



Avalon Minerals Ltd

ABN 68 123 184 412

Half-Year Financial Report

31 December 2011



Avalon Minerals Ltd

Contents	Page
Directors' Report	3
Auditor's Independence Declaration	10
Condensed Consolidated Statement of Comprehensive Income	11
Condensed Consolidated Statement of Financial Position	12
Condensed Consolidated Statement of Cash Flows	13
Condensed Consolidated Statement of Changes in Equity	14
Notes to the consolidated Financial Statements	15-19
Directors' Declaration	20
Auditor's Independent Review Report to Members	21

DIRECTORS' REPORT

Your directors present their half-year report on the consolidated entity ("Group") consisting of Avalon Minerals Ltd ("Avalon" or "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2011.

Directors

The following persons were directors of Avalon Minerals Ltd during the half-year and up to the date of this report:

Mr D L McSweeney (resigned 6 February 2012)
Mr A T Munckton
Tan Sri Abu Sahid Bin Mohamed (appointed as Chairman 9 February 2012)
Mr S Stone (resigned 11 January 2012)
Mr A Al Khadra (resigned 21 February 2012)
Mr A Kamaruddin - Alternate for Tan Sri Abu Sahid Bin Mohamed (resigned 9 February 2012)
Mr J Read (appointed as Managing Director 10 February 2012)
Mr P Niardone (appointed 10 February 2012)
Mr R Edmondson (appointed 10 February 2012, resigned 21 February 2012)
Mr Siew Mun Wai (appointed 10 February 2012)
Mr Seng Han Gary Goh (appointed 10 February 2012)
Mr Siew Mun Chuang (appointed 10 February 2012)

Review of Operations

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

	Results
	31 December 2011
	\$
Revenue from continuing operations	48,001
Net loss before income tax expense	(1,196,777)
Income tax expense	-
Net loss attributable to members of Avalon Minerals Ltd	(1,196,777)

Financial Position

At the end of the half-year the consolidated entity had a cash balance of \$1,428,100 and net assets of \$22,346,214.

Total liabilities amounted to \$541,467 and were limited to trade and other creditors and employee entitlements.

Corporate

On 22 June 2011 the Company announced a share placement undertaken in two tranches. Tranche 1 comprised the issue of 8,362,222 shares at 18 cents to raise \$1,505,200. As at 30 June 2011, \$1,170,000 had been received and 6,500,000 shares allotted, \$215,200 had been received and shares not allotted pending cleared funds and \$120,000 was received in early July. The balance of 1,862,222 shares were issued and allotted in early July. Tranche 2 comprised the issue of 51,037,778 fully paid ordinary shares at \$0.18 to raise \$9.29 million.

On 8 August 2011 the Company announced that the underwriter to the capital raising that was announced on 22 June 2011 did not intend to proceed with the underwriting of the placement. Alternative underwriting arrangements were sought however due to the deterioration in capital markets, the successful negotiation of a replacement underwriter was unable to be finalised. On 23 August 2011 the Company announced that it had been successful in placing 21,461,111 shares at 9 cents per share to professional and sophisticated investors raising \$1.93 million.

On 22 December 2011 Mr Siew Mun Chuang requisitioned a shareholder's meeting to remove three Directors, being Mr D L McSweeney, Tan Sri Abu Sahid Bin Mohamed and Mr A Al Khadra to be replaced by his three nominee directors, Mr R Edmondson, Mr Siew Mun Wai and Mr Seng Han Gary Goh. The Shareholders meeting was scheduled for 15 February 2012.

On 11 January 2012, independent Director Mr S Stone resigned and on 6 February 2012 Mr D L McSweeney resigned. As a result the requisitioned shareholder's meeting was withdrawn on 13 February 2012. Three nominee Directors requested by Mr Siew Mun Chuang and two additional Directors (Mr Paul Niardone and Mr Jeremy Read) as representatives of the New Management Team were appointed on 10 February 2012.

Exploration

- ***Viscaria Copper-Iron Project***

The Viscaria Project in Northern Sweden is the company's primary focus and forms the basis of Avalon's plans to create value for shareholders from the advancement of this project.

The Viscaria Project consists of both Volcanogenic Massive Sulphide (VMS) and Iron Oxide- Copper- Gold (IOCG) styles of mineralisation. The project feasibility studies and test work show production of medium grade (24%) Copper concentrate and high grade (69.5%) iron concentrates are possible from the project. Products such as these are ideal for European base metal and iron ore concentrate customers.

Avalon completed Diamond and RC drilling of the D Zone and B Zone mineralisation in late April 2011, as part of the Program of Works associated with the Feasibility Study of the Viscaria Project. The drilling program led to the upgrade of the Mineral Resources to Measured and Indicated Resource categories for the project. Mineral Resource Statements were lodged with the ASX in December 2011 for the project which confirmed the grade and tonnage available to the project.

The current Mineral Resources existing on the Viscaria Project are summarized in Table 1.

Table 1 – Viscaria Mineral Resource December 2011

2011 Mineral Resources				
Grade Tonnage Reported above a Cut off Grade of 0.4% Cu				
Deposit	Category	Tonnes	Grade (Cu%)	Copper Metal (T)
A Zone	Measured	14,439,000	1.66	239,000
	Indicated	4,690,000	1.22	57,000
	Meas+Ind	19,128,000	1.55	296,000
	Inferred	2,480,000	1.03	26,000
	Total	21,609,000	1.49	322,000

2011 Mineral Resources				
Grade Tonnage Reported above a Cut off Grade of 0.4% Cu				
Deposit	Category	Tonnes	Grade (Cu%)	Copper Metal (T)
B Zone	Measured	123,000	1.33	2,000
	Indicated	4,118,000	0.72	30,000
	Meas+Ind	4,240,000	0.74	31,000
	Inferred	15,410,000	0.77	118,000
	Total	19,650,000	0.76	149,000

2011 Mineral Resources				
Grade Tonnage Reported above a Cut off Grade of 0.4% Cu				
Deposit	Category	Tonnes	Grade (Cu%)	Copper Metal (T)
A and B Zone Mineral Resources	Measured	14,562 000	1.65	241,000
	Indicated	8,808,000	0.99	87,000
	Meas+Ind	23,368,000	1.40	327,000
	Inferred	17,890,000	0.80	144,000
	Total	41,259,000	1.14	471,000

2011 Mineral Resources									
Grade Tonnage Reported above a Cut off Grade of 15% Mass_Rec									
Deposit	Category	Tonnes	Grade (Cu%)	Copper Metal (T)	Fe (%)	Mass-Rec (%)	Mass-Rec (T)	Fe-Conc (%)	SiO2-Conc (%)
D Zone	Measured	1,378,663	0.483	6,659	23.133	34.282	472,633	69.918	1.097
	Indicated	6,103,440	0.60	36,743	24.82	35.43	2,162,205	67.98	0.97
	Meas+Ind	7,482,103	0.58	43,402	24.51	35.22	2,634,838	68.34	0.99
	Inferred	4,459,817	0.49	21,987	23.52	36.34	1,620,787	68.14	0.95
	Total	11,941,920	0.55	65,322	24.10	35.56	4,246,188	68.29	0.98

2011 Mineral Resources									
Grade Tonnage Reported above a Cut off Grade of 15% Mass_Rec but above 0.3% Cu									
Deposit	Category	Tonnes	Grade (Cu%)	Copper Metal (T)	Fe (%)	Mass-Rec (%)	Mass-Rec (T)	Fe-Conc (%)	SiO2-Conc (%)
D Zone	Measured	24,298	0.64	156	15.93	9.26	2,251	48.79	3.06
	Indicated	320,505	0.81	2,580	12.00	11.02	35,329	44.04	2.15
	Meas+Ind	344,803	0.79	2,736	12.27	10.90	35,580	44.38	2.21
	Inferred	240,080	0.96	2,307	24.27	4.04	9,690	12.45	0.78
	Total	584,883	0.86	5,042	17.12	8.13	47,551	32.43	1.66

2011 Mineral Resources									
Grade Tonnage Reported above a Cut off Grade of 15% Mass_Rec and 0.3% Cu									
Deposit	Category	Tonnes	Grade (Cu%)	Copper Metal (T)	Fe (%)	Mass-Rec (%)	Mass-Rec (T)	Fe-Conc (%)	SiO2-Conc (%)
D Zone	Measured	1,402,961	0.49	6,815	23.01	33.85	474,884	69.82	1.11
	Indicated	6,423,945	0.61	39,323	24.18	34.21	2,197,534	67.60	0.99
	Meas+Ind	7,826,906	0.59	46,138	23.97	34.14	2,672,418	68.00	1.01
	Inferred	4,699,896	0.52	24,294	23.56	34.69	1,630,476	67.81	0.95
	Total	12,252,802	0.56	70,432	23.77		4,293,739	67.89	0.98

In parallel with the drilling program and Mineral Resource estimation, a work schedule of engineering, design, test work and cost estimation was undertaken to provide inputs for mine design and open pit optimization work to be completed once Mineral Resources were estimated.

- **Adak Copper-Zinc Project**

The Adak Copper-Zinc project lies 300Km south of Viscaria in the Skelleftea district of northern Sweden. The project covers four historical mines and covers an area of 26.7Km sq.

Avalon has completed data validation and geophysical survey programs over the area to assess near surface mineralisation.

The Adak project is an attractive exploration project due to potential surrounding mines and its strategic location is within transport distance of existing mineral treatment facilities.

The project is currently under review and all options for progressing assessment of the project, including joint venture or sale, are being considered.

Matters Subsequent to the end of the Financial Period

Following the requisition to remove three of the Directors and replace them with three nominee Directors of Mr Siew Mun Chuang, Independent Director Mr S Stone and requisitioned Director Mr D L McSweeney resigned from the company. Mr S Stone resigned on 11 January and Mr D L McSweeney resigned on 6 February.

On 10 February the Board appointed the three nominee Directors requested by Mr Siew Mun Chuang and two additional Directors as representatives of the new management team appointed to run the business of the company. The new management team is led by Mr Jeremy Read, who was appointed as the Managing Director of Avalon on 10 February 2012. Furthermore the company announced that its Perth office will be closed and a new Head Office will be set up in Brisbane, Queensland.

On 10 February Mr Siew Mun Chuang was appointed to the Board. On 21 February Mr R Edmonson and Mr A Al Khadra resigned from the Board.

On 23 February the Company announced a fully underwritten non- renounceable, pro rata Rights Issue of New Shares at an issue price of \$0.06 per New Share on the basis of one (1) New Share for every five (5) Existing Shares held at the Record Date of 2 March to raise approximately \$2,868,736 before costs. The funds raised from the Rights Issue will be used for:

- conduct a targeted drilling program on the Viscaria Copper Project in northern Sweden which will investigate extensions to high grade copper mineralisation;
- complete a review of the Company's projects and determine how best to advance those projects with the goal of creating value for shareholders;
- complete the transition of the head office from Perth to Brisbane; and
- replenish working capital.

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 10.

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

A handwritten signature in black ink, appearing to read 'J Read', written in a cursive style.

Jeremy Read
Managing Director
Avalon Minerals Ltd

12 March 2012



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

To: the directors of Avalon Minerals Ltd

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

G-TTT

Graham Hogg
Partner

Perth
12 March 2012

AVALON MINERALS LTD

Condensed Consolidated Statement of Comprehensive Income For the half-year ended 31 December 2011

	Note	Consolidated	
		Half-year ended 31-Dec-2011 \$	Half-year ended 31-Dec-2010 \$
Revenue from continuing operations			
Finance income	6	48,001	55,088
Other income		2,230	5,695
Employee benefits expenses	7(a)	(789,614)	(478,217)
Corporate and office expenses	7(b)	(396,265)	(350,420)
Depreciation expense		(51,280)	(40,764)
Exploration expenditure written off	7(c)	(9,849)	-
Loss from continuing operations before income tax		(1,196,777)	(807,818)
Income tax expense		-	-
Net loss for the period		(1,196,777)	(807,818)
Other comprehensive loss			
Foreign currency translation		(751,911)	(312,029)
Total comprehensive loss for the period		(1,948,688)	(1,119,847)
Net loss for the period is attributable to:			
Members of Avalon Minerals Ltd		(1,196,777)	(807,818)
		(1,196,777)	(807,818)
Total comprehensive loss for the period attributable to:			
Members of Avalon Minerals Ltd		(1,948,688)	(1,119,847)
		(1,948,688)	(1,119,847)
Earnings per share (cents per share):			
Basic earnings per share	4	(0.52)	(0.55)
Diluted earnings per share	4	(0.52)	(0.55)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

AVALON MINERALS LTD

Condensed Consolidated Statement of Financial Position as at 31 December 2011

		Consolidated	
	Note	At 31-Dec-11 \$	At 30-Jun-11 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,428,100	2,660,034
Trade and other receivables		160,744	254,148
Total Current Assets		1,588,844	2,914,182
Non-Current Assets			
Plant and equipment		270,065	270,996
Exploration and evaluation		21,028,772	20,126,704
Total Non-Current Assets		21,298,837	20,397,700
TOTAL ASSETS		22,887,681	23,311,882
LIABILITIES			
Current Liabilities			
Trade and other payables		525,375	1,202,120
Provisions		-	102,129
Total Current Liabilities		525,375	1,304,249
Non-Current Liabilities			
Provisions		16,092	17,052
Total Non-Current Liabilities		16,092	17,052
TOTAL LIABILITIES		541,467	1,321,301
NET ASSETS		22,346,214	21,990,581
EQUITY			
Contributed equity	8	33,418,118	31,454,613
Reserves		(1,138,835)	(727,740)
Accumulated losses		(9,933,069)	(8,736,292)
TOTAL EQUITY		22,346,214	21,990,581

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

AVALON MINERALS LTD
Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2011

	Consolidated	
	Half-year ended 31-Dec-2011	Half-year ended 31-Dec-2010
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of goods and services tax)	(859,281)	(713,992)
Interest income	48,001	55,888
Other income	2,230	5,695
Net cash outflow used in operating activities	(809,050)	(652,409)
Cash flows from investing activities		
Purchase of plant and equipment	(63,709)	(148,984)
Exploration and evaluation expenditure	(2,237,630)	(3,374,092)
Net cash outflow used in investing activities	(2,301,339)	(3,523,076)
Cash flows from financing activities		
Proceeds from issues of shares	2,051,500	3,200,000
Costs associated with issue of shares	(173,045)	(209,331)
Net cash inflow from financing activities	1,878,455	2,990,669
Net decrease in cash and cash equivalents held	(1,231,934)	(1,184,816)
Cash and cash equivalents at the beginning of the half-year	2,660,034	2,927,242
Cash and cash equivalents at the end of the period	1,428,100	1,742,426

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

AVALON MINERALS LTD

Condensed Consolidated Statement of Changes in Equity for the half-year ended 31 December 2011

	Issued Capital \$	Share- Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
For the half-year ended 31 December 2011					
As at 1 July 2011	31,454,613	470,080	(1,197,820)	(8,736,292)	21,990,581
Loss for the financial period	-	-	-	(1,196,777)	(1,196,777)
Other comprehensive income	-	-	(751,911)	-	(751,911)
Total comprehensive loss for the period	-	-	(751,911)	(1,196,777)	(1,948,688)
Equity Transactions					
Shares issued	2,051,500	-	-	-	2,051,500
Share issue costs	(87,995)	-	-	-	(87,995)
Share based payments	-	340,816	-	-	340,816
As at 31 December 2011	33,418,118	810,896	(1,949,731)	(9,933,069)	22,346,214

	Issued Capital \$	Share- Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
For the half-year ended 31 December 2010					
As at 1 July 2010	17,300,788	234,471	(611,107)	(6,838,620)	10,085,532
Loss for the financial period	-	-	-	(807,818)	(807,818)
Other comprehensive income	-	-	(312,029)	-	(312,029)
Total comprehensive loss for the period	-	-	(312,029)	(807,818)	(1,119,847)
Equity Transactions					
Shares issued	3,200,000	-	-	-	3,200,000
Share issue costs	(224,723)	-	-	-	(224,723)
Share based payments	-	59,870	-	-	59,870
As at 31 December 2010	20,276,065	294,341	(923,136)	(7,646,438)	12,000,832

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

AVALON MINERALS LTD

Notes to the Consolidated Financial Statements

Note 1 Basis of preparation and changes in accounting policies

a) Basis of preparation

This general purpose condensed financial report for the half-year reporting period ended 31 December 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all of the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Avalon Minerals Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *ASX Listing Rules*. The annual report and any public announcements issued can be located on the company's website, www.avalonminerals.com.au.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

b) New and amended Accounting Standards and Interpretations

Since 1 July 2011, the Group has adopted all the Standards and Interpretations mandatory for annual periods beginning on or after 1 July 2011. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments that are not mandatorily effective.

c) Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the half year ended 31 December 2011, the Group has incurred a consolidated loss of \$1,196,777 and experienced net operating cash outflows of \$809,050 and net investing cash outflows of \$2,301,339. As at 31 December 2011 the Group has \$1,428,100 in cash and cash equivalents and net current assets of \$1,063,469.

The Company is focused on advancing the Viscaria exploration and mining tenements in Northern Sweden and the expectation is that further drill programs and evaluation work will continue to enhance project values. Forecast expenditure for the coming twelve months is based on meeting those exploration and development goals. The Company may, as required

AVALON MINERALS LTD

Notes to the Consolidated Financial Statements (Continued)

and subject to the results of its ongoing exploration activities, expand or accelerate its work programs, and in this instance it would consider securing additional funds through capital raising via preferential issues to existing shareholders (pro rata offers and/ or share purchase plans) and placements to new and existing investors.

Subsequent to year end, the Company announced a fully underwritten non-renounceable rights issue to raise \$2,868,736 before costs. The offer is expected to close on 2 March 2012.

The fulfillment of the Underwriting Agreement for this rights issue is conditional upon a number of procedural and general conditions and a range of termination events not occurring. The Directors believe these termination events are standard commercial terms for these types of agreements and they are acceptable market practice for underwriting agreements and they include reference to standard market indices and relevant share price thresholds.

In the event that the underwritten rights issue is terminated due to a termination event the Directors are confident of the Company's ability to secure the necessary funding to meet planned expenditure levels. If sufficient funding is not raised, there is capacity to reduce the Company's ongoing costs and commitments significantly. If necessary, non-core projects can be sold or farmed-out as required, to enable ongoing commitments to be met.

The Directors have reviewed the Group's and Company's overall position and reasonably expect that the Company will be able to raise additional funds from the equity and/ or debt markets if required to meet future costs associated with the developments of its projects for at least the next 12 months. The Directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances.

Note 2 Contingencies

As at 31 December 2011 the Company has no contingent liabilities.

Note 3 Dividends

There were no dividends declared or paid during the half-year.

AVALON MINERALS LTD

Notes to the Consolidated Financial Statements (Continued)

Note 4 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to members of the Company, by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders of the Company, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares.

Basic and diluted earnings per share calculations are as follows:

	Consolidated	
	Half-year ended 31-Dec-2011	Half-year ended 31-Dec-2010
	\$	\$
Net loss for the period attributable to members of Avalon Minerals Limited	(1,196,777)	(807,818)
Interest income	Shares	Shares
Weighted average number of ordinary shares for basic earnings per share	231,241,359	142,603,039
	Adjustment	Adjustment
	Factor	Factor
Adjustment factors		
Entitlements Issue announced on 10 January 2011	-	1.037
Earnings per share (cents per share)	Cents	Cents
• basic for loss for the period attributable to ordinary equity holders of Avalon Minerals Ltd	(0.52)	(0.55)
• diluted for loss for the period attributable to ordinary equity holders of Avalon Minerals Ltd	(0.52)	(0.55)

Prior period earnings per share have been restated with an adjustment factor of 1.037 as a result of the equity issue announced in January 2011, which included a fully underwritten one for five non-renounceable Entitlements Issue at 18 cents per share to existing shareholders.

AVALON MINERALS LTD

Notes to the Consolidated Financial Statements (Continued)

Note 5 Events occurring after balance sheet date

On 22 December 2011, Mr Siew Mun Chuang requisitioned a shareholder's meeting to remove three Directors, being Mr DL McSweeney, Tan Sri Abu Sahid Bin Mohamed and Mr A Al Khadra to be replaced by his three nominee directors, Mr R Edmonson, Mr Siew Mun Wai and Mr Seng Han Gary Goh. The Shareholders meeting was scheduled for 15 February 2012.

On 11 January 2012 Independent Director Mr S Stone resigned and on 6 February Mr DL McSweeney resigned. As a result the requisitioned shareholder's meeting was withdrawn on 13 February 2012. On 10 February 2012 the Board appointed the three nominee Directors requested by Mr Siew Mun Chuang and two additional Directors as representatives of the new management team to run the business of the company. The new management team is led by Mr Jeremy Read. The Perth office is being closed on 13 March 2012 and is being relocated to Brisbane.

On 23 February 2012 the Company announced a fully underwritten non-renounceable, pro rata Rights issue of new shares at an issue price of \$0.06 per new share on the basis of one new share for every five existing shares held at the record date of 2 March 2012. Funds to be raised from the Rights issue are anticipated to be \$2,868,736 before costs.

Note 6 Finance Income

	Consolidated	
	Half-year ended 31-Dec-2011	Half-year ended 31-Dec-2010
	\$	\$
Revenue		
Interest income	48,001	55,888

Note 7 Expenses

	Consolidated	
	Half-year ended 31-Dec-2011	Half-year ended 31-Dec-2010
	\$	\$
(a) Employee benefits expense		
Wages and salaries	(707,015)	(608,049)
Less transfer to exploration and evaluation	423,178	419,922
Superannuation expense	(60,545)	(54,708)
Non-executive director's fees	(60,000)	(60,000)
Staff training and recruitment	(6,913)	(63,290)
Share based payment expense	(340,816)	(59,870)
Other employee benefits expenses	(37,503)	(52,222)
	<u>(789,614)</u>	<u>(478,217)</u>

AVALON MINERALS LTD

Notes to the Consolidated Financial Statements (Continued)

Note 7 Expenses (cont)

	Consolidated	
	Half-year ended 31-Dec-2011	Half-year ended 31-Dec-2010
	\$	\$
(b) Corporate and office expenses		
Corporate administration expenses	(291,001)	(247,791)
Office expenses	(105,264)	(102,629)
	<u>(396,265)</u>	<u>(350,420)</u>
(c) Exploration expenditure written off		
Exploration expense *	<u>(9,849)</u>	-

* Exploration expenditure written off relates to project assessment costs for projects where the Company did not proceed with the acquisition.

Note 8 Equity securities issued

In 7 July 2011 the Company issued 1,862,222 fully paid ordinary shares at 18 cents per share pursuant to a placement to professional and sophisticated investors, raising a total of \$335,200. \$215,200 was received prior to 30 June 2011.

On 1 September 2011 the Company issued 19,891,111 fully paid ordinary shares at 9 cents per share pursuant to a placement to professional and sophisticated investors, raising a total of \$1,790,200.

On 18 October 2011 the Company issued 1,570,000 fully paid ordinary shares at 9 cents per share pursuant to a placement to professional and sophisticated investors, raising a total of \$141,300.

Note 9 Segment reporting

The Group currently operates in one business segment and one geographical segment, namely copper and iron ore exploration in Sweden. The revenues and results of this segment are those of the Group as a whole and are set out in the *Consolidated Statement of Comprehensive Income*.

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

AVALON MINERALS LTD

Directors' Declaration

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

In the opinion of the directors:

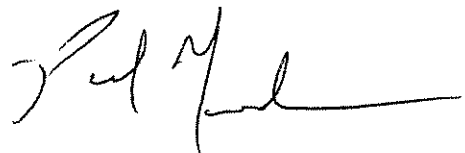
- (a) The financial statements and the notes of the Consolidated Entity are in accordance with the *Corporations Act 2011*, including:
- i. Giving a true and fair view of the consolidated Entity's financial position as at 31 December 2011 and of its performance for the half year then ended; and
 - ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2011*; and
- (b) There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.

On behalf of the board



Jeremy Read
Managing Director
Brisbane, Queensland



Paul Niardone
Non-Executive Director
Perth, Western Australia

12 March 2012



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

We have reviewed the accompanying half-year financial report of Avalon Minerals Ltd ('the company'), which comprises the condensed consolidated statement of financial position as at 31 December 2011, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Avalon Minerals Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Avalon Minerals Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

GTH

Graham Hogg
Partner

Perth
12 March 2012