including 3.0m at 2.3% Cu from 737.6; and 9.9m at 2.2% Cu from 745.6m.

VDD196

13.8m at 1.4% Cu from 557.9m including 10.4m at 1.6% Cu from 557.9m, including 5.25m at 2.0% Cu from 559.5m.

Drill hole VDD 193 intersected a strongly copper mineralised interval with visible chalcopyrite.

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

On 30 November 2015, the Company released an updated Mineral Resource estimate for D Zone of 11.14 Mt at 1.23% Cu for 137,200 tonnes of contained copper. High confidence levels surround these numbers, with 93% of the Mineral Resource estimate in the Indicated classification. The updated Mineral Resource estimate incorporated cut-off grades that are consistent with the requirement for reasonable expectation of development as either open pit or underground mining, and the work underpinned the Viscaria copper-only Scoping Study released in December 2015.

The updated Mineral Resource estimate did not include the final two drill holes for the 2015–2016 year.

VDD 195 was targeted to deliver significant vertical extension to the higher grade, and thicker portion of D Zone copper mineralisation outside of the current new D Zone Mineral Resource estimate.

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

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

Drill hole VDD 196 is the first hole of the 2015 drill program to assess the potential southern shoot at D Zone. VDD 196 intersected a copper mineralised ironstone and altered sequence over a down hole interval of approximately 45m. The concept of a southern high grade shoot is supported by these results and will be the target of future drilling.

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

A ZONE AND B ZONE

During the year further geological and mine modelling studies on A and B Zone were undertaken that have enabled delineation of a larger open pit over a combined A and B Zone, primarily in the southern portion of the deposits. This has captured more Mineral Resource into Mining Inventory and supports the target case of a 2.0Mtpa mining operation. (refer to ASX announcement dated 5 April 2016).

This work indicated that there is more copper within the combined and expanded open pit than the historical resource estimate suggests. This is confirmed by Avalon drilling from 2014 (VDD 182) and detailed reviews of historical drill holes.

There is potentially significant upside between A and B Zones which has been sparsely drilled but contains copper. An Exploration Target for A and B Zone open pit has been defined at 10–15 million tonnes at 0.7–1.3% Cu, with multiple mineralised horizons defined.

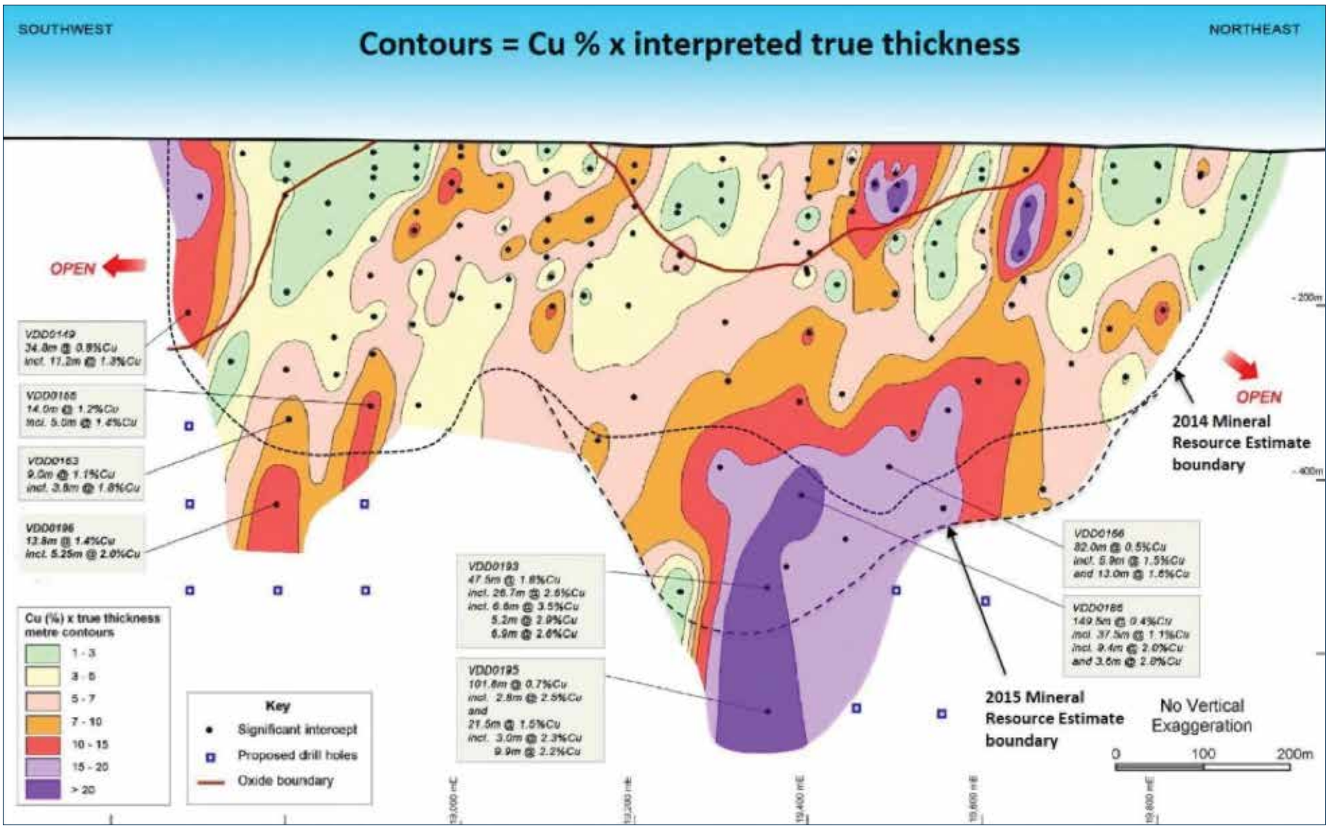


Figure 5: Schematic long section showing Cu grade (%) x interpreted true ore zone thickness contours for D Zone ironstone hosted copper mineralisation at the Viscaria Copper Project. Quoted intercepts are downhole intervals. Southwest plunging lenses of improving grade and thickness at depth are being defined as further drilling is undertaken. The 2015 Mineral Resource estimate includes data from holes up to VDD 194 only (excludes VDD 195 and 196).

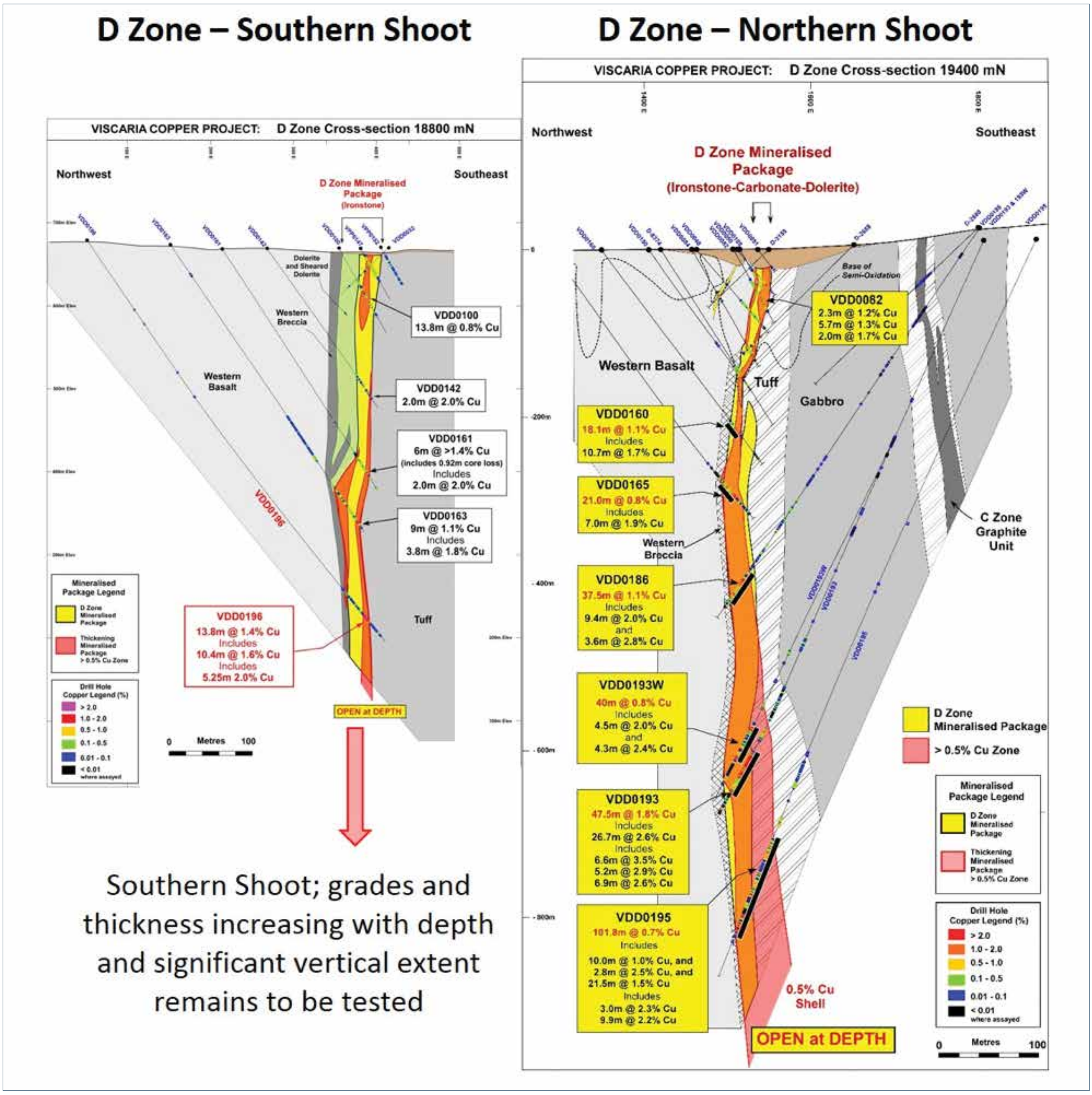


Figure 6: D Zone drill hole cross sections showing results from VDD 195 and 196 and the developing higher grade southern and northern shoots.

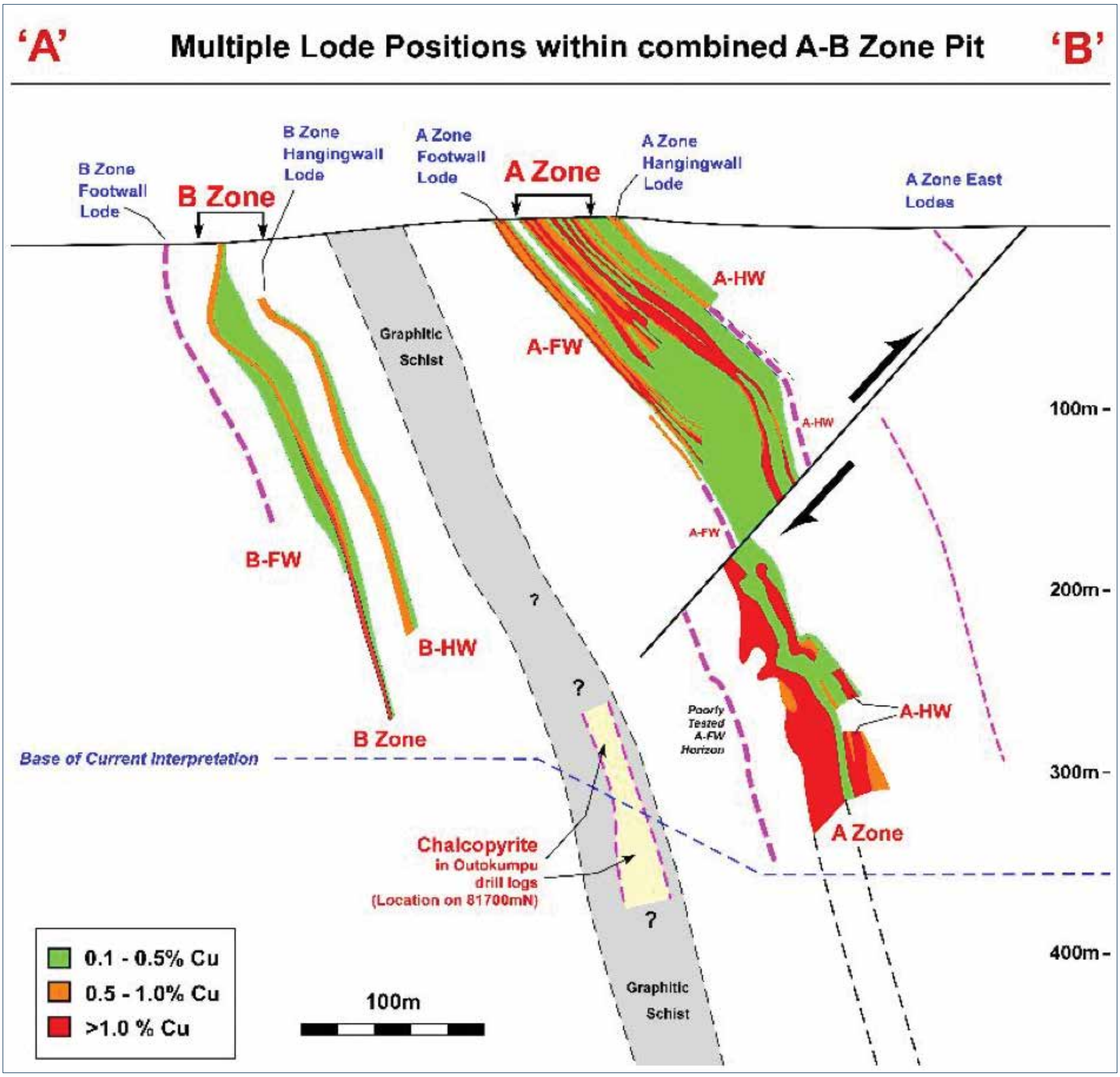


Figure 7: Cu grade distribution on cross-section through the A Zone and B Zone lodes at Viscaria, and showing location of potential additional mineralised horizons in areas where chalcopyrite has been previously logged by Outokumpu, the current pit design and areas of historic underground mining.

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. The West Nukutus target comprises a north-south trending complex magnetic anomaly with a strike extent of at least 1200m. 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 September 2015 advising that drilling at West Nukutus had identified an iron-oxide and shear related copper mineralised system that requires further exploration.

NIHKA

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

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.

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.

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 15 kilometres 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.

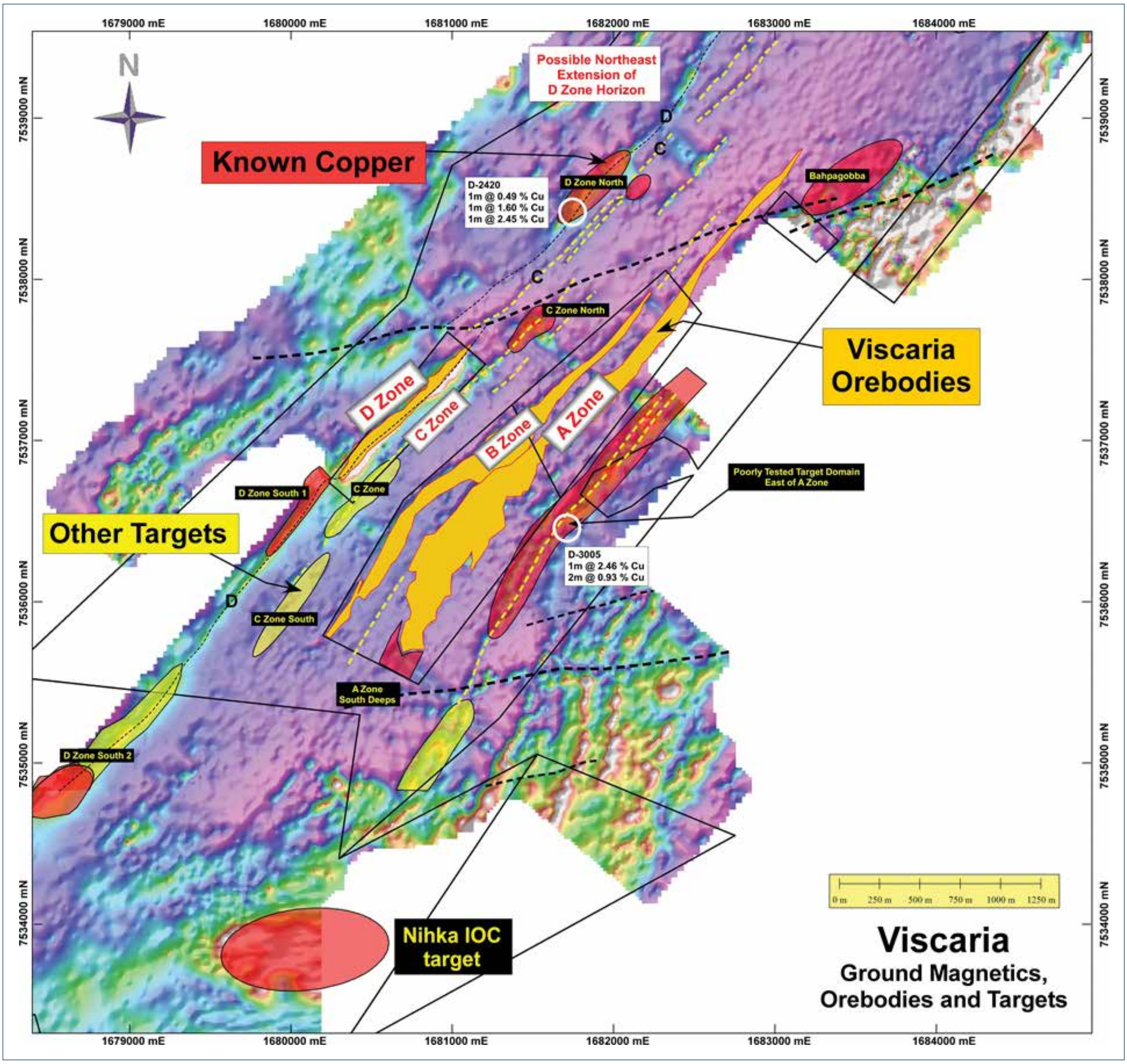


Figure 8: Location of targets relative to the Viscaria Copper Project development area (A, B and D Zones). Background image is airborne magnetic data.

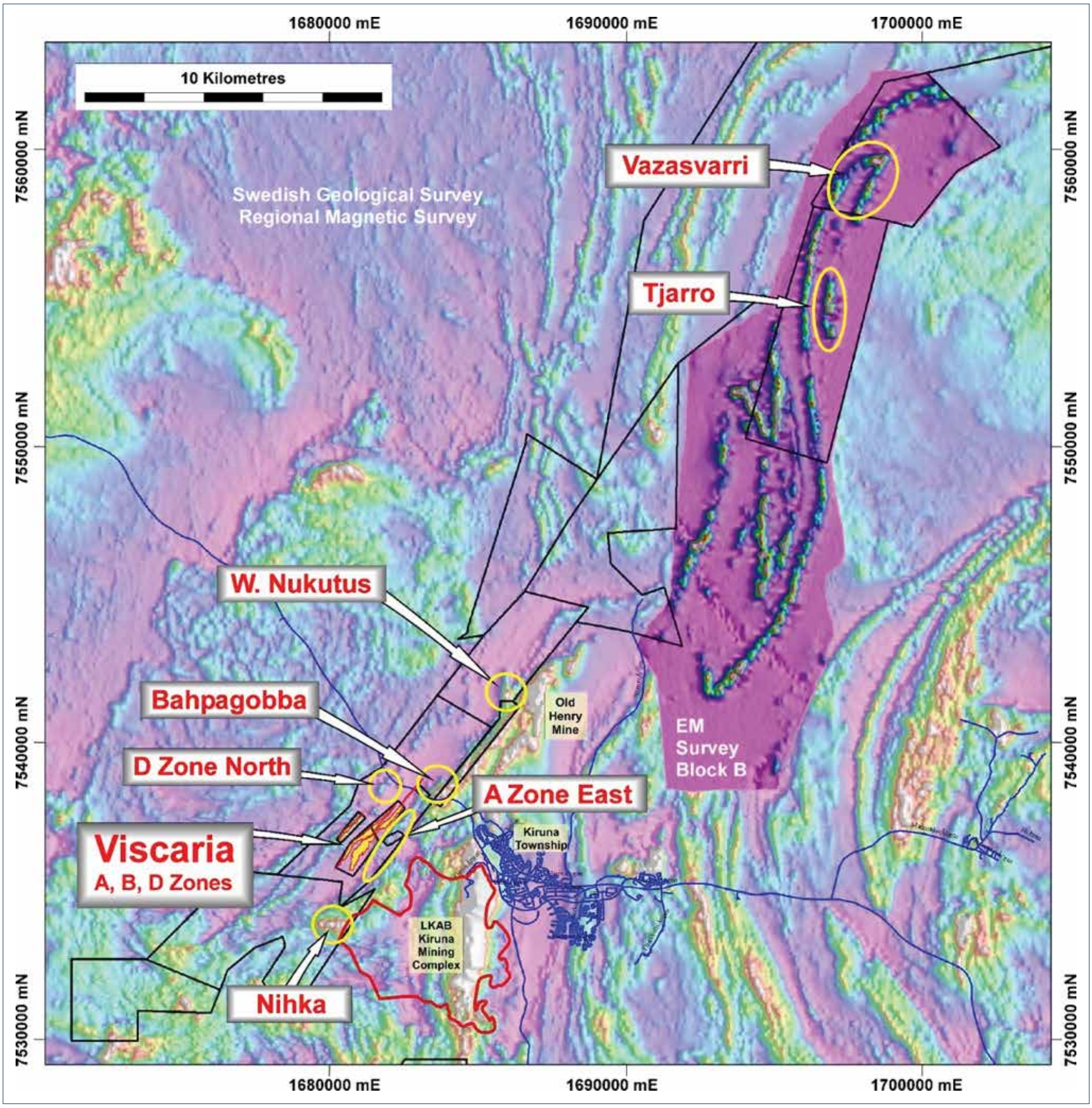


Figure 9: Location of potential prospects relative to the Viscaria Copper Project development area (A, B and D Zones). Other targets for testing include A Zone sub basin targets, Bahpagobba, D Zone North, and A Zone East. Background image is airborne EM data spliced into airborne magnetic data. Viscaria to West Nukutus is 5km and is accessed via gravel and bitumen roads that provided access for the historical Henry open cut iron mine located immediately east of the West Nukutus prospect.

REGIONAL EXPLORATION

Avalon also holds a 100% interest in over 300km^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.

VAZASVARRI

The Vazasvarri area is located 25km north of Viscaria on the northern extension of the Viscaria mafic volcanic belt. Historical exploration by other companies had identified anomalous copper in peat bog samples and Avalon's program was to follow-up on those results within the context of EM anomalies defined from the airborne EM survey.

Historical exploration to the north of the main area of interest did include diamond drilling by LKAB and Outokumpu. A total of 10 holes were drilled and elevated copper was identified, together with trace visible chalcopyrite, in various host rocks including magnetite-graphite-chert-tuff sequences and diorite.

Peat bog sampling by Avalon has returned 0.52% copper from a sample adjacent to a prominent EM anomaly- a geometry similar to the A Zone horizon at Viscaria. To the east of the anomalous peat bog sample historical drilling identified up to 0.3% copper over a 1m interval within a magnetite-graphite-chert-tuff sequence.

TJÄRRO

The Tjärro prospect is defined by historic copper and gold geochemical sampling and drilling results over a 7 kilometre 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.

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.

VISCARIA MINERAL RESOURCE ESTIMATE

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 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 4 below.

Table 4: Currently Defined Mineral Resource Estimate for Copper reported on the Viscaria Project

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	Indicated	10,360,000	1.21	125,000
	Inferred	780,000	1.56	12,200
	Subtotal	**11,140,000**	**1.23**	**137,200**
Overall Cu	**Total**	**52,400,000**	**1.2**	**608,900**

Table 5: Mineral Resource Estimate reported for 2015 are shown below

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**

Resource Name	Classification	Tonnes (Mt)	Fe Grade (%)	Mass Recovery (%)	Estimated recoverable iron (Mt)
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 Australian 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 2016 and 2015, with the following changes to the overall tonnes and grade or Mineral Resource classification from the Mineral Resource reported for 2015:

- Removal of Discovery Zone Cu and Fe Resources due to the Company not proceeding with the acquisition (refer ASX announcement dated 9 October 2015); and
- Updated Mineral Resource estimate for D Zone Cu Resource (refer ASX announcement dated 30 November 2015), and removal of D Zone Fe Resource;
    - focusses on a copper-only resource estimate and uses wireframed domains that model copper mineralised zones of varying types;
    - uses different cut-off grades to reflect an expectation of development by either open pit or underground mining (0.2% for open pit and 0.9% for underground mining at D Zone, 0.4% for A and B Zone)

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 2016 Copper D Zone Mineral Resources are based on the information compiled by Chris Grove who is a Member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Measured Group Pty Ltd ("Measured Group"). Measured Group are an independent mining consultancy who have been engaged by Avalon Minerals Limited to perform geological consulting on a fee for service basis. Mr Grove 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 Grove 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 2015 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 was a full time employee of Salva Resources Pty Ltd ("HDR | Salva") at the time of the estimate. HDR | Salva are an independent mining consultancy who had 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.

TENEMENT SCHEDULE

Tenement Holder	Tenement Name	Location	Status	Avalon Ownership
Avalon Minerals Viscaria AB	Viscaria nr 1	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria nr 2	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria nr 101	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria nr 107	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria nr 112	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria nr 113	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Huornas nr 1	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Huornas nr 2	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Yhteinenjärvi nr 1	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K nr 3	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K nr 4	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K nr 7	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Nihka East	Norrbotten, Sweden	Granted	100%
Avalon Minerals Adak AB	Rakkurijärvi nr 1	Norrbotten, Sweden	Granted	100%#
Avalon Minerals Adak AB	Rakkurijärvi K nr 1	Norrbotten, Sweden	Withdrawn†	100%#
Avalon Minerals Adak AB	Goddevarri	Norrbotten, Sweden	Granted	100%
Scandian Metals AB	Ladumyrberget nr 1	Vasternorrlands, Sweden	Granted	80%^
Scandian Metals AB	Ojaklacken nr 1	Vasternorrlands, Sweden	Granted	80%^
Scandian Metals AB	Fannbyasen nr 1	Vasternorrlands, Sweden	Application	80%^
Scandian Metals AB	Niinimäki	Somero, Finland	Application	80%
Scandian Metals AB	Rehumäki	Somero, Finland	Application	0%*
Scandian Metals AB	Ypäjä	Somero, Finland	Application	80%
Scandian Metals AB	Kaila	Somero, Finland	Application	80%
Scandian Metals AB	Loulus	Kaustinen, Finland	Application	80%
Scandian Metals AB	Kivijärvi	Seinäjoki, Finland	Application	80%
Tammela Minerals Oy	Somero 1–12	Somero, Finland	Granted	0%*
Tammela Minerals Oy	Tammela 1–3	Somero, Finland	Granted	0%*

As at 30 June 2016 Avalon holds 100% interest in this tenement and Exploitation Concession Application. Following dismissal of the appeal against Swedish Mines Inspectorate decision to remove the Exploitation Concession Application from processing, on 15 July 2016 the Rakkurijärvi No 1 tenement has lapsed, and a new Exploitation Concession Application has been lodged for the original Rakkurijärvi K No 1 area.
† Application withdrawn from processing
^ Applications lodged for transfer of tenements from Orezone AB to Scandian Metals AB
* Subject to earn-in joint with Nortec Minerals Corp. (Tammela Minerals Oy)

DIRECTORS' REPORT

DIRECTORS' REPORT

Your Directors present their report on Avalon Minerals Ltd ("Avalon" or "Company") and the entities it controlled ("Consolidated Entity" or "Group") for the financial year ended 30 June 2016.

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	(CEO & 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 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

Refer to the Operating Review contained in the Annual Report for further discussion regarding the Company's operations.

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

	2016 **$**	2015 $
Revenue and other income	**15,822**	76,717
Profit/(loss) before income tax	**(3,226,121)**	(1,950,610)
Income tax expense	**-**	-
Profit/(loss) attributable to members of Avalon Minerals Ltd	**(3,226,121)**	(1,950,610)
Earnings per share	**2016** **cents**	2015 cents
Basic earnings per share	**(1.0)**	(1.2)

During the year ended 30 June 2016 the Group incurred a loss of $3,226,121 (2015: loss of $1,950,610). The loss for this financial year is largely due to:

- The Company has written off further capitalised costs relating to areas of relinquished tenements in Sweden. This resulted in a total impairment expense including that described below of $1,659,947;
- Corporate costs incurred to fund the progression of the Scoping Study on the Viscaria Copper Project; and
- The Heads of Agreement for the acquisition of the Discovery Zone tenements not being extended. This resulted in the initial $1million payment under this agreement being refundable from Hannans Limited ("Hannans"). The Group has not received any payment from Hannans and has recognised a provision for doubtful debts for the amount owing from Hannans including invoices for share of costs due to be refunded by Hannans and has written off its remaining capitalised costs in relation to Discovery Zone.

Financial Position

The Company's non-current assets increased from $36,950,955 at 30 June 2015 to $39,830,230 at 30 June 2016 due to expenditure incurred on the Viscaria Copper Project.

During the year, the Company had a net increase in contributed equity of $3,247,368 as a result of:

- A placement of 14,851,852 fully paid shares for a consideration of $401,000 (2.7 cents per share) in October 2015.
- A 1 for 2 Rights Issue where 66,334,654 new fully paid shares were issued for a total consideration of $1,791,036 (2.7 cents per share) in November 2015.
- A placement of 11,184,138 fully paid shares for a consideration of $301,972 (2.7 cents per share) from December 2015. This placement represented the entitlement for 1 shareholder under the Rights Issue that was taken up after the closing of the Rights Issue.
- A placement of 45,663,438 fully paid shares for a total consideration of $730,615 (1.6 cents per share) in March 2016.
- A placement of 3,748,376 fully paid shares to directors following shareholder approval for a total consideration of $59,974 (1.6 cents per share) in May 2016.

At the end of the financial period, the Group had cash balances of $631,059 (2015 $3,208,654) and net assets of $40,230,559 (2015: $39,838,129). Total liabilities amounted to $293,319 (2015: $730,162) and included trade, other payables and provisions.

Events occurring after reporting date

In July 2016, the Company announced a Placement of 94,525,000 fully paid shares at 1.6 cents per share under the Company's available capacity under the Listing Rules, plus the commitment for a second tranche pending shareholder approval to raise approximately $2 million.

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 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 Codes in the jurisdictions in which it operates. 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: PNX Metals 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

PNX Metals Limited (formerly 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, MAppFin, 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 Masters 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 2013, 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

Company Secretary

Mr Gavin Leicht *(appointed 28 April 2015)*

Mr Leicht has over 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.

Meetings of Directors

There were 11 meetings of the Company's board of Directors held during the year ended 30 June 2016. The number of meetings attended by each Director were:

	Meeting of Directors		**Remuneration Committee**		**Audit Committee**	
	Entitled to attend	Attended	Entitled to attend	Attended	Entitled to attend	Attended
Mr Graham Ascough	11	11	2	2	2	2
Mr Malcolm Norris	11	11	2	2	2	2
Mr Crispin Henderson	11	11	2	2	2	2
Mr Don Hyma	11	11	2	2	2	2

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 & 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)

CEO & Managing Director

Mr Malcolm Norris	CEO & Managing Director (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 key management personnel

Mr Ray Robinson	General Manager Studies & Technical Services (appointed 12 January 2015)
Dr Bruce Rohrlach	General Manager Geology (appointed 7 April 2015)
Mr Gavin Leicht	Chief Financial Officer & Company Secretary (appointed 20 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.

Remuneration report (Audited) (continued)

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.

	2016	2015	2014	2013	2012	2011	2010
Impact on shareholder wealth							
Gain/(Loss) per share (cents)*	**(1.0)**	(1.2)	(4.1)	(14)	(18)	(11)	(11)
Share price*	**1.6**	3	9	17	70	170	70

* Post consolidation

The 2015 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 21 June 2016, 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 elected to voluntarily defer their fees from 1 January 2016 until such time as the Company can raise sufficient funds to progress exploration and evaluation activities.

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.

Remuneration report (Audited) (continued)

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.

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 2016 (2015: 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.

2016	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	37,500	-	-	-	-	37,500	-
Mr M Norris	209,917	-	28,702	-	5,645	244,264	2.3%
Mr C Henderson	22,500	-	-	-	-	22,500	-
Mr D Hyma	22,500	-	-	-	-	22,500	-
Other key management personnel:---							
Mr R Robinson	187,833	-	17,844	-	4,810	210,488	2.3%
Mr G Leicht	163,333	-	15,517	-	4,181	183,031	2.3%
Dr B Rohrlach	160,000	-	15,200	-	4,181	179,381	2.3%
Total	**803,583**	**-**	**77,263**	**-**	**18,817**	**899,663**	

Performance Rights issued during the year are dependent on the satisfaction of performance conditions. As at the date of this report none of these performance conditions have been met.

During the year, the CEO & Managing Director and other key management personnel took a voluntary 50% reduction in salary for a period of four months. In addition, Non-Executive Directors elected to voluntarily defer their fees from 1 January 2016 until such time as the Company can raise sufficient funds to progress exploration and evaluation activities. The deferred fees for Non-Executive Directors have been accrued in the 2016 financial year, totalling $82,500.

Remuneration report (Audited) (continued)

B ***Details of remuneration (continued)***

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 ended 30 June 2015.
2. Resigned/finished during the year ended 30 June 2015.

Options issued during the 2015 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, and were issued in accordance with terms of service agreements.

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

C ***Executive Contractual Arrangements***

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

Mr Malcolm Norris, CEO & Managing Director

Base salary, exclusive of superannuation and other benefits, is $270,000, to be reviewed annually on 1 July of each year. 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.

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 on 1 July of each year.

Remuneration report (Audited) (continued)

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 2016 financial year.

Shareholder approval was obtained at the 2015 AGM for the Company's Employee Performance Rights Plan and the issue of 1,994,000 Performance Rights with an exercise period of 3 years to Mr M Norris on the following terms:

- Tranche 1 – 33.33% or 664,600 performance rights to vest upon the Closing Price of Avalon Shares being $0.08 or more for 10 consecutive trading days;
- Tranche 2 – 33.33% or 664,600 performance rights to vest upon Total Shareholder Return (TSR) performance as measured against the ASX Small Resources Index, as follows:
  - Performance below the index no shares will vest.
  - Performance equal to the index will see 50% vest, increasing linearly with outperformance of the index by up to 25%, such that 100% of shares will vest should Avalon's performance be greater than 25% above the index performance.
  - Testing will be annually on the anniversary of grant date; and
- Tranche 3 – 33.34% or 664,800 performance rights to vest upon the Closing Price of Avalon Shares being $0.12 or more for 10 consecutive trading days.

Performance Rights were granted to other Key Management Personnel during the financial years on the same terms and same allocation between tranches as those issued to Mr M Norris.

<u>*Option movements during the financial year:*</u>

2016	Beginning Balance	Granted as remuneration	Exercised during year	Options lapsed	Balance at end of year	Vested and exercisable at end of year
Directors of Avalon Minerals Ltd:						
Mr M Norris	4,000,000	-	-	-	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	-	-
Ms R Shand (1)	90,000	-	-	90,000	-	-
Mr R Robinson	2,000,000	-	-	-	2,000,000	2,000,000
Mr G Leicht	2,000,000	-	-	-	2,000,000	2,000,000
Dr B Rohrlach	1,600,000	-	-	-	1,600,000	1,600,000
Total	**10,230,000**	**-**	**-**	**630,000**	**9,600,000**	**9,600,000**

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

Remuneration report (Audited) (continued)

Fair value of options granted during the previous financial year:

The fair values of options granted to the CEO & 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			**254,403**				

Performance Rights

Performance Rights movements during the financial year:

2016	Beginning Balance	Granted as remuneration	Exercised during year	Lapsed	Balance at end of year
Directors of Avalon Minerals Ltd:					
Mr M Norris	-	1,994,000	-	-	1,994,000
Other key management personnel:---					
Mr R Robinson	-	1,699,000	-	-	1,699,000
Mr G Leicht	-	1,477,000	-	-	1,477,000
Dr B Rohrlach	-	1,477,000	-	-	1,477,000
Total	**-**	**6,647,000**	**-**	**-**	**6,647,000**

The Performance Rights lapse upon termination of employment, have an exercise period of 3 years and are divided into three tranches on the following terms:

- Tranche 1 – 33.33% to vest upon the Closing Price of Avalon Shares being $0.08 or more for 10 consecutive trading days;
- Tranche 2 – 33.33% to vest upon Total Shareholder Return (TSR) performance as measured against the ASX Small Resources Index, as follows:
    - Performance below the index no shares will vest.
    - Performance equal to the index will see 50% vest, increasing linearly with outperformance of the index by up to 25%, such that 100% of shares will vest should Avalon's performance be greater than 25% above the index performance.
    - Testing will be annually on the anniversary of grant date; and
- Tranche 3 – 33.34% to vest upon the Closing Price of Avalon Shares being $0.12 or more for 10 consecutive trading days.

Remuneration report (Audited) (continued)

Fair value of Performance Rights granted during the financial year:

The fair values of Performance Rights granted to the CEO & 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 Performance Rights at grant date. The fair value is recognised as an expense over the period between grant date and vesting date.

Grant Date	Rights Issued	Expiry Date	Value per Right	Total Value	Vesting Condition	Share price at Grant Date	Share Volatility	Risk Free rate of return
14 Dec 2015: Tranche 1	2,215,500	14/12/2018	$ 0.0164	$ 36,334	$ 0.08	$ 0.021	148%	2.13%
14 Dec 2015: Tranche 2	2,215,500	14/12/2018	$ 0.0160	$ 35,448	TSR	$ 0.021	148%	2.13%
14 Dec 2015: Tranche 3	2,216,000	14/12/2018	$ 0.0141	$ 31,246	$ 0.12	$ 0.021	148%	2.13%
	6,647,000			**103,028**				

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.

2016	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)	2,720,000	-	2,473,813	-	-	5,193,813
Mr M Norris (1)(2)(3)	3,516,665	-	3,359,207	-	-	6,875,872
Mr C Henderson (2)(3)	607,521	-	1,592,448	-	-	2,199,969
Mr D Hyma	-	-	-	-	-	-
Other key management personnel:---						
Mr R Robinson (1)	800,000	-	30,000	-	-	830,000
Mr G Leicht (1)(2)	283,890	-	216,431	-	-	500,321
Dr B Rohrlach	-	-	-	-	-	-
Total	**7,928,076**	**-**	**7,671,899**	**-**	**-**	**15,599,975**

(1) On-market purchases or sales
(2) Entitlement under 1 for 2 Rights Issue at $0.027 per share
(3) Shares purchased by G Ascough, M Norris and C Henderson as part of placement at $0.016 per share post shareholder approval at General Meeting 17 May 2016.

Shares held by M Norris are via direct interest in 3,292,497 shares, 2,983,375 shares held by superannuation funds where Mr Norris is a direct beneficiary, and 600,000 shares held by an associate of Mr Norris.

There were no shares issued as a result of the exercise of options or the vesting of performance rights during the 2016 year.

Loans to key management personnel

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

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 54.

Audit and Non-Audit Services

During the year BDO Audit Pty Ltd, or its related entities, has performed certain other services in addition to the statutory audit.

The Board has considered the non-audit services provided during the year and is satisfied that the provision of those non-audit services during the year 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 result in the auditor 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 auditor 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:

	2016 **$**	2015 $
BDO		
Audit services:		
Auditors of the Group:		
Audit and review of financial reports	**64,920**	59,656
Other assurance services		
Technical accounting advice	**1,387**	1,516
Other services		
Taxation compliance services	**34,003**	10,228
	100,310	71,401

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

On behalf of the Board

Mr Graham Ascough
Chairman

Brisbane, Queensland
15 August 2016

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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 2016, 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, 15 August 2016

CORPORATE GOVERNANCE 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
- Share trading
- Audit & Financial Risk
- Board Charter
- Risk Management

Independent Directors

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

- more than 5% of Company shares are held by the Director and any entity or individual directly or indirectly associated with the Director;
- no sales are made to, or purchases made from, any entity or individual directly or indirectly associated with the Director; and
- none of the Directors' income or the income of an individual or entity directly or indirectly associated with the Director, is derived from a contract with any member of the 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, with the Chairman of the Board being the Chairman 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. It is a cost effective structure and there is no justification for appointing additional independent directors.

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 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 CEO & Managing Director and the Chief Financial Officer & 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.

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

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

This financial year the CEO & Managing Director and the Chief Financial Officer & 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, it is considered that all directors participate in matters relating to remuneration and director nomination. It is a cost effective structure and there is no justification for appointing additional independent directors.

The Committee members are:

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

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

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

Code of Conduct

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

Conflict of interest

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

Independent Professional Advice

Each Director has the right of access to all relevant Company information and to the Company's executives. Directors have the right, in connection to their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. For independent legal advice in excess of a cost of $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 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 communications officer 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.

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.


FINANCIAL
REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	**2016 $**	2015 $
Revenue from continuing operations	5	**15,822**	76,717
Other income	5	**-**	-
Employee benefits expense	6	**(535,346)**	(957,740)
Corporate and administration expenses		**(940,882)**	(828,028)
Depreciation expense		**(12,173)**	(32,928)
Loss on sale of fixed assets		**(165)**	(29,416)
Impairment expense		**(1,659,947)**	-
Exploration expenditure not capitalised		**(89,897)**	(178,964)
Interest paid		**(3,534)**	(250)
Profit/(Loss) from continuing operations before income tax		**(3,226,121)**	(1,950,610)
Income tax expense	7	**-**	-
Net profit/(loss) for the period		**(3,226,121)**	(1,950,610)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**398,500**	(46,685)
Total comprehensive profit/(loss) for the period		**(2,827,621)**	(1,997,295)
Net profit/(loss) for the period is attributable to:			
Members of Avalon Minerals Ltd		**(3,226,121)**	(1,950,610)
		(3,226,121)	(1,950,610)
Total comprehensive profit/(loss) for the period attributable to:			
Members of Avalon Minerals Ltd		**(2,827,621)**	(1,997,295)
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	**(1.0)**	(1.2)
Diluted earnings per share	23	**(1.0)**	(1.2)

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 2016

	Note	30-Jun-16 $	30-Jun-15 $
Current assets			
Cash and cash equivalents	8	**631,059**	3,208,654
Trade and other receivables	9	**62,589**	408,682
Total current assets		**693,648**	3,617,336
Non-current assets			
Plant and equipment	10	**144,586**	177,610
Exploration and evaluation	11	**39,685,644**	36,773,345
Total non-current assets		**39,830,230**	36,950,955
Total assets		**40,523,878**	40,568,291
Current liabilities			
Trade and other payables	12	**212,475**	611,253
Provisions	13	**80,844**	118,909
Total current liabilities		**293,319**	730,162
Total liabilities		**293,319**	730,162
Net assets		**40,230,559**	39,838,129
Equity			
Contributed equity	14	**65,158,634**	61,894,266
Reserves	15	**3,837,497**	3,483,314
Accumulated losses		**(28,765,572)**	(25,539,451)
Total equity		**40,230,559**	39,838,129

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 2016

2016	Contributed Equity	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$
At the beginning of the financial year	**61,894,266**	**3,404,360**	**78,954**	**(25,539,451)**	**39,838,129**
Profit/(loss) for the year				**(3,226,121)**	**(3,226,121)**
Other comprehensive Income			**398,500**		**398,500**
Total comprehensive income/(loss) for the year	**-**	**-**	**398,500**	**(3,226,121)**	**(2,827,621)**
Shares issued	**3,301,596**				**3,301,596**
Share issue costs	**(37,228)**				**(37,228)**
Share based payment transactions		**(44,317)**			**(44,317)**
Total Equity at the end of the financial year	**65,158,634**	**3,360,043**	**477,455**	**(28,765,572)**	**40,230,559**

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)
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**

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 2016

	Note	2016 $	2015 $
Cash flows from to/from operating activities			
Payments to suppliers and employees		**(1,675,905)**	(1,800,058)
Interest paid		**(3,534)**	(250)
Interest received	5	**19,356**	76,967
Net cash outflow from operating activities	16	**(1,660,083)**	(1,723,341)
Cash flows to/from investing activities			
Payments for plant and equipment		**(25,900)**	(3,384)
Exploration and evaluation expenditure		**(4,111,665)**	(2,816,890)
Research and development rebate		**-**	2,765,114
Net cash used in investing activities		**(4,137,565)**	(55,161)
Cash flows to/from financing activities			
Proceeds from issue of securities		**3,284,596**	4,459,597
Costs of share issues		**(37,228)**	(157,160)
Net cash provided by financing activities		**3,247,368**	4,302,437
Net increase/(decrease) in cash		**(2,550,280)**	2,523,935
Effect of exchange rate fluctuations on cash held		**(27,315)**	(28)
Cash and cash equivalents at the beginning of the financial year		**3,208,654**	684,747
Cash at the end of the financial year		**631,059**	3,208,654

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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 2016, unless otherwise stated.

Corporate information

The consolidated financial report of Avalon Minerals Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 15 August 2016.

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 $3,226,121 for the year ended 30 June 2016 (2015: $1,950,610 loss). As at 30 June 2016 the Group has net cash reserves of $631,059 (2015: $3,208,654) and a net current asset surplus of $400,329 (2015: $2,887,174).

The Group has a receivable of $1,086,757 from Hannans Ltd, in relation to the acquisition of Rakkurijarvi Exploration Permit and the Discovery Zone Exploitation Concession. Due to uncertainty surrounding this receivable a provision for doubtful debts has been recorded.

The Company has filed proceedings in the WA Supreme Court seeking to recover all sums due under the Heads of Agreement with Hannans. Hannans have filed a defence and counterclaim. Hannans has also applied for summary judgment.

Avalon will pursue its claim and vigorously defend the counterclaim.

In February 2016, Innovation Australia found that the Company's R&D activities for the years ended 30 June 2013 and 30 June 2014 were deemed to not be core or supporting activities under the Industry Research and Development Act 1986 ("the Act"). The Company requested a review of this decision under Division 5 of the Act in March 2016, and hosted representatives of Innovation Australia to further discuss Avalon's R&D activities.

As at the date of this report the final results of this review are yet to be received from Innovation Australia, and the Company is still of the opinion that the activities undertaken are valid R&D activities as per the Act. These events result in the Company recognising a contingent liability for the repayment of R&D claims received of $2,765,114 (net of fees).

Note 1. Summary of Significant Accounting Policies (continued)

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;
- the successful exploration and subsequent exploitation of the Group's tenements; and
- A successful appeal to the Innovation Australia decision in relation to the Company's 2012/13 and 2013/14 R&D claims.

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;
- Subsequent to balance date the Company has arranged a placement to raise approximately $1.9 million;
- 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; and
- Management as well as third party advisors believe that the Company's R&D activities are valid and an appeal against the Innovation Australia decision in relation to the Company's 2012/13 and 2013/14 R&D claims will be successful.

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 2016 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.

Note 1. Summary of Significant Accounting Policies (continued)

(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'.

(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.

Note 1. Summary of Significant Accounting Policies (continued)

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).

(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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

(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.

Note 1. Summary of Significant Accounting Policies (continued)

(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.

(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.

Note 1. Summary of Significant Accounting Policies (continued)

(p) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave 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.

(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.

Note 1. Summary of Significant Accounting Policies (continued)

(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 2015.

The amendments did not have a significant impact on the Group's financial statements.

(w) New Accounting Standards issued but not yet effective

There are no accounting 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.

The Group recognised a provision for doubtful debts for $1,086,757 during the financial year relating to receivables owed by Hannans Ltd (refer to note 9). No other impairment of the Group's financial assets was recognised during the year ended 30 June 2016 (2015: $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:

	2016 **$**	2015 $
Liquid financial assets		
Three months or less	**678,423**	3,519,675
Greater than three months	**15,225**	97,661
	693,648	3,617,336
Liquid financial liabilities		
Three months or less	**212,475**	611,253
	212,475	611,253

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.

	2016 $	2015 $
Financial assets		
Cash and cash equivalents	**631,059**	3,208,654
	631,059	3,208,654

The following sensitivity analysis is based on the interest rate risk exposure in existence at the reporting date. The 1% sensitivity (2015: 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 2016, 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:

	2016 $	2015 $
Post tax gain/(loss)		
+1.0% (100 basis points)	**6,311**	32,087
-1.0% (100 basis points)	**(6,311)**	(32,087)

The average interest rate for the year ended 30 June 2016 was 1.30% (2015: 2.10%).

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 2016 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 2016 is $39,685,644 (2015: $36,773,345)

Note 4. Segment reporting

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

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.

	2016 $	2015 $
Revenue/Income		
Australia	**15,714**	76,529
Scandinavia	**108**	187
	15,822	76,716
Non-current assets		
Australia	**73,316**	11,339
Scandinavia	**39,756,914**	36,939,616
	39,830,230	36,950,955

Note 5. Revenue and other income

	2016 $	2015 $
Interest Revenue	**15,822**	76,717

Note 6. Expenses

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

	2016 $	2015 $
Employee benefits expense*		
Salaries & wages	**346,940**	472,729
Directors' fees	**165,000**	169,293
Defined contribution superannuation expense	**36,392**	61,961
Share based payments	**(44,317)**	75,129
Movement in leave provisions	**(39,930)**	34,703
Termination payments	**53,219**	124,914
Other	**18,043**	19,011
	535,346	**957,740**
* Excludes employee costs capitalised to exploration and evaluation expenditure		
Rental expense related to operating lease	**99,226**	139,432
Impairment Expense	**1,659,947**	-

Impairment expense comprises capitalised expenditure on relinquished tenements including Discovery Zone tenements written off as well as doubtful debts provided for in relation to Hannans Limited.

Note 7. Income tax

	2016 $	2015 $
(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	**(3,226,121)**	(1,950,610)
At the Group's statutory income tax rate of 30%	**(967,836)**	(585,183)
Expenditure not allowable for income tax purposes	**37,941**	38,947
Expenditure allowable for income tax purposes	**-**	(92,837)
Prior year adjustment to Deferred Tax Assets	**166,096**	-
Deferred tax asset not brought to account as realisation is not considered probable	**763,799**	639,073
Income tax expense	**-**	-

	Statement of Financial Position	
	2016 $	2015 $
Deferred tax assets		
Employee provisions	**24,253**	20,909
Other accruals and provisions	**45,818**	10,800
Share issue costs charged to equity	**10,820**	37,641
Unused income tax losses	**2,870,715**	2,103,850
Deferred tax assets offset by deferred tax liabilities		-
Total deferred tax assets	**2,951,606**	2,173,200
Total unrecognised deferred tax assets	**(2,951,606)**	(2,173,200)
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

	2016 $	2015 $
Cash on hand and at bank	**631,059**	3,208,654

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 1.50% (2015: 0.01% and 2.35%). The carrying amounts of cash and cash equivalents represent fair value.

Restricted cash balances totalling $15,225 (2015: $47,987) representing term deposits securing various performance guarantees have been disclosed under trade and other receivables (refer Note 9).

Note 9. Trade and other receivables

	2016 $	2015 $
Other debtors	**1,133,419**	286,951
Provision for Doubtful Debts	**(1,086,757)**	-
Deposits	**15,225**	47,987
Prepayments	**702**	73,744
	62,589	408,682

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.

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

The 90 day period for Hannans to make the refund payment expired on 7 January 2016. Hannans did not pay that amount or any other amount after receiving that Notice.

Avalon has filed proceedings in the WA Supreme Court seeking to recover all sums due under the HoA.

Hannans have filed a defence and counterclaim in the sum of A$9 million. Hannans has also applied for summary judgment.

Avalon will pursue its claim and vigorously defend the counterclaim.

No allowance has been made for impairment of any other receivables as it is highly probable that they will be recovered. All other receivables excluding deposits are non-interest bearing and balances are current.

Note 10. Property, plant and equipment

	Office equipment $	Computer equipment $	Exploration equipment $	Leasehold improvements $	Mine infrastructure $	Motor Vehicles $	Total $
Year Ended 30 June 2016							
Carrying amount at beginning of financial year	**5,622**	**8,504**	**88,125**	**-**	**70,810**	**4,549**	**177,610**
Additions	**-**	**25,900**	**-**	**-**	**-**	**-**	**25,900**
Disposals	**(1,637)**	**-**	**-**	**-**	**-**	**-**	**(1,637)**
Depreciation expensed	**(573)**	**(9,116)**	**(2,484)**	**-**	**-**	**-**	**(12,173)**
Depreciation capitalised as exploration	**(2,502)**	**(744)**	**(38,128)**	**-**	**(2,035)**	**(4,725)**	**(48,134)**
Effect of movement in foreign exchange	**-**	**32**	**1,967**	**-**	**845**	**176**	**3,020**
Carrying amount at end of financial year	**910**	**24,577**	**49,480**	**-**	**69,620**	**-**	**144,586**
As at 30 June 2016							
At Cost	**23,944**	**216,631**	**341,668**	**-**	**79,238**	**24,125**	**685,606**
Accumulated Depreciation	**(23,034)**	**(192,055)**	**(292,188)**	**-**	**(9,618)**	**(24,125)**	**(541,020)**
	910	**24,577**	**49,480**	**-**	**69,620**	**-**	**144,586**
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

Note 11. Exploration and evaluation assets

	2016 $	2015 $
At Cost - less amounts written off	**39,685,644**	36,773,345
Balance at 1 July	**36,773,345**	36,853,557
Exploration and evaluation expenditure	**4,040,981**	2,879,747
Relinquished tenement	**(1,585,848)**	(177,631)
Research and development rebate	**-**	(2,765,114)
Effect of movement in foreign exchange	**457,166**	(17,214)
Balance at 30 June	**39,685,644**	36,773,345

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 accumulated costs incurred on Discovery Zone have either been transferred to other debtors as they are refundable from Hannans, or have been written off, in addition to the accumulated costs incurred on other tenements that have been relinquished.

Note 12. Trade and other payables

	2016 $	2015 $
Trade payables	**115,443**	394,787
Sundry payables and accrued expenses	**97,032**	216,466
	212,475	611,253

Note 13. Provisions

	2016 $	2015 $
Employee leave liabilities	**80,844**	118,909

Note 14. Contributed equity

(a) Share capital

	Number of shares	2016 $
Ordinary shares - fully paid	**383,101,935**	**65,158,634**

(b) Movements in ordinary share capital

		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	10 for 1 Consolidation	(1,437,354,886)	-	-
Nov-14	10 for 1 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**

		Number of shares	Issue price $	$
	Balance as at 1 July 2015	**240,319,478**		**61,894,266**
Oct-15	Share placement	14,851,852	0.027	401,000
Nov-15	1 for 2 Rights Issue	66,334,654	0.027	1,791,036
Dec-15	Share placement	11,184,138	0.027	301,972
Mar-16	Share placement	45,663,438	0.016	730,615
May-16	Share placement	3,748,375	0.016	59,974
May-16	Shares issued to Nortec Minerals Corp under terms of agreement	1,000,000	0	17,000
	Share issue costs			(37,228)
	Balance as at 30 June 2016	**383,101,935**		**65,158,634**

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.

(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 2016 financial year there were 17,604,000 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 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.

	2016 **$**	2015 $
Current assets	**693,648**	3,617,336
Current liabilities	**293,319**	730,162
Liquidity ratio	**2.4 : 1**	5 : 1

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

Note 15. Reserves

	2016 $	2015 $
Share based payments reserve	**3,360,043**	3,404,360
Foreign currency translation reserve	**477,454**	78,954
Total reserves	**3,837,497**	3,483,314
Movements in reserves were as follows:		
Share based payments reserve		
Opening balance	**3,404,360**	3,329,231
Share based payments - employees	**(44,317)**	69,576
Share based payments - service providers	**-**	5,553
Closing balance	**3,360,043**	3,404,360
Foreign currency translation reserve		
Opening balance	**78,954**	125,639
Foreign exchange gains/(losses) on translation	**398,500**	(46,685)
Closing balance	**477,454**	78,954

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:

	2016 **$**	2015 $
Operating profit/(loss) after income tax	**(3,226,121)**	(1,950,610)
Non-cash flows in loss		
Depreciation	**12,173**	32,928
Impairment expense	**1,659,947**	205,784
Share based payments - performance rights/options	**(44,317)**	75,129
Changes in operating assets and liabilities		
Decrease/(increase) in trade & other receivables	**71,272**	(83,846)
(Decrease)/increase in trade & other payables	**(134,009)**	(4,933)
(Decrease)/increase in provisions	**973**	2,208
	(1,660,083)	(1,723,341)

Note 17. Contingent liabilities

In February 2016, Innovation Australia found that the Company's R&D activities for the years ended 30 June 2013 and 30 June 2014 were deemed to not be core or supporting activities under the Industry Research and Development Act 1986 ("the Act"). The Company requested a review of this decision under Division 5 of the Act in March 2016, and hosted representatives of Innovation Australia to further discuss Avalon's R&D activities.

As at the date of this report the final results of this review are yet to be received from Innovation Australia, and the Company is still of the opinion that the activities undertaken are valid R&D activities as per the Act. This event results in the Company recognising a contingent liability for the repayment of R&D claims received of $2,765,114 (net of fees).

Avalon has filed proceedings in the WA Supreme Court seeking to recover all sums due under the Heads of Agreement with Hannans Limited. Hannans have filed a defence and counterclaim in the sum of A$9 million. Hannans has also applied for summary judgment. Refer to Note 9 for further details.

Avalon will pursue its claim and vigorously defend the counterclaim.

The Company is not aware of any other material contingent liabilities at 30 June 2016 not otherwise disclosed in the Financial Statements.

Note 18. Capital and other commitments

(a) Capital Commitments

Commitments on Tenements	2016 $	2015 $
Existing Tenements		
- not later than 12 months	**25,000**	90,000
- between 12 months and 5 years	**95,000**	45,000
New Tenements		
- not later than 12 months	**385,000**	3,000,000
- between 12 months and 5 years	**2,230,000**	-
	2,735,000	3,135,000

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

During the financial year the Company entered into agreements to secure interests over known lithium properties in Finland and Sweden. Under the terms of the Heads of Agreement with Nortec Minerals Corp and their subsidiary Tammela Minerals Oy, Avalon (via its 80% owned subsidiary Scandian Metals Pty Ltd) may earn an 80% interest in the Tammela tenements by funding exploration in two stages.

To earn a 51% interest Avalon must spend EUR500,000 over a two year period (Stage One). Following the Stage One earn-in, Avalon may elect to earn a further 29% by paying Nortec EUR200,000 in either cash or Avalon shares and by spending a further EUR1,000,000 within a further two years.

(b) Lease commitments

Operting lease payable	2016 $	2015 $
- not later than 12 months	**164,652**	162,280
- between 12 months and 5 years	**189,752**	119,014
	354,404	281,294

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

The tables below outlines the key details for all options and performance rights outstanding as at 30 June 2016:

Options:

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%
	10,800,000			**286,904**				
Weighted Average $			$ 0.0266		$ 0.07	$ 0.035		
Weighted Average remaining life		3.6 years						

Performance Rights:

Grant Date	Rights Issued	Expiry Date	Value per Right	Total Value	Vesting Condition	Share price at Grant Date	Share Volatility	Risk Free rate of return
14 Dec 2015: Tranche 1	2,267,800	14/12/2018	$ 0.0164	$ 37,192	$ 0.08	$ 0.021	148%	2.13%
14 Dec 2015: Tranche 2	2,267,800	14/12/2018	$ 0.0160	$ 36,285	TSR	$ 0.021	148%	2.13%
14 Dec 2015: Tranche 3	2,268,400	14/12/2018	$ 0.0141	$ 31,984	$ 0.12	$ 0.021	148%	2.13%
	6,804,000			**105,461**				

The fair values of the options and performance rights have been determined by an external party using a Trinomial Lattice model for options 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, and a Monte Carlo simulation for performance rights.

Share price volatility has a powerful influence on the estimation of the fair value of an option and performance right, 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 2016:

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 September 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	**13,400,000**	**-**	**-**	**(2,600,000)**	**10,800,000**

Performance Rights:

The table below outlines the movements for all performance rights during 2016:

Grant Date	Beginning Balance	Granted as remuneration	Exercised during year	Lapsed	Balance at end of year
27 July 2012: Tranche 1	80,000	-	-	(80,000)	-
27 July 2012: Tranche 3	120,000	-	-	(120,000)	-
14 Dec 2015: Tranche 1	-	2,683,900	-	(416,100)	2,267,800
14 Dec 2015: Tranche 2	-	2,683,900	-	(416,100)	2,267,800
14 Dec 2015: Tranche 3	-	2,685,200	-	(416,800)	2,268,400
Total	**200,000**	**8,053,000**	**-**	**(1,449,000)**	**6,804,000**

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

Note 19. Share-based payments (continued)

Performance Conditions attached to the performance rights granted in 2016 were:

1. Tranche 1 – to vest upon the Closing Price of Avalon Shares being $0.08 or more for 10 consecutive trading days;
2. Tranche 2 – to vest upon Total Shareholder Return (TSR) performance as measured against the ASX Small Resources Index, as follows:
   - Performance below the index no shares will vest.
   - Performance equal to the index will see 50% vest, increasing linearly with outperformance of the index by up to 25%, such that 100% of shares will vest should Avalon's performance be greater than 25% above the index performance.
   - Testing will be annually on the anniversary of grant date; and
3. Tranche 3 – to vest upon the Closing Price of Avalon Shares being $0.12 or more for 10 consecutive trading days.

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

There were no shares issued as a result of the exercise of options or the vesting of performance rights during the 2016 year.

(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 2016 was $Nil (2015: $280,594).

The amortised income/expense for performance rights in the statement of profit or loss and other comprehensive income for the year ended 30 June 2016 was $44,317 income (2015: $205,446 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

	2016 $	2015 $
Short-term employee benefits	**880,846**	1,140,310
Share based payments	**18,817**	52,181
	899,663	1,192,491

Note 21. Events occurring after reporting date

On 6 July 2016 the Company announced a placement to raise approximately A$1.9 million. Proceeds from the equity raising will be used to fund:

- A 3,000m diamond drilling programme at the Kietyönmäki lithium occurrence, with the objective of defining a maiden JORC Resource;
- Other exploration activities on the Company's Swedish and Finnish lithium exploration assets including geophysics, geochemistry and metallurgical test work;
- Progressing the Environmental and Social Impact Assessment ('ESIA') in relation to its Viscaria Copper Project, Sweden; and
- Working capital, including corporate costs to manage the exploration programme and costs of the offer.

The placement consists of shares at 1.6 cents per share, and one (1) attaching option for each share subscribed in the placement, with the options having an exercise price of 3 cents each and expiry date of 3 years from the date of issue. Subject to satisfying the listing criteria of the ASX, the options will be quoted on ASX.

Tranche 1 of the placement occurred on 12 July 2016, with the issue of 94,525,000 shares to new sophisticated investors under the Company's available capacity, to raise approximately A$1.5 million. Tranche 2 involves issuing further shares to existing long term cornerstone shareholders in Europe and the UK as well as Avalon's Chairman and CEO & Managing Director under the same terms as Tranche 1.

A General Meeting has been called, to be held on 23 August 2016, whereby shareholder approval is being sought for the following share and option issues:

- 36,250,000 Tranche 2 Shares at 1.6 cents per share;
- 130,775,000 Options under the placement at an exercise price of 3 cents each;
- 10,000,000 Options to the Lead Manager of the placement at an exercise price of 3 cents each;
- 1,562,500 Shares at 1.6 cents per share and 1,562,500 Options under the placement at an exercise price of 3 cents each to directors of the Company; and
- 5,000,000 Shares under the Heads of Agreement to acquire the Swedish lithium tenements.

No other 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

2016

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	0%[1]
Scandian Metals Pty Ltd	Australia	Ordinary	80%[2]
Scandian Metals AB	Sweden	Ordinary	80%[3]

[1] Xmin Pty Ltd deregistered during the financial year.
[2] As at 30 June 2016 Avalon Minerals Ltd holds 100% of the shares in Scandian Metals Pty Ltd. Under the terms of the Heads of Agreement regarding the Swedish lithium tenements, 20% of the shares in Scandian Metals Pty Ltd is to be issued to the private Australian parties involved in the Agreement.
[3] Scandian Metals AB is a 100% owned subsidiary of Scandian Metals Pty Ltd

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

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%

Note 26. Parent Entity Information

Information relating to Avalon Minerals Limited:

	2016 $	2015 $
Current assets	**1,596,922**	3,120,503
Non-current assets	**28,953**	1,358,852
Total assets	**1,625,875**	4,479,355
Current liabilities	**225,564**	334,223
Total liabilities	**225,564**	334,223
Net assets	**1,400,311**	4,145,132
Issued Capital	**65,158,635**	61,894,266
Accumulated losses	**(67,118,367)**	(61,153,494)
Share based payment reserve	**3,360,043**	3,404,360
Total shareholders' equity	**1,400,311**	4,145,132
Net income/(loss) for the year	**(5,964,873)**	(1,678,525)
Total Comprehensive income/(loss)	**(5,964,873)**	(1,678,525)

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 $15,225 (2014: $47,987) representing term deposits securing performance guarantees over rental of the Company's office premises.

The net loss for the year for the Parent Entity includes the recognition of an impairment against intercompany loans receivable of $3.5 million and provision for doubtful debts of $1.1 million.

The Parent Entity has no contractual commitments for the acquisition of property, plant or equipment. Its subsidiary, Scandian Metals Pty Ltd, has expenditure commitments under Heads of Agreements relating to lithium tenements in Scandinavia (refer Note 18).

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 2016 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 ended 30 June 2016.

On behalf of the Board

Mr Graham Ascough
Chairman

Brisbane, Queensland
15 August 2016

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INDEPENDENT AUDITOR'S REPORT

To the Directors 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 2016, 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(b), 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 2016 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(b).

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 principally dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and a successful appeal to the Innovation Australia decision in relation to the Company's 2012/13 and 2013/14 R&D claims. 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 on pages 43 to 51 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

A J Whyte
Director

Brisbane, 15 August 2016

ADDITIONAL ASX INFORMATION

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 11 August 2016.

Holders (above 5%)	Ordinary shares held	Interest held
Valbonne II	64,739,601	13.55%
Tan Sri Abu Sahid Bin Mohamed*	43,446,047	9.10%
Marilei International	37,410,000	7.83%
Potezna Gromadka	32,040,000	6.71%

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

CLASS OF SHARES AND VOTING RIGHTS

At 11 August 2016, there were 503 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 11 August 2016, 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 2016)

	Number of holders	
Category	Ordinary shares	Unlisted Options
1 – 1,000	58	-
1,001 – 5,000	39	-
5,001 – 10,000	20	-
10,001 – 100,000	200	-
100,001 and over	179	6
	496	6

There were 126 holders holding less than a marketable parcel as at 31 July 2016.

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 1,000,000 restricted securities as at 11 August 2016, being the 1,000,000 Shares issued under the Heads of Agreement for lithium tenements in Finland.

TWENTY LARGEST SECURITY HOLDERS

AS AT 11 AUGUST 2016

Holder name	Ordinary Shares	
	Number	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	80,481,471	16.85
J P MORGAN NOMINEES AUSTRALIA LIMITED	45,605,861	9.55
MR ABU SAHID BIN MOHAMED	33,552,414	7.02
POTEZNA GROMADKA LTD	32,040,000	6.71
MARILEI INTERNATIONAL LIMITED	26,250,000	5.50
WYNTORC SA	20,777,778	4.35
PERSHING AUSTRALIA NOMINEES PTY LTD <INDIAN OCEAN A/C>	15,892,013	3.33
CITICORP NOMINEES PTY LIMITED	15,037,968	3.15
MR LIM HENG SUAN	9,893,633	2.07
BT PORTFOLIO SERVICES LIMITED <WARRELL HOLDINGS S/F A/C>	9,500,000	1.99
NERO RESOURCE FUND PTY LTD	9,375,000	1.96
VIATICUS CAPITAL LLC	7,995,375	1.67
DARREN CARTER	7,758,242	1.62
BGL INVESTMENTS PTY LTD <BGL INVESTMENTS A/C>	7,151,015	1.50
CHIFLEY PORTFOLIOS PTY LTD <DAVID HANNON RETIRE A/C>	5,500,000	1.15
MR GRAHAM LESLIE ASCOUGH + MRS PATRICIA LYNN ASCOUGH <ASCOUGH FAMILY A/C>	5,193,813	1.09
MR MICHAEL FRANCIS MCMAHON + MRS SUSAN LESLEY MCMAHON <MCMAHON SUPER A/C>	5,050,000	1.06
MR GAVIN JOHN REZOS	5,000,000	1.05
WOODLANDS ASSET MANAGEMENT PTY LTD	5,000,000	1.05
SCINTILLA CAPITAL PTY LTD	3,125,000	0.65
Total	**350,179,583**	**73.32**

OTHER INFORMATION

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

avalonminerals.com.au