AVALON

MINERALS LTD

ABN 68 123 184 412

Annual Financial Report
30 June 2014

AVALON MINERALS

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29 September 2014

Dear Shareholder

On behalf of the Board of Directors, it is my pleasure to present the 2014 Annual Report for Avalon Minerals Limited ('Avalon' or 'Company').

The 2013/2014 financial year has presented Avalon with both challenges and opportunities for change.

Whilst the Company experienced difficult circumstances (both internally and externally) during the second half of 2013, I believe Avalon entered 2014 with a renewed energy and focus on advancing the development of the Company's Viscaria Copper-Iron Project in northern Sweden.

The Viscaria Project is a robust development scenario, with demonstrable upside. Our 2014 Updated Scoping Study (undertaken by independent consultants, HDR Salva), incorporated other work completed by Avalon during the first half of 2014, including the significant upgrade to the Discovery Zone Mineral Resource and JORC 2012 revisions for the A Zone, B Zone and D Zone Mineral Resources, as well as revisions to assumed capital costs and commodity prices.

The Scoping Study results continue to reinforce the quality of the Viscaria Project and together with the positive metallurgical results, which demonstrate the likelihood of producing premium products, continue to strengthen and de-risk the project. The Viscaria Project is one of a select few moderate sized copper projects which demonstrate robust results across the commodity price cycle.

The Company is advancing technical components of the Pre-Feasibility Study and is focussed on engaging with all stakeholders to develop an appropriate project plan and permitting path. Avalon is also developing a disciplined exploration program to assess several high quality exploration targets within the belt that hosts the Viscaria Project mineralisation.

The resources sector is continuing to face challenging times, with the equity market conditions unpredictable in Australia and overseas. The copper price outlook I believe remains positive and the requirement for resources will continue.

The Company continues to receive strong support from its shareholders. In late 2013, Avalon completed a successful fundraising by way of a non-renounceable, 1 for 1 Rights Issue which was over-subscribed, to raise \$5.84M. On 5 August 2014, the Company completed a placement to new investors and an existing Australian shareholder to raise \$1.95M. All proceeds raised are utilised for ongoing operating costs and to progress Avalon's Viscaria Project.

Further funds will be required to support the Company's strategy of progressing the Viscaria 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.

Following the 2013 AGM, changes occurred to our Board of Directors. I commenced as Chairman on 29 November 2013, with Mr Henderson and Mr Niardone continuing in the roles of non-executive directors. I am delighted that in March and April 2014, two new board appointments with extensive experience in the mining industry were made, namely Mr Don Hyma (non-executive director) and Mr Malcolm Norris (CEO/Managing Director).

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

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

Yours sincerely

Graham Ascough
Chairman
Avalon Minerals Limited

AVALON MINERALS

CORPORATE DIRECTORY

Directors

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

Company Secretary

Roslynn Shand

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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Facsimile: +61 7 9473 2555
Website: www.computershare.com.au
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1238 Hay Street
West Perth WA 6005

Solicitors
O'Loughlins
Level 2, 99 Frome Street
Adelaide SA 5000

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Köpmangatan 56B
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Tenement Schedule and Resource Statement

Tenement Holder	Tenement Name	Location	Status	Ownership
Avalon Minerals Viscaria AB	Viscaria No 1	Norrbotten, Sweden	Renewal lodged	100%
Avalon Minerals Viscaria AB	Viscaria No 2	Norrbotten, Sweden	Renewal lodged	100%
Avalon Minerals Viscaria AB	Viscaria No 3	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 101	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 104	Norrbotten, Sweden	Renewal lodged	100%
Avalon Minerals Viscaria AB	Viscaria No 105	Norrbotten, Sweden	Renewal lodged	100%
Avalon Minerals Viscaria AB	Viscaria No 106	Norrbotten, Sweden	Renewal lodged	100%
Avalon Minerals Viscaria AB	Viscaria No 107	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 108	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 112	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 113	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Vittangijarvi No 1	Norrbotten, Sweden	Renewal lodged	100%
Avalon Minerals Viscaria AB	Huornas No 1	Norrbotten, Sweden	Renewal lodged	100%
Avalon Minerals Viscaria AB	Viscaria K No 3	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K No 4	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K No 7	Norrbotten, Sweden	Application	100% (upon grant)
Avalon Minerals Adak AB	Rakkurijärvi No 1	Norrbotten, Sweden	Granted	100% over the area covered by the HNR* acquisition agreement
Avalon Minerals Adak AB	Rakkurijärvi K No 1	Norrbotten, Sweden	Application	100% (upon grant and once acquisition from HNR* complete)

***HNR – Hannans Reward Ltd (ASX:HNR)

Currently Defined Mineral Resource for Copper reported on the Viscaria Project above a 0.4% Cu cut-off

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

Currently Defined Mineral Resource for Iron reported on the Viscaria Project above a 15% Mass Recovery cut-off

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

Note:

- The A Zone and B Zone JORC 2012 Mineral Resources were announced to the ASX on 1 July 2014.
- The D Zone JORC 2012 Mineral Resource was announced to the ASX on 22 May 2014.
- The Discovery Zone JORC 2012 Mineral Resource was announced to the ASX on 9 April 2014.
- All Copper Mineral Resource estimates are reported above a block cut-off grade of 0.4% Cu.
- All Iron Mineral Resource estimates are reported above a block cut-off of 15% Mass Recovery.
- Estimated recoverable iron is based on Davis Tube Recovery test work at a 75 micron grind size. Estimated recoverable iron is: tonnes x mass recovery % x Fe % in concentrate (69% Fe).
- Total D Zone Measured, Indicated and Inferred Mineral Resource reported for the Copper above a cut-off grade of 0.4% Cu and Iron above 15% Mass Recovery are broadly spatially coincident. However, they are modelled and reported separately to avoid mixing geological domains.
- Total Discovery Zone Indicated and Inferred Mineral Resource reported for Copper and Gold above 0.4% Cu cut-off and for Iron above 15% Mass Recovery are broadly spatially coincident. However, they are modelled and reported separately to avoid mixing geological domains.
- Any discrepancies in the sums and weighted averages are introduced by rounding.

Competent Persons Statement

The information in this report that relates to mining project evaluations is based upon information compiled by, or under the supervision of Manish Garg B.Eng. (Hons.), Master of Applied Finance, MAusIMM, MAICD; Tim Horsley B.Sc. (Hons) (Mining Engineering), MAusIMM; and Trevor Ellice B.Sc. (Hons), M.Sc. (Geology), MAusIMM. Mr. Garg, Mr. Horsley, and Mr. Ellice have sufficient technical and techno-economic assessment experience, which is relevant to the activity that they are undertaking, to qualify as an Experts as defined in the 2005 Edition of the "Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports" (VALMIN Code).

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 Member of the Institute of Mining and Metallurgy and 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.

The information in this report that relates to the D Zone and Discovery Zone Mineral Resources are based on the information compiled by Trevor Ellice who is a Member of the Institute of Mining and Metallurgy and is a full time employee of Salva Resources Pty Ltd ("HDR | Salva"). HDR | Salva is an independent mining consultancy 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 exploration results is based upon information reviewed by Dr Quinton Hills who is a Member of the Australasian Institute of Mining and Metallurgy. Dr Hills is a full time employee of Avalon Minerals Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Hills consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Your Directors present their report on Avalon Minerals Limited ("Avalon" or "Company") and the entities it controlled ("Consolidated Entity" or "Group") for the financial year ended 30 June 2014.

Directors

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

Mr Graham Ascough	(Non-Executive Chairman appointed 29 November 2013)
Mr Malcolm Norris	(Managing Director appointed 1 April 2014)
Mr Crispin Henderson	(Non-Executive Chairman appointed 25 March 2013 to 29 November 2013, Non-Executive Director thereafter)
Mr Paul Niardone	(Non-Executive Director appointed 10 February 2012)
Mr Don Hyma	(Non-Executive Director appointed 19 March 2014)
Mr Jeremy Read	(Managing Director appointed 10 February 2012 to 26 September 2013, resigned as Director 29 November 2013)
Dato Seri Siew Mun Chuang	(Non-Executive Director appointed 10 February 2012, resigned 29 November 2013)
Mr Siew Mun Wai	(Non-Executive Director appointed 10 February 2012, resigned 29 November 2013)
Mr Seng Han Gary Goh	(Non-Executive Director appointed 10 February 2012, resigned 29 November 2013)

Alternate Directors:

Mr Ler Leong Keh	(appointed as Alternate Director to Dato Seri Siew Mun Chuang on 2 August 2013, resigned 29 November 2013)
Mr David Sanders	(appointed as Alternate Director to Siew Mun Wai on 1 November 2013, resigned 29 November 2013)

Principal activities

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

Dividends

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

Review of operations

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

	2014 $	2013 $
Revenue and other income	43,711	109,708
Loss before income tax expense	(4,204,601)	(6,191,996)
Income tax expense	-	-
Loss attributable to members of Avalon Minerals Limited	**(4,204,601)**	(6,191,996)

Earnings per share	**2014 cents**	2013 cents
Basic and diluted earnings per share	**(0.4)**	(1.4)

Financial Performance

During the year ended 30 June 2014 the Group incurred a loss of $4,204,601 (2013: $6,191,996). The loss for this financial year is largely due to:

- Costs incurred to fund the ongoing costs to complete the feasibility study on Viscaria and Discovery Zone.
- Legal and other costs associated to matters pertaining to the administration of the Company. Significant funds, particularly on legal advice, were spent in managing the Takeovers Panel process, the re-opened Rights Issue and various Board issues. In addition, the suspension of the previous managing director lead to the appointment of external consultants to assist in the temporary interim management of the Company. This added to the substantial, but temporary increase in corporate costs.

Financial Position

The Company's non-current assets decreased from $37,910,420 at 30 June 2013 to $37,145,415 at 30 June 2014. This is largely due to foreign currency movements from translation of the carrying value to Australian dollars in the Group's financial statements.

During the year, the Company had a net increase in contributed equity of $6,881,680 as a result of:

- During August 2013, the Company placed 26,523,616 fully paid shares for a consideration of $344,807 (1.3 cents per share).
- During September 2013, the Company placed 26,523,640 fully paid shares for a consideration of $344,807 (1.3 cents per share).
- On 9 August 2013, the Company announced a 1 for 1 pro-rata non-renounceable right issue to raise approximately $5.89 million. Following a shareholder application to the Takeovers Panel, the Panel made a declaration of unacceptable circumstances. The rights issue was subsequently reopened on 28 October 2013 and closed on 11 November 2013. The rights issue raised $5,885,406 for the Group.

At the end of the financial period, the Group had cash balances of $684,747 (2013: $1,185,959) and net assets of $37,457,859 (2013: $36,620,253).

Total liabilities amounted to $420,110 (2013: $2,677,348) and included trade, other payables and provisions.

Events occurring after reporting date

On 5 August 2014, the Company issued 233,750,000 fully paid ordinary shares at an issue price of $0.008 per share to sophisticated and professional investors as part of a share placement to raise $1.95M (before costs). The funds will be used to progress the Company's Viscaria Copper-Iron Project in Sweden and for working capital.

There were no other significant changes in the state of affairs of the consolidated entity subsequent to the end of the financial year.

Company Strategy

Avalon is a junior exploration and mineral development company, focussed on creating value for shareholders from the Viscaria Copper-Iron Project in northern Sweden. Additional value can also be created through exploration success and the discovery of new copper and copper-iron deposits within the Kiruna region of northern Sweden. Value for shareholders will be created by demonstrating that the Viscaria Copper-Iron Project is financially viable and is permitted for development and production.

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

Company Highlights 2013-2014

- Scoping Study Update (August 2014) reassessed possible open pit mining operations at A Zone, B Zone, D Zone and Discovery Zone and resulted in a robust copper-iron project proposition with demonstrable upside;
- The D Zone Mineral Resource Estimate was significantly upgraded with a portion of this mineralisation being upgraded to Measured Mineral Resource classification, which will result in less drilling required to complete further studies;
- The Discovery Zone Mineral Resource Estimate was also significantly upgraded with increases to the overall copper and gold grade, contained copper and gold, as well as 30% of the previously classified Inferred Resource being increased in confidence to Indicated Mineral Resource classification;
- Preliminary Metallurgical Investigation on an oxide copper mineralised sample from the D Zone Prospect indicated that this mineralisation is amenable to acid leaching;
- Appointment of new CEO/MD (effective 1 April 2014) and new non-executive director (19 March 2014);
- Board changes following the 2013 AGM, with a new non-executive Chairman and 2 continuing non-executive Directors;
- Successful completion of a non-renounceable, pro-rata Rights Issue raising $5.84M.

Operational Review

Avalon continued to progress the Viscaria Copper-Iron Project (Figures 1 and 2) during the 2013-2014 financial year with the major achievements during this period including:

- Updated Scoping Study on the Viscaria Copper-Iron Project delivers a robust copper-iron project proposition with demonstrable upside;
- The Scoping Study considers only that portion of Mineral Resources that occur within the optimised open pit shells;
- Assumes the production of both a copper concentrate and a high quality, 69% Fe magnetite concentrate;
- An estimated Net Present Value (NPV, 10% real, pre-tax discount rate) of $248M, with pre-production Project Capital Cost estimated to be $199M;
- An annual copper production rate range of 14,300 to 22,800 tonnes of copper in concentrate over the 10.4 years of production;
- An annual magnetite concentrate production rate range of 0.4 – 1.3 million dry metric tonnes ('DMT') over the 8.4 years of magnetite concentrate production;
- Forecast C1 copper cash costs, net of magnetite credits, in the range of $0.44 to $1.36/lb Copper using $120/t and $80/t price for 69% iron magnetite concentrate respectively;
- Of the Mineral Resource considered in the Scoping Study, 16% is Measured, 51% is Indicated and 33% is Inferred classification, according to JORC 2012 guidelines;
- Updated Scoping Study has identified several opportunities to potentially add value that will be further evaluated during further studies. These include:
  - Potential underground development of A Zone, B Zone and Discovery Zone Mineral Resources beneath the floor of the open pit shells;
  - Consideration of by-product credits, such as gold in the Discovery Zone;
  - Consideration of the viability and value of an oxide copper circuit; and
  - Resource additions at depth and along strike for all deposits.

- A metallurgical testwork review indicated that D Zone copper sulphide mineralisation produces a concentrate with 26% copper and 94% copper recovery, while the D Zone magnetite mineralisation produced a high quality, magnetite concentrate with 70% Iron and low impurity levels;
- The metallurgical testwork review also indicated that A Zone and B Zone copper sulphide mineralisation produces a concentrate with 23% copper and 80% copper recovery;
- Revised the A Zone and B Zone Mineral Resource Estimates to be compliant with JORC 2012;
- Preliminary Metallurgical Investigation on an oxide copper mineralised sample from the D Zone Prospect was completed, which indicated that this mineralisation is amenable to acid leaching;
- The D Zone oxide copper domain is open to the south. Further oxide zone drilling and metallurgical test work is scheduled for the final quarter of 2014;
- Significantly upgraded the D Zone Mineral Resource Estimate with a portion of the mineralisation being upgraded to Measured Mineral Resource classification and reported as compliant with JORC 2012;
- Significantly upgraded the Discovery Zone Mineral Resource Estimate with increases to the overall copper and gold grade, contained copper and gold, as well as 30% of the previously classified Inferred Resource being increased in confidence to Indicated Mineral Resource classification. Also, reported as compliant with JORC 2012.

Cautionary Statement

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

The Scoping Study is preliminary in nature as its conclusions are drawn on Measured Resource (16%), Indicated Resource (51%) and Inferred Resource (33%) classification, according to JORC 2012 guidelines.

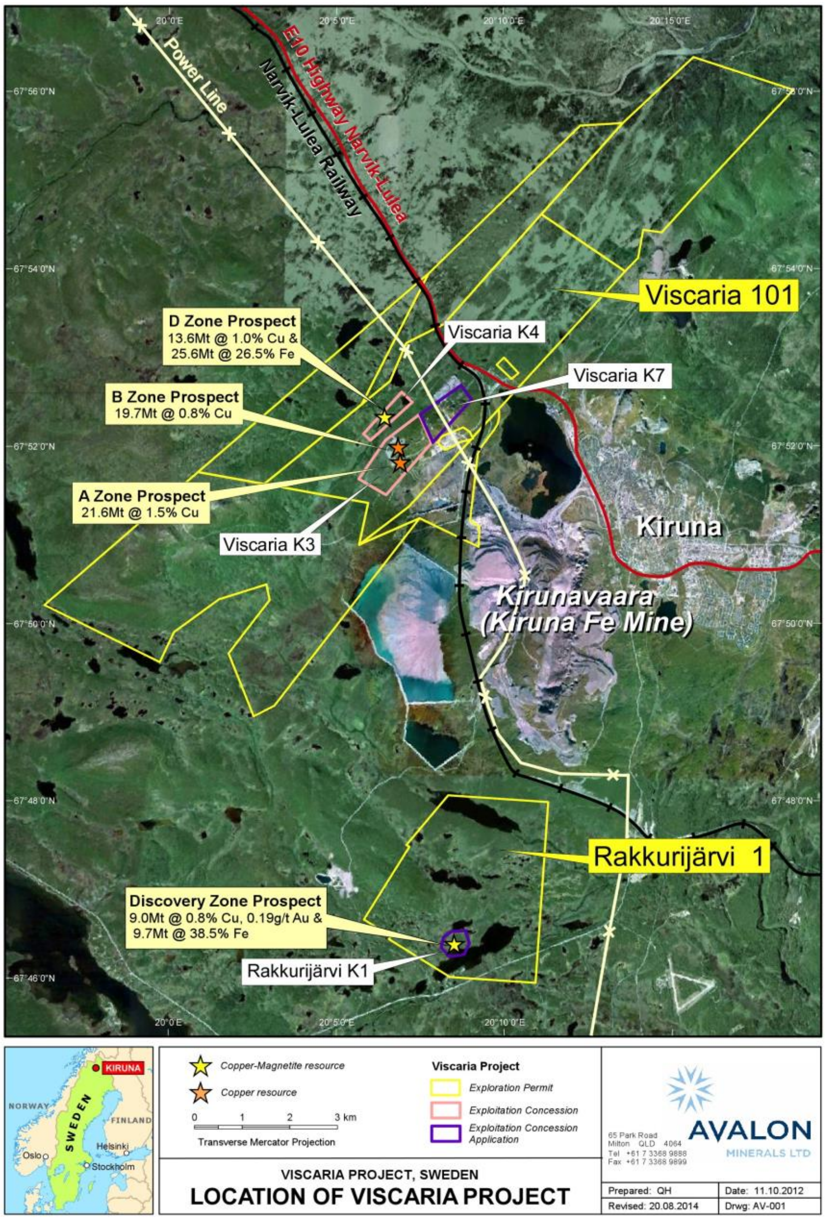
There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised. The stated production target is based on the Company's current expectations of future results or events and should not be solely relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met.

Further, the Company cautions that there is no certainty that the forecast financial information derived from production targets will be realised. All material assumptions underpinning the production targets and forecast financial information derived from the production targets are set out in this announcement.

The estimated mineral resources underpinning the Scoping Study production targets have been prepared by competent persons in accordance with the current JORC Code 2012 Edition and the current ASX Listing Rules.

Figure 1 – Project Location

Figure 2 – Location of Mineral Resources on the Viscaria Copper-Iron Project



Viscaria Copper-Iron Project Scoping Study Update

In August 2014, Avalon announced the results of an update to the Viscaria Copper-Iron Project Scoping Study (previously announced on 9 July 2013). The Updated Scoping Study reassessed the viability and potential value of an Open Pit Mining Scenario exploiting a portion of the currently defined Mineral Resources on the Viscaria Project. As the Discovery Zone Mineral Resource had materially changed since the previous July 2013 Scoping Study, a re-optimisation of the Discovery Zone open pit mining potential was completed using an updated resource model (as announced on the 09/04/2014) and the revised pit optimisation parameters and revenue assumptions as outlined in Table 1. However, as the A Zone, B Zone and D Zone Mineral Resources had not materially changed since the previous July 2013 Scoping Study, these pit shell optimisations were not redone but the pit shell and cut-off selection was reassessed, resulting in some minor adjustments to the optimal pit shells selected. The tonnage and grade of the Mineral Resources captured with each of the optimised open pit shells is shown in Table 2.

Table 1: Pit Optimisation Parameters and Revenue Assumptions

Parameter	Unit	Value	Comments
Overall pit slope angle	Degrees	60	
Copper Price	US$/t	US$6,614	US$3.00/lb Cu
Fe Concentrate Price	US$/t	US$100	69% Fe Iron Ore Concentrate
Mining Cost (ore)	US$/t	US$4.00	
Mining Cost (waste)	US$/t	US$3.00	
Mining Recovery	%	95%	
Mining Dilution	%	5%	
Metallurgical Recovery	% Cu	85%	
	% Fe	variable	Mass recovery = %Fe x 1.4 - 5
Concentrate Grade	% Cu	25%	
	% Fe	69%	
Processing Costs	US$/t ore	US$9.39	
Admin Costs	US$/t ore	US$3.08	
Payable Copper	% Cu contained	96.5%	
Copper Concentrate Treatment Charge (TC)	cents/lb Cu	90	
Copper Concentrate Refining Charge (RC)	cents/lb Cu	9	
Royalties	%	1.0/1.5	Viscaria/ Discovery

Table 2: Breakdown of Mineral Resources and Waste Rock within each Optimised Open Pit Shell.

Source	Tonnes (Mt)*	Grade		Waste Tonnes (Mt)	Strip Ratio	Measured Resource Included	Indicated Resource Included	Inferred Resource Included
		%Cu	%Fe					
A Zone	4.0	1.25	-	37	9.3	72%	24%	4%
B Zone	3.2	0.67	-	8	2.5	2%	78%	20%
D Zone	15.3	0.52	25	64	4.2	14%	61%	25%
Discovery Zone	9.4	0.66	39	43	4.6	0%	38%	62%
Total Project	**31.9**	**0.67**	**23**	**152**	**4.8**	**16%**	**51%**	**33%**

**million tonnes*

Production Target

A number of mining scenarios were evaluated using the Mineral Resources within the open pit shells (Table 2) with the Production Target Profile shown in Figure 3 and Table 3 selected as the most optimal. This Production Target has only been estimated at a high-level, with all sources scheduled at their average grade and waste mining at average stripping ratios. Maximum pit production rates have been limited to an average of three benches per year. Waste has been scheduled on a pro-rata basis and with a lead-time of six months until any ore is mined. It must also be noted that this Production Target contains some Inferred Mineral Resources. There is a low level of confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the Production Target itself will be realised.

Figure 3: Scoping Study Mine Production Target Profile by Open Pit

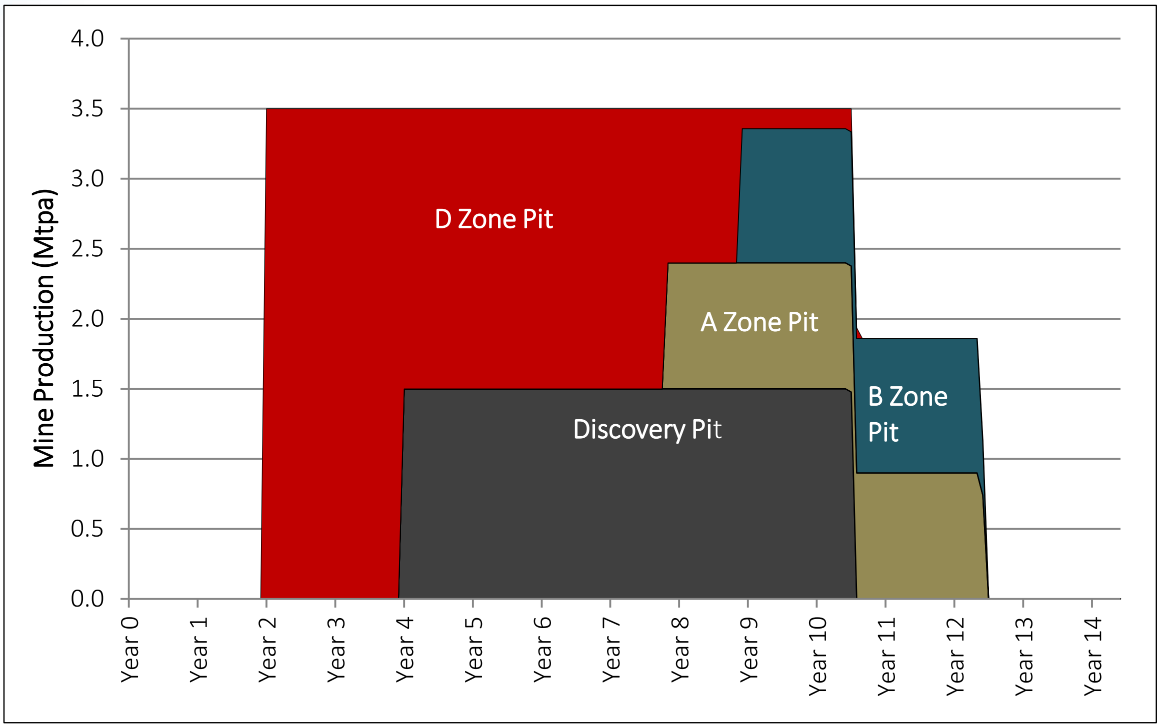


Table 3: Production Target Summary

Year	Tonnes Mined (t)	Cu %	Fe %	Copper Conc. (DMT)	Contained Copper (t)	Magnetite Conc. (DMT)	Contained Iron (t)
Year 0							
Year 1							
Year 2	3,500,000	0.50	23.5	59.0	14,700	976,000	673,000
Year 3	3,500,000	0.50	23.5	59.0	14,700	976,000	673,000
Year 4	3,500,000	0.55	29.4	65.6	16,400	1,266,000	874,000
Year 5	3,500,000	0.55	29.4	65.6	16,400	1,266,000	874,000
Year 6	3,500,000	0.55	29.4	65.6	16,400	1,266,000	874,000
Year 7	3,500,000	0.58	28.4	69.1	17,300	1,217,000	840,000
Year 8	3,500,000	0.73	22.8	87.1	21,800	944,000	651,000
Year 9	3,500,000	0.77	16.9	91.3	22,800	655,000	452,000
Year 10	2,800,000	0.80	12.3	77.1	19,300	381,000	263,000
Year 11	1,900,000	0.90		57.0	14,300		
Year 12	900,000	0.91		26.9	6.7		
Total	**33,600,000**	**0.63**	**22**	**723**	**181,000**	**8,933,000**	**6,173,000**

Project Development Assumptions

For the Updated Scoping Study the following project development assumptions were used:

- Contract mining operation with all mining equipment supplied by the contractor;
- New process plant constructed at Viscaria with a capacity to treat 3.5Mtpa;
- Trucking of ore from Discovery to Viscaria for processing;
- Copper concentrates railed/trucked to a local smelter; and
- Magnetite concentrate to be purchased by the customer at the mine gate.

Capital Cost

The total capital cost estimate for the initial development and ramp-up of the facilities at the Viscaria Project including mining, logistics and associated infrastructure is estimated to be under US$200M, with a total Life-of-Mine expenditure in the order of US $270M (Table 4). These estimates are to a concept study level of accuracy only (nominally ±35%).

Table 4: Capital Cost Estimates

Item	Cost including contingency of 10% (US$M)	Comments
Processing Plant	170	Cross referenced against similar projects in region
Pit D site establishment	3	Includes provision of site services and access roads
Pre-Strip	21	Based on a mining cost of $3/t waste
Tailings Storage Facility	5	Provisional allowance only
Pre-Production Total	**199**	
Pit A site establishment	2	Includes provision for site services and access roads
Pit B site establishment	2	Includes provision for site services and access roads
Discovery Zone Site establishment	15	Includes provision for site services, access roads, surface water berm, etc.
Replacement Capital	33	A provision of $1/t has been made to cover replacement capital (excludes mining activities–included in mining contractor operating cost).
Closure Costs	20	
Life of Mine Total	**271**	

Operating Cost

The operating cost estimates for the Viscaria Project have been developed on the basis of industry benchmark costs for open pit hard rock mining operations adjusted for the local conditions and actual operating costs for similar sized mines located in similar geographic areas. Table 5 below shows the estimated operating costs for the Viscaria Project.

Table 5: Operating Cost Estimates

Parameter	Unit	Value (US$)	Comment
Mining Cost(ore)	US $/t	4.0	
Mining Cost(waste)	US $/t	3.0	
Processing Costs	US $/t of ore	9.46	
Admin Costs	US $/t of ore	3.08	
Copper Concentrate Freight	US $/DMT conc	15.75	Assumes local smelter
Magnetite Concentrate handling	US $/DMT conc	1.50	To mine gate

Project Economic Assessment Results

Table 6 below summarises the key project economic assessment results of this Updated Scoping Study using the revenue assumptions outlined in Table 1, the capital costs outlined in Table 4 and the operating costs estimates outlined in Table 5.

Table 6: Summary of Economic Assessment

D Zone, A Zone, B Zone and Discovery Zone Open Pit Mining Scenario		
Production Rate	3.5 Mtpa	
Mine Life	10.4 years	
Pre-Production CAPEX	US $199M	Includes 10% contingency and US $ 21M pre-strip
Life-of-Mine CAPEX	US $271M	Includes UD$20 M closure costs
C1 Copper Cash operating costs net of iron credits	$0.90/lb of Cu produced	Range of $0.44/lb to $1.36/lb of Cu produced if $120/t and $80/t for 69% Fe magnetite concentrate used respectively
$NPV_{10\%REAL}$ Pre-Tax	US $248M	US $3.00/lb Cu and US$100/t for 69% Fe magnetite concentrate
IRR	40%	US $3.00/lb Cu and US$100/t for 69% Fe magnetite concentrate

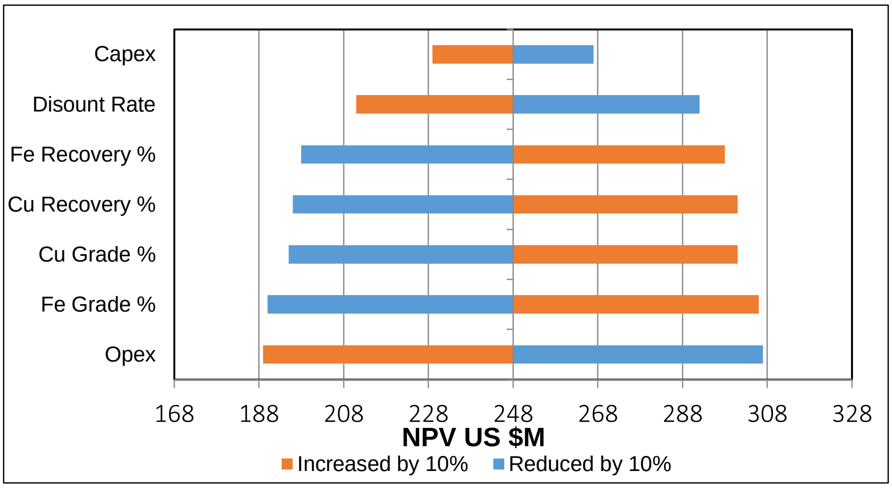
Sensitivity of Project Economic Assessment Results

In order to understand the sensitivity of the Viscaria Project NPV to changes in the revenue assumptions, several other economic assessments were completed. Outlined in Table 7 is the economic assessment results at differing prices of copper and iron. In addition, Figure 4 displays the economic assessment results if any of the key revenue assumptions were either 10% higher or lower than estimated.

Table 7: NPV Sensitivity – Commodity Price Assumptions ($NPV_{10\%\ REAL,\ Pre\ Tax}$)

	Magnetite Price (US $/t 69% Fe concentrate)		
Cu Price (US $/lb)	**$60**	**$80**	**$100**
2.75	-$3M	$98M	$200M
3	$45M	$147M	$248M
3.25	$94M	$195M	$297M
3.5	$144M	$244M	$345M

Figure 4: NPV sensitivity with respect to a 10% change in key revenue assumptions.



Viscaria Copper-Iron Project Metallurgical Testwork Review

In July 2014, Avalon announced the results of a review of all metallurgical test work completed on the Viscaria Copper-Iron Project to date. The metallurgical results reviewed were from test programmes completed on the A Zone (copper mineralisation), B Zone (copper mineralisation) and D Zone (copper-magnetite mineralisation) prospects in 2010 to 2011. The test work activities on the mineralisation zones included: comminution (competency and hardness); flotation (bulk and cleaner, with and without regrind); magnetic separation (Low Intensity Magnetic Separation and Davis Tube); and selected size-by-size analytical and mineralogy test work.

Overall, mineralisation from the A Zone, B Zone and D Zone prospects responded well to conventional mineral processing methods. Flotation test work achieved 94% copper recovery for D Zone at 26% Cu grade and 80% copper recovery for A Zone and B Zone at concentrate grade of 23% Cu. Magnetic separation tests on D Zone float tails for magnetite beneficiation produced a concentrate grade of 70% Fe with low impurity levels.

A Zone and B Zone Mineral Resource Estimates reclassified to JORC 2012

In July 2014, Avalon also announced that the Mineral Resource Estimates for the A Zone and B Zone prospects had been reviewed and reclassified according to the guidelines outlined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2012). The reclassification was completed with no change to the overall tonnes and grade or Mineral Resource classification.

A Zone Mineral Resource Estimate

The Mineral Resource for A Zone is reported as:

- 21,609,000 tonnes @ 1.5% Cu above a 0.4% copper cut-off grade.

The A Zone Prospect was previously mined by Outokumpu OYJ between 1983 and 1997. Development consisted of underground mining utilising sub-level stoping methods. A total of 12.54Mt of ore with an average diluted grade of 2.3% copper was produced during this time. The current resource model has been depleted of these historically mined areas. Table 8 displays the remaining Mineral Resource at A Zone for copper according to Inferred, Indicated and Measured classification.

Table 8: Remaining A Zone Mineral Resource for Copper reported above a 0.4% Cu cut-off

Mineral Resource Category	TONNES (t)	Cu (%)	Copper Metal (t)
Measured	14,439,000	1.7	240,000
Indicated	4,690,000	1.2	57,200
Inferred	2,480,000	1.0	25,500
Total	**21,609,000**	**1.5**	**322,700**

Note: Any discrepancies in the sums and weighted averages are introduced by rounding.

B Zone Mineral Resource Estimate

The Mineral Resource for B Zone is reported as:

- 19,650,000 tonnes @ 0.8% Cu above a 0.4% copper cut-off grade.

Table 9 displays the Mineral Resource at B Zone for copper according to Inferred, Indicated and Measured classification.

Table 9: B Zone Mineral Resource for Copper reported above a 0.4% Cu cut-off

Mineral Resource Category	TONNES (t)	Cu (%)	Copper Metal (t)
Measured	123,000	1.3	1,600
Indicated	4,118,000	0.7	29,700
Inferred	15,410,000	0.8	118,700
Total	**19,650,000**	**0.8**	**149,000**

Note: Any discrepancies in the sums and weighted averages are introduced by rounding.

Metallurgical Testwork Investigation on oxide copper mineralisation from the D Zone Prospect

In May 2014, Avalon announced the results of a preliminary metallurgical investigation into oxide copper mineralisation from the D Zone Prospect of the Viscaria Copper-Iron Project. After seven days, the Bottle Roll Acid leach testing of the crushed oxide copper mineralisation achieved 64% copper extraction at minus 13mm and 81% copper extraction at minus 4mm. The leach rate was moderate at day 7 and further tests will determine the rate and extent of ongoing leaching over an extended time period. Acid consumption is moderate (based on industry averages) at less than 3 kg per kg copper extracted. Therefore, this sample is considered amenable to acid leaching justifying further studies into whether an economically viable leaching operation could be established at Viscaria for the oxide zone.

Demonstrating that the oxide copper mineralisation on the Viscaria Copper-Iron Project is amenable to acid leaching allows Avalon to consider other options for expanding the base case outlined in the Scoping Study Update.

D Zone Mineral Resource Estimate Upgrade

The Mineral Resource Estimate at D Zone Prospect was updated and announced in May 2014 in accordance with the guidelines outlined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2012). The reclassification of the D Zone Mineral Resource Estimate involved a review of all the data and previous resource modelling and resulted in a significant increase in resource confidence, as a portion of the mineralisation was upgraded to Measured Resource classification. The upgrading of resource classification was justified by further Quality Control and Quality Assurance (QA/QC) validation of drill assay results and a continuity analysis of the variography of the resource estimate. The QA/QC validation of drill assay results involved completing a detailed investigation into assay results from the D Zone prospect prior to 2012, which improved the quality and confidence in the assay database. The portion of the D Zone Mineral Resource that was upgraded to the Measured Resource classification was previously part of the Indicated Resource classification and is within the D Zone open pit shell from the Viscaria Copper-Iron Project Scoping Study Update.

The copper and magnetite iron ore Mineral Resources whilst broadly coincident, are modelled and reported separately to avoid mixing geological domains. The Mineral Resources for D Zone are reported as:

- 13.6 million tonnes (Mt) @ 1.00% Cu above a 0.4% copper cut-off grade;
- 25.6 million tonnes (Mt) @ 26.5% Fe at a cut-off above a 15% Mass Recovery grade.

Table 10 and Table 11 display the Mineral Resources at D Zone for copper and magnetite iron according to Inferred, Indicated and Measured classification.

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

Mineral Resource Category	TONNES (Mt)	Cu (%)	Copper Metal (t)
Measured	1.0	1.25	12,000
Indicated	4.2	1.02	43,000
Inferred	8.5	0.96	81,000
Total	**13.6**	**1.00**	**136,000**

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

Mineral Resource Category	TONNES (Mt)	Fe (%)	Mass Recovery (%)	Recoverable Fe (Mt)
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
Total	**25.6**	**26.5**	**32.1**	**5.7**

Note: Any discrepancies in the sums and weighted averages are introduced by rounding. Recoverable Fe = Tonnes x Mass Recovery x Fe % in concentrate (69% Fe) and is based on DTR test work at a 75 micron grind size.

Discovery Zone Mineral Resource Upgrade

In April 2014, Avalon announced an upgraded Mineral Resource Estimate for the Discovery Zone Prospect according to the guidelines outlined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012). The new Discovery Zone Mineral Resource Estimate has an increased copper grade of 0.8% Cu, compared to 0.3% Cu in previous estimates, which has resulted in a 110% increase in contained copper to 71,000 tonnes. The gold grade of the new Discovery Zone Mineral Resource has also increased to 0.19g/t Au from 0.08g/t Au, which has resulted in a 96% increase in contained gold to 55,000 ounces. The increase in copper and gold grade and contained metal relate to a re-interpretation of the geology of the Discovery Zone mineralisation and some changes to the modelled distribution of copper and gold grades.

The new Discovery Zone Mineral Resource has also been upgraded in terms of resource confidence with 30% of the previously Inferred Mineral Resource, being increased to the Indicated Resource classification. This increased confidence is the result of validation of historic drill assay results and a continuity analysis of the variography of the resource estimate. The validation of historic drill assay results involved re-assaying historic drill samples, which delivered an improved assay database of enhanced quality and confidence.

The magnetite iron ore and copper/gold Mineral Resources whilst broadly coincident, are modelled and reported separately to avoid mixing geological domains. The new Mineral Resources for the Discovery Zone are reported as:

- 9.0 million tonnes (Mt) @ 0.80% Cu and 0.19g/t Au above a 0.4% copper cut-off grade.
- 9.7 million tonnes (Mt) @ 38.5% Fe at a cut-off above a 15% Mass Recovery grade.

Table 12 and Table 13 display the Mineral Resources at Discovery Zone for copper/gold and magnetite iron according to Inferred and Indicated classification.

Table 12: Discovery Zone Mineral Resource for Copper-Gold reported above a 0.4% Cu cut-off

Mineral Resource Category	TONNES (Mt)	Cu (%)	Au (g/t)	Copper Metal (t)	Gold Metal (oz)
Indicated	2.8	1.07	0.23	25,000	21,000
Inferred	6.1	0.96	0.17	46,000	34,000
Indicated + Inferred	**9.0**	**0.80**	**0.19**	**71,000**	**55,000**

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

Mineral Resource Category	TONNES (Mt)	Fe (%)	Mass Recovery (%)	Recoverable Iron* (Mt)
Indicated	3.0	40.6	53.2	1.1
Inferred	6.7	37.7	49.0	2.3
Indicated + Inferred	**9.7**	**38.5**	**50.3**	**3.4**

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

Approvals

Mining Exploitation Concessions (MEC)

a) Viscaria MEC

Three Mining Exploitation Concession (MEC) applications for the Viscaria area were submitted to the Bergsstaten (Swedish Mines Department) in April 2010 and were significantly amended in early 2011 following submissions from the city of Kiruna. Subsequently, the Bergsstaten approved two of the MEC areas; Viscaria K3 and Viscaria K4. The two MEC areas granted cover the D Zone and the southern area of the A Zone and B Zone mining areas.

The third MEC application (Viscaria K7) covering the northern parts of A Zone and B Zone was held by the Bergstatten until the Kiruna town planning committee could rezone the land, which currently also includes power generation windmills and a powerline. In December 2013, Avalon was informed that the amendment to the Kiruna town planning act had been completed. Subsequently, the Bergstatten requested updated information in the forms of maps and stakeholder lists, which was provided. It is estimated that this application will be decided in Q4 2014.

b) Discovery Zone MEC

The Mining Exploitation Concession (MEC) application at the Discovery Zone (Rakkurijärvi K1) was submitted to the Bergsstaten on August 29, 2014.

Environment Impact Assessment

The Company is also undertaking various studies in relation to environmental baseline data across the Viscaria Copper-Iron Project (including the Discovery Zone). These include a site-wide hydrological survey and water management plan, and planning for additional flora and fauna studies. The results of this work will be utilised in the Viscaria Project Environmental Impact Assessment (EIA) submission which is required ahead of further project approvals.

Significant changes in the state of affairs

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

Likely developments and expected results

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

Environmental regulation

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

Directors

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

Current directors:

Mr Graham Ascough *(appointed as Non-Executive Chairman 29 November 2013)*
Chairman of the Audit Committee & Member of the Remuneration Committee

Experience and expertise

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

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

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

Other directorships of listed companies in the past three years

Phoenix Copper Limited (appointed 7 December 2012)
Mithril Resources Limited (appointed 9 October 2006)
Musgrave Minerals Limited (appointed 26 May 2010)
Aguia Resources Limited (appointed 19 October 2010, resigned 15 November 2013)
Reproductive Health Services Limited (appointed 31 July 2013, retired 2 April 2014)

Mr Malcolm Norris *(appointed as CEO & Managing Director 1 April 2014)*
Member of the Remuneration Committee & Audit Committee

Experience and expertise

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

Mr Norris holds an MSc in Geology and a Graduate Diploma in Applied Finance. He has more than 30 years of industry experience and in the last 15 years has focused primarily on corporate roles. He led the team which discovered the giant 2Bt Tujuh Bukit copper-gold deposit in Indonesia and most recently was CEO and Managing Director at SolGold PLC. Previous roles have focussed on implementing significant change, building new teams and new portfolios, along with interacting with investors (Australia, UK, Europe, and North America), and raising equity.

Other directorships of listed companies in the past three years

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

Mr Crispin Henderson *(appointed as Non-Executive Chairman 25 March 2013, resigned as Non-Executive Chairman 29 November, non-executive director thereafter)*
Member of the Remuneration Committee & Audit 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 2012-2013). 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 Paul Niardone *(appointed as a Non-Executive Director 10 February 2012)*
(Chairman of the Remuneration Committee & Member of the Audit Committee)

Experience and expertise

Mr Niardone (MBA) was the executive director and founder of Professional Public Relations (WA), the largest PR and communications firm in Western Australia. He was the founding Chairman of Bellevue Resources Limited and has experience in marketing, investor relations and strategic planning in both the Government and private sectors. He has been a member of the Australian Marketing Institute, the Institute of Management Consultants and the Institute of Company Directors. Currently Mr Niardone is the CEO of the Ausnet Group, a real estate and financial services group of companies with $2 billion of property sales and $1 billion loan book.

Other directorships of listed companies in the past three years:

Meridian Minerals Limited – 2007 to December 2011

Mr Don Hyma *(appointed as a Non-Executive Director 19 March 2014)*
Member of the Remuneration Committee & Audit 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

Ms Roslynn Shand *(appointed 16 February 2012)*

Ms Shand (BA/LLB) has over 20 years' experience in Company Secretary roles in Australia within the mineral, resource, agricultural, financial and bio-tech industries. In previous roles, Ms Shand was Company Secretary for Discovery Metals and Meridian Minerals. Ms Shand has a combined degree in Arts/Law from the University of Queensland and is a fellow of the Governance Institute of Australia.

Previous directors:

Dato Seri Siew Mun Chuang *(appointed as Deputy Chairman 10 February 2012, resigned 29 November 2013)*
(former member of the Audit Committee)

Mr Jeremy Read *(Managing Director until 26 September 2013, resigned as Director 29 November 2013)*

Mr Siew Mun Wai *(appointed as non-executive Director 10 February 2012, resigned 29 November 2013)*
(former Chairman of the Audit Committee and member of the Remuneration Committee)

Mr Seng Han Gary Goh *(appointed as non-executive Director 10 February 2012, resigned 29 November 2013)*
(former member of the Remuneration Committee)

Mr Ler Leong Keh *(appointed as Alternate Director for Data Siew Mun Chuang 2 August 2013, resigned 29 November 2013)*

Mr David Sanders *(appointed as Alternate Director for Siew Mun Wai 1 November 2013, resigned 29 November 2013)*

Directors' interests in shares and options

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

	Ordinary Shares		Options over Ordinary Shares		Performance Rights	
	Direct	**Indirect**	**Direct**	**Indirect**	**Direct**	**Indirect**
Mr G Ascough	-	-	-	-	-	-
Mr M Norris	2,291,849	-	-	-	-	-
Mr C Henderson	6,075,208	-	-	-	-	-
Mr P Niardone	4,200,000	200,000	2,800,000	-	3,500,000	-
Mr D Hyma	-	-	-	-	-	-

Meetings of Directors

There were **70** meetings of the Company's board of Directors held during the year ended 30 June 2014. 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	1	1	1	1
Mr Malcolm Norris	4	4	-	-	-	-
Mr Crispin Henderson	70	68	1	1	1	1
Mr Paul Niardone	69	64	1	1	2	2
Mr Don Hyma	4	4	-	-	-	-
Mr Jeremy Read	58	52	-	-	-	-
Dato Seri Siew Mun Chuang	47	29	-	-	1	1
Mr Siew Mun Wai	47	25	-	-	1	1
Mr Seng Han Gary Goh	59	47	-	-	-	-
Mr Ler Leong Keh (1)	15	15	-	-	-	-
Mr David Sanders (2)	10	10	-	-	-	-

(1) alternate for Dato Seri Siew Mun Chuang (appointed 2 August 2013, resigned 29 November 2013)

(2) alternate for Mr Siew Mun Wai (appointed 1 November 2013, resigned 29 November 2013)

Various issues were addressed by the Board during the year, including, amongst other things, meetings to discuss the Takeovers Panel matter. Due to the nature of the topics discussed at certain meetings, various directors were excluded from certain meetings. As such, the numbers of meetings for which each director was entitled to attend varied.

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

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 company secretary of the Group.

Remuneration report (Audited)

Key management personnel at the date of this report are:

Directors of the Company

Chairman

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

Managing Director / CEO

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

Non-Executive Directors

Mr Crispin Henderson	Non-Executive Director (appointed 25 March 2013 – Non-Executive Chairman until 29 November 2013, Non-Executive Director thereafter)
Mr Paul Niardone	Non-Executive Director (appointed 10 February 2012)
Mr Don Hyma	Non-Executive Director (appointed 19 March 2014)

Other directors during the year were:

Mr Jeremy Read	Previous Managing Director (Managing Director from 10 February 2012 until 26 September 2013, then Non-Executive Director until resignation on 29 November 2013)
Dato Seri Siew Mun Chuang	Non-Executive Director, previously Non-Executive Deputy Chairman (appointed 10 February 2012, resigned 29 November 2013)
Mr Siew Mun Wai	Non-Executive Director (appointed 10 February 2012, resigned 29 November 2013)
Mr Seng Han Gary Goh	Non-Executive Director (appointed 10 February 2012, resigned 29 November 2013)
Mr Ler Leong Keh	Alternate Director for Dato Seri Siew Mun Chuang (appointed 2 August 2013, resigned 29 November 2013)
Mr David Sanders	Alternate Director for Mr Siew Mun Wai (appointed 1 November 2013, resigned 29 November 2013)

Other key management personnel

Dr Quinton Hills	Exploration Manager (appointed 12 March 2012)
Ms Roslynn Shand	Company Secretary (appointed 13 February 2012)
Ms Linda Cochrane	Chief Financial Officer (appointed 20 February 2012, ceased 15 November 2013)
Ms Louise Lindskog	Country Manager Sweden (appointed 12 November 2012, ceased 17 December 2013)
Mr Ian Wallace	Business Manager (appointed 13 February 2012, ceased 29 June 2014)

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 Consolidated Entity's executive reward framework is designed to reward performance for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and seeks to conform 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 Consolidated Entity has structured an executive remuneration framework that aims to be market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- focuses on exploration success as the creation of shareholder value and returns
- attracts and retains high calibre executives.

Alignment to program participants' interests:

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

The framework currently consists of fixed remuneration and variable remuneration.

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

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

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

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.

Remuneration report (Audited) (continued)

Directorsôfees

The current base remuneration was reviewed by the Board on 19 December 2013. Directors' remuneration is inclusive of committee fees.

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

Retirement allowances for Directors

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

Executive pay

The executive pay and reward framework has two components:

- Fixed remuneration (base salary, superannuation & other non-monetary benefits)
- Variable remuneration (long-term incentives through participation in the Employee Share Option plan, performance rights plan and short-term incentives through cash bonuses)

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

Fixed Remuneration

- *Base salary*

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

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

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

- *Non-monetary benefits*

  Executives may receive benefits including memberships, car allowances, car parking and reasonable entertainment.

- *Post-employment benefits*

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

- *Long-term benefits*

  Long-term benefits include long service leave entitlements.

Variable Remuneration

- *Employee Share Option Plan / Performance Rights Plan*

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

Remuneration report (Audited) (continued)

Performance Conditions:

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

Each tranche of shares are not able to be released from the plan until the performance based vesting conditions for that tranche have been achieved. The performance conditions of Tranche two were met on 29 October 2012 and the shares vested with Directors, Key Management Personnel and other employees on 7 November 2012. Under the plan rules, any performance rights on issue to any Directors, Key Management Personnel or employees automatically lapse upon cessation of employment with the Company. The conditions of Tranche one and three have not been met at the date of this report. No options were issued during the current financial year.

- *Cash bonuses*

The Board may exercise its discretion to award cash bonuses to executives based upon individual performance. No cash bonuses were issued during the year ended 30 June 2014 (2013: nil).

Response to vote against 2013 Remuneration Report

At Avalon's 2013 Annual General Meeting, Avalon received votes against its Remuneration Report representing greater than 25% of the votes cast by persons entitled to vote. Avalon therefore received a "Second Strike" against its 2013 Remuneration Report. A "spill" resolution was put to the meeting of shareholders; however, that motion was not carried as an ordinary resolution on a poll. As part of the restructure of the Board that occurred on the day of the AGM, the number of directors reduced from six to three. In March 2014, a further non-executive director was appointed, with a Managing Director/CEO appointed effective 1 April 2014. The current board now consists of 5 directors.

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

Remuneration report (Audited) (continued)

B Details of remuneration

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

2014	**Short-term benefits**			**Post-Employment benefits**		**Long-term benefits**	**Share-based payments**			
Name	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Termination Payments $**	**Long service leave $**	**Remuneration received as Options and Rights %**	**Options and Rights $**	**Total $**	**Performance related %**
Directors of Avalon Minerals Limited:										
Mr G Ascough [(1)]	43,750	-	-	-	-	-	-	-	43,750	-
Mr M Norris [(1) (3)]	52,500	-	453	21,244	-	-	-	6,490	80,687	8.0%
Mr C Henderson	80,417	-	-	-	-	-	-	-	80,417	-
Mr J Read [(2)]	146,132	-	624	8,333	358,750	-	-	(101,974)	411,865	(24.8%)
Dato Seri Siew Mun Chuang [(2)]	6,667	-	-	-	-	-	-	-	6,667	-
Mr P Niardone	41,583	-	-	1,418	-	-	-	53,445	96,446	55.4%
Mr D Hyma [(1)]	12,702	-	-	-	-	-	-	-	12,702	-
Mr Siew Mun Wai [(2)]	12,000	-	-	1,110	-	-	-	-	13,110	-
Mr Seng Han Gary Goh [(2)]	15,333	-	-	1,418	-	-	-	-	16,751	-
Mr Ler Leong Keh [(2) (4)]	-	-	-	-	-	-	-	-	-	-
Mr David Sanders [(2) (4)]	-	-	-	-	-	-	-	-	-	-
Other key management personnel:---										
Dr Q Hills	241,199	-	2,325	22,311	-	-	-	35,100	300,935	11.7%
Mr I Wallace [(2)]	260,659	-	2,325	24,111	126,690	-	-	(32,504)	381,281	(8.5%)
Ms R Shand *	94,842	-	1,163	8,773	-	-	-	12,150	116,928	10.4%
Ms L Cochrane * [(2)]	51,317	-	-	3,804	-	-	-	(11,251)	43,870	(25.6%)
Ms L Lindskog [(2)]	94,201	-	-	29,598	-	-	-	(16,215)	107,584	(15.1%)
Total	**1,153,302**	**-**	**6,890**	**122,120**	**485,440**	**-**	-	**(54,759)**	**1,712,993**	

* Employed on a part time basis

1. Appointed during the year.
2. Resigned/finished during the year.
3. Refer note (19) regarding deemed issue of options to Mr M Norris
4. Alternate directors

Remuneration report (Audited) (continued)

2013	Short-term benefits			Post-Employment benefits	Long-term benefits	Share-based payments			
Name	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Superannuation $**	**Long service leave $**	**Remuneration received as Options and Rights %**	**Options and Rights $**	**Total $**	**Performance related %**
Directors of Avalon Minerals Limited:									
Mr J Read	354,751	-	6,467	25,000	-	66.4%	763,246	1,149,464	66.4%
Mr C Henderson (1)	35,000	-	-	-	-	-	-	35,000	-
Tan Sri Abu Sahid Bin Mohammed (2) (5)	-	-	-	-	-	100.0%	22,550	22,550	100.0%
Dato Seri Siew Mun Chuang (5)	-	-	-	-	-	-	-	-	-
Mr P Niardone	35,686	-	-	3,212	-	91.7%	427,418	466,316	91.7%
Mr Siew Mun Wai	35,686	-	-	3,211	-	-	-	38,897	-
Mr Seng Han Gary Goh	35,686	-	-	3,212	-	-	-	38,898	-
Other key management personnel:									
Dr Q Hills	218,992	-	6,467	19,709	-	66.9%	495,916	741,084	66.9%
Mr I Wallace	238,900	-	6,467	21,501	-	65.0%	495,916	762,784	65.0%
Ms R Shand *	90,917	-	-	8,182	-	63.4%	171,663	270,762	63.4%
Ms L Cochrane *	126,797	-	6,467	11,412	-	54.3%	171,663	316,339	54.3%
Ms L Lindskog (3)	204,759	-	-	43,264	-	41.5%	176,089	424,112	41.5%
Mr N Bryce (4)	52,041	-	-	935	-	-	-	52,976	-
Total	**1,429,215**	**-**	**25,868**	**139,638**	**-**		**2,724,461**	**4,319,182**	

* Employed on a part time basis

1. Mr C Henderson was appointed as Non-Executive Chairman on 25 March 2013.
2. Tan Sri Abu Sahid Bin Mohamed was appointed as Director on 12 January 2009, appointed Non-Executive Chairman on 9 February 2012 and resigned on 25 March 2013.
3. Ms L Lindskog resigned as Exploration Manager on 7 December 2011, recommenced as Country Manager Sweden on 12 November 2012.
4. Mr N Bryce resigned on 20 July 2012.
5. Tan Sri Abu Sahid Bin Mohamed and Dato Seri Siew Mun Chuang have elected not to receive any Director fees for their services to the Group.

Remuneration report (Audited) (continued)

C Executive Contractual Arrangements

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

Mr Malcolm Norris, Managing Director

Base salary, exclusive of superannuation and other benefits, is $270,000, to be reviewed on 1 July 2015 and annual thereafter. Four weeks annual leave is provided.

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

Other Key Management

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

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 during the 2014 financial year.

Subject to obtaining shareholder approval, the Company has offered a total of 40,000,000 options to Mr M Norris on the following terms:

- 15 million options each to acquire one new ordinary share in Avalon Minerals Limited exercisable at a price, rounded to the nearest tenth of a cent, 50% above the closing price of the company's shares on the date shareholder approval is granted, with an exercise period of 3 years commencing on the date shareholder approval is granted and expiring on the third anniversary of that date; and
- 25 million options each to acquire one new ordinary share in Avalon Minerals Limited exercisable at a price rounded to the nearest tenth of a cent, 100% above the closing price of the company's shares on the date shareholder approval is granted, with an exercise period of 5 years commencing on the date shareholder approval is granted and expiring on the fifth anniversary of that date.
- For accounting purposes the issue of options were deemed to have been issued on 1 April 2014 when employment commenced although it is subject to shareholder approval at the next meeting of Shareholders. The share option charge for the current financial year has been calculated at $6,490 and has been included as an expense in the current financial year.

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

<u>*Option movements during the 2014 financial year:*</u>

There were options deemed to have been granted during the year.

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

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

Remuneration report (Audited) (continued)

Number of options	Beginning balance	Granted as remuneration	Exercised during year	Options lapsed	Balance exercisable at end of year (1)
Directors					
Mr M Norris (1)	-	-	-	-	-
Mr J Read (2)	5,000,000	-	-	-	5,000,000
Mr P Niardone	2,800,000	-	-	-	2,800,000
Other KMP					
Dr Q Hills	2,600,000	-	-	-	2,600,000
Mr I Wallace (1)	2,600,000	-	-	-	2,600,000
Ms R Shand	900,000	-	-	-	900,000
Ms L Cochrane (1)	900,000	-	-	-	900,000
Ms L Lindskog (1)	1,200,000	-	-	-	1,200,000
	16,000,000	**-**	**-**	**-**	**16,000,000**

(1) For accounting purposes, the issue of a total of 40,000,000 options was deemed to have been occurred on 1 April 2014 when employment commenced although it is subject to shareholder approval at the next meeting of Shareholders.
(2) Resigned/finished during the year

Performance Rights

There were no performance rights issued or vested during the year. However, in accordance with the rules of the performance rights plan, 12,425,000 performance rights had been lapsed by the end of the financial year due to Key Management Personnel no longer being in the Company's employ.

Performance Rights movements during the 2014 financial year:

The Performance Rights movement for each Director and Key Management Personnel and by tranche is as follows:

	Tranche 1 No	Tranche 3 No	Year Granted	Lapsed	Balance at end of year
Directors					
Mr M Norris					
Mr J Read **(1)**	2,500,000	3,750,000	2012	(6,250,000)	-
Mr P Niardone	1,400,000	2,100,000	2012		3,500,000
Other KMP					
Mr Q Hills	1,300,000	1,950,000	2013		3,250,000
Mr I Wallace **(1)**	1,300,000	1,950,000	2013	(3,250,000)	
Ms R Shand	450,000	675,000	2013		1,125,000
Ms L Cochrane **(1)**	450,000	675,000	2013	1,125,000)	
Ms L Lindskog **(1)**	600,000	1,200,000	2013	(1,800,000)	
	8,000,000	12,300,000		12,425,000	7,875,000

(1) Resigned/finished during the year

Performance Rights Conditions

The performance rights have been granted subject to the completion and achievement of various milestones, with two separate tranches currently remaining.

1. Tranche one = the closing price of the shares being 12c or more for 10 consecutive ASX trading days
2. Tranche three = the closing price of the shares being 30c or more for 10 consecutive ASX trading days

The performance rights vest upon achievement of the performance conditions which may occur any time between grant date and their expiry date of 5 June 2019.

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

Remuneration report (Audited) (continued)

Shares Issued as a result of the Exercise of Options

There were no shares issued as a result of the exercise of options during the 2014 year.

Shares Issued as a result of vesting performance rights

There were no shares issued as a result of the vesting of performance rights during the 2014 year.

E Additional information

	2014	2013	2012	2011	2010
Impact on shareholder wealth					
Loss per share (cents)	**(0.4)**	(1.4)	(1.8)	(1.1)	(1.1)
Share price (cents)	**0.9**	1.7	7.0	17.0	17.0

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

Loans to key management personnel

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

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 Consolidated Entity, including their personally related entities, are set out below.

	Balance at the beginning of the period	**Received during the period on the exercise of performance rights or options**	**Other changes during the period (1)**	**Balance at the end of the period**
Directors				
Mr G Ascough	-	-	-	-
Mr M Norris (1)	-	-	2,291,849	2,291,849
Mr C Henderson (1)	3,037,604	-	3,037,604	6,075,208
Mr J Read (3)	4,250,000	-	(4,250,000)	nil
Mr P Niardone (1)	2,200,000	-	2,000,000	4,200,000
Mr D Hyma	-	-	-	-
Dato Seri Siew Mun Chuang (1) (2)	27,760,833	-	27,760,833	55,521,666
Mr Siew Mun Wai (2)	-	-	-	-
Mr Seng Han Gary Goh (2)	-	-	-	-
Other KMP				
Dr Q Hills	2,150,000	-	-	2,150,000
Mr I Wallace (2)	2,050,000	-	-	2,050,000
Ms L Cochrane (2)	675,000	-	(650,000)	25,000
Ms R Shand	675,000	-	-	675,000
Ms L Lindskog (2)	600,000	-	-	600,000
Totals:	**43,398,437**	**-**	**30,190,286**	**73,588,723**

(1) Other changes represent on-market share purchases or sales, off-market share transfers and rights issue entitlements; and in the case of newly appointed KMP, shares owned at the date of commencement.
(2) Resigned, terminated and/or departed during the year

End of Remuneration Report

Share options

Unissued Shares

As at the date of this report, as detailed below, there were 26,000,000 unissued ordinary shares under option.

Date options vested	Expiry date	Exercise price	Number under option
20 March 2012	30 September 2015	5 cents	6,000,000
5 June 2012	30 September 2015	5 cents	7,800,000
27 July 2012	30 September 2015	5 cents	11,000,000
29 September 2012	30 September 2015	5 cents	1,200,000
			26,000,000

In addition and subject to obtaining shareholder approval, the Company has offered a total of 40,000,000 options to Mr M Norris.

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 35.

Non-Audit Services

During the year BDO Audit Pty Ltd, the Group's auditor, has performed certain other services in addition to their statutory duties.

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

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

Audit and Non-Audit Services

Details of the amounts paid to the auditors of the Group, currently BDO Audit Pty Ltd and previously KPMG, and their related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	2014 $	2013 $
BDO Audit Pty Ltd		
Audit services:		
Auditors of the Group:		
Audit and review of financial reports	**59,527**	-
Other assurance services		
Technical accounting advice and payroll/VAT services in Sweden	**13,597**	-
Other services		
Taxation compliance services	**10,940**	-
	84,064	-
KPMG		
Audit services:		
Auditors of the Group:		
Audit and review of financial reports	**-**	61,882
Other assurance services		
Technical accounting advice and payroll/VAT services in Sweden	**8,250**	7,060
Other services		
Taxation compliance services	**16,220**	53,841
	24,470	122,783

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

Mr Graham Ascough

Chairman

Brisbane, Queensland

30 September 2014

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DECLARATION OF INDEPENDENCE BY A S LOOTS TO THE DIRECTORS OF AVALON MINERALS LIMITED

As lead auditor of Avalon Minerals Limited for the year ended 30 June 2014, 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 S Loots

Director

BDO Audit Pty Ltd

Brisbane, 30 September 2014

AVALON MINERALS
Corporate Governance Statement

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 (appointed 1 April 2014)	
Mr Crispin Henderson	Non-Executive Director	Independent
Mr Paul Niardone	Non-Executive Director	Independent
Mr Don Hyma	Non-Executive Director (appointed 19 March 2014)	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 consolidated entity other than income as derived as a Director of the entity.

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

Board Composition

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

Director and Executive Education

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

Term of Appointment as a Director

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

Risk Management and internal compliance and controls

Audit and Financial Risk Committee

The board has established an Audit and Financial Risk Committee.

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 Graham Ascough (Chairman)   Mr Crispin Henderson   Mr Paul Niardone   Mr Don Hyma   Mr Malcolm Norris

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 times during the financial year. The Managing Director and the Chief Financial Officer are invited to attend the Committee meetings.

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

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

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

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

Remuneration/Nomination and Performance

The Board has established a Remuneration and Nomination Committee with all directors are 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 Paul Niardone (Chairman)   Mr Crispin Henderson   Mr Don Hyma   Mr Graham Ascough   Mr Malcolm Norris

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 Company Secretary and a female administrator based in Sweden.

External Auditors

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

Other Information

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

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

AVALON MINERALS

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue from continuing operations	5	42,012	106,352
Other income	5	1,699	3,356
Employee benefits expense	6	(1,670,102)	(5,037,036)
Corporate and administration expenses		(2,346,398)	(1,172,949)
Depreciation expense		(56,754)	(91,710)
Exploration expenditure not capitalised		(171,390)	-
Interest paid		(3,668)	(9)
Loss before income tax		**(4,204,601)**	(6,191,996)
Income tax expense	7	-	-
Net loss for the year		**(4,204,601)**	(6,191,996)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences (loss)/gain– foreign operations		(1,418,361)	3,757,732
Total comprehensive income / (loss) for the year		**(5,622,962)**	(2,434,264)
Net loss for the year is attributable to:			
Members of Avalon Minerals Limited		(4,204,601)	(6,191,996)
		(4,204,601)	(6,191,996)
Total comprehensive income / (loss) for the year attributable to:			
Members of Avalon Minerals Limited		**(5,622,962)**	(2,434,264)
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
		Cents	Cents
Basic earnings per share	26	**(0.4)**	(1.4)
Diluted earnings per share	26	**(0.4)**	(1.4)

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

AVALON MINERALS
Consolidated Statement of Financial Position
As at 30 June 2014

	Note	2014 $	2013 $
Current assets			
Cash and cash equivalents	8	684,747	1,185,959
Trade and other receivables	9	47,807	201,222
Total current assets		**732,554**	1,387,181
Non-current assets			
Property, plant and equipment	10	291,858	415,470
Exploration and evaluation assets	11	36,853,557	37,494,950
Total non-current assets		**37,145,415**	37,910,420
Total assets		**37,877,969**	39,297,601
Current liabilities			
Trade and other payables	12	336,399	2,574,883
Provisions	13	83,711	102,465
Total current liabilities		**420,110**	2,677,348
Total liabilities		**420,110**	2,677,348
Net assets		**37,457,859**	36,620,253
Equity			
Contributed equity	14	57,591,829	50,710,149
Reserves	15	3,454,870	5,294,343
Accumulated losses		(23,588,840)	(19,384,239)
Total equity		**37,457,859**	36,620,253

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

AVALON MINERALS

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

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

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

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

AVALON MINERALS

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from to/from operating activities			
Payments to suppliers and employees		**(5,328,895)**	(2,242,652)
Sundry income	5	**1,699**	3,356
Interest paid		**(3,668)**	(9)
Interest received	5	**42,012**	106,352
Net cash (used in)/ from operating activities	23	**(5,288,852)**	(2,132,953)
Cash flows to/from investing activities			
Payments for plant and equipment		**(3,708)**	(238,930)
Payments for exploration and evaluation expenditure		**(1,749,177)**	(10,559,723)
Net cash (used in)/provided by investing activities		**(1,752,885)**	(10,798,653)
Cash flows to/from financing activities			
Proceeds from issue of securities		**6,652,360**	14,263,430
Costs of share issues		**(77,340)**	(860,946)
Net cash provided by financing activities		**6,575,020**	13,402,484
Net increase/(decrease) in cash		**(466,717)**	470,878
Effect of exchange rate fluctuations on cash held		**(34,495)**	20,771
Cash and cash equivalents at the beginning of the financial year		**1,185,959**	694,310
Cash at the end of the financial year	8	**684,747**	1,185,959

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

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied for the financial year to 30 June 2014, unless otherwise stated.

Corporate information

The consolidated financial report of Avalon Minerals Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 30 September 2014.

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 65 Park Road, Milton QLD 4064.

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

Through the use of the internet, the Company seeks to ensure that our corporate reporting is timely, complete and available globally at minimum cost to the Consolidated Entity. All financial reports, Company announcements and other information 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 consolidated entity incurred a net loss of $4,204,601 for the year ended 30 June 2014 (2013: $6,191,996). As at 30 June 2014 the consolidated entity has net cash reserves of $684,747 (2013: $1,185,959) and a net current asset surplus of $312,444 (2013: deficit of $1,290,167).

The consolidated entity also has a second payment of $3 million (refer note 12) in relation to the acquisition of Rakkurijarvi Exploration Permit and the Discovery Zone Exploitation Concession. This amount is due for payment following the grant of the Discovery Zone Exploitation Concession. The $3 million is a commitment for expenditure rather than a liability as at 30 June 2014 (refer Note 12).

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

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

These conditions give rise to material uncertainty over the consolidated entity'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 consolidated entity has funded its activities through issuance of equity securities and it is expected that the consolidated entity will be able to fund its future activities through further issuances of equity securities; and
- The directors believe there is sufficient cash available for the consolidated entity to continue operating until it can raise sufficient further capital to fund its ongoing activities.

Note 1. Summary of Significant Accounting Policies (continued)

Should the consolidated entity 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 consolidated entity 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 2014 and the results of all the subsidiaries for the financial period then ended.

The Company and its subsidiaries together are referred to in this financial report as the Group or Consolidated Entity.

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

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

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

(d) Operating segments

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

(e) Revenue recognition

Interest income

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

(f) Income tax

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

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

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

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

(g) Leases

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

Note 1. Summary of Significant Accounting Policies (continued)

(i) Impairment of assets

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in profit or loss.

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

Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(j) Cash and cash equivalents

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

(k) Trade receivables

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

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

Note 1. Summary of Significant Accounting Policies (continued)

Loans and receivables

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

(m) Plant and equipment

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

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to 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
-	Furniture, fittings and equipment	3-5 years
-	Computer and electronic equipment	3-5 years

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

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

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

(n) Trade and other payables

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

(o) Provisions

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

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

(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 Consolidated Entity contributes to various defined contribution superannuation funds for its employees.

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

Note 1. Summary of Significant Accounting Policies (continued)

(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.

(s) Exploration and evaluation expenditure

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

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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

(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 January 2013.

- AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosures'

Note 1. Summary of Significant Accounting Policies (continued)

This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.

In the current year the individual key management personnel disclosure previously required by AASB 124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.

In the current year, the Group has applied for the first time AASB 10, AASB 11, AASB 12 and AASB 128 (as revised in 2011) together with the amendments to AASB 10, AASB 11 and AASB 12 regarding the transitional guidance. AASB 127 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

- AASB 10 'Consolidated Financial Statements'

  AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

  This has no material impact on the Group as the Group entities are all 100% controlled.

- AASB 11 Joint Arrangements

  AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, AASB 131 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under AASB 131 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

  The Group does not currently have any joint arrangements.

- AASB 12 Disclosure of Interests in Other Entities

  AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements

- AASB 13 Fair Value Measurement

  The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value.

Note 1. Summary of Significant Accounting Policies (continued)

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period. Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.

- AASB 119 Employee Benefits

  In the current year, the Group has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time.

  AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits.

Standards and Interpretations on issue not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the Consolidated Entity for the reporting period ending 30 June 2014. The expected impact of the new and amended standards and interpretations on the Consolidated Entity has not yet been determined. These include:

- AASB 9 'Financial Instruments', and the relevant amending standards
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 135 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'

Note 2. Financial instruments and financial risk management

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

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

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

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

(i) *Credit risk*

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

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

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

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

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

No impairment of the Group's financial assets was recognised during the year ended 30 June 2014 (2013: $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:

	2014 **$**	2013 $
Liquid financial assets		
Three months or less	696,680	1,313,959
Greater than three months	35,874	73,222
	732,554	1,387,181
Financial liabilities		
Three months or less	336,399	2,574,883
	336,399	2,574,883

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.

	2014 **$**	2013 $
Financial assets		
Cash and cash equivalents	684,747	1,185,959
	684,747	1,185,959

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

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

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

	Higher/(Lower)	
	2014 **$**	2013 $
Judgments of reasonably possible movements:		
Post tax loss		
+1.0% (100 basis points)	6,847	11,859
-1.0% (100 basis points)	(6,847)	(11,859)

The average interest rate for the year ended 30 June 2014 was 2.75% (2013: 3.5%).

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 2014 which create a material exposure to changes in foreign exchange rates.

Note 3. Accounting estimates and judgements

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

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

Exploration and evaluation expenditure

The Consolidated Entity has carrying balances for exploration and evaluation. Exploration and evaluation costs have been capitalised on the basis that the consolidated entity 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.

Note 4. Segment reporting

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

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

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

Accounting policies and inter-segment transactions

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

Note 4. Segment reporting (continued)

Geographical areas

Revenue from external sources and non-current assets by geographical location is detailed below.

	2014 $	2013 $
Revenue/Income		
Australia	40,800	107,416
Sweden	2,911	2,292
Total Revenue	**43,711**	109,708
The analysis of the location of non-current assets is as follows:		
Australia	69,035	124,362
Sweden	37,076,380	37,786,058
Total Non-current assets	**37,145,415**	37,910,420

Note 5. Revenue and other income

	2014 $	2013 $
Interest revenue	42,012	106,352
Sundry income	1,699	3,356

Note 6. Expenses

Loss before income tax includes the following:

	2014 $	2013 $
Employee benefits expense *		
Salaries & wages	747,778	1,132,307
Directors' fees	218,094	147,604
Defined contribution superannuation expense	70,014	73,070
Share based payments	(37,112)	3,487,358
Movement in leave provisions	(6,337)	15,662
Termination payments	485,440	-
Other	192,225	181,035
	1,670,102	5,037,036

* Excludes employee costs capitalised to exploration and evaluation expenditure

Rental expense relating to operating lease	110,273	118,727

Note 7. Income tax

	2014 **$**	2013 $
(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	**(4,204,601)**	(6,191,996)
At the Group's statutory income tax rate of 30%	**(1,261,380)**	(1,857,599)
Expenditure not allowable for income tax purposes	**220,136**	1,046,207
Deductible share issue costs		(17,780)
Prior year adjustment to Deferred Tax Assets		(20,437)
Adjustment for lower corporate tax rate in Sweden		-
Deferred tax asset not brought to account as realisation is not considered probable	**1,041,244**	849,609
Income tax expense	**-**	-

	Statement of Financial Position	
	2014 **$**	2013 $
Deferred tax liabilities		
Prepayments	**-**	12,422
Deferred tax liabilities offset by deferred tax assets	**-**	(12,422)
Net deferred tax liabilities	**-**	-
Deferred tax assets		
Employee provisions	**19,976**	30,740
Other accruals and provisions	**57,683**	21,318
Share issue costs charged to equity	**27,725**	-
Unused income tax losses	**4,302,724**	3,261,480
Total deferred tax assets	**4,408,108**	3,313,538
Total unrecognised deferred tax assets	**(4,408,108)**	(3,301,116)
	-	12,422
Deferred tax assets offset by deferred tax liabilities	**-**	(12,422)
Net deferred tax assets	**-**	-

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

Note 8. Cash and cash equivalents

	2014 $	2013 $
Cash on hand and at bank	**684,747**	1,185,959

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 3.5% (2013: 0.01% and 5.0%). The carrying amounts of cash and cash equivalents represent fair value.

Restricted cash balances totalling $32,367 (2013: $32,367) representing term deposits securing various performance guarantees have been disclosed under trade and other receivables (refer Note 9).

Note 9. Trade and other receivables

	2014 $	2013 $
Other debtors	**11,933**	127,448
Deposits	**32,367**	32,367
Prepayments	**3,507**	41,407
	47,807	201,222

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

Note 10. Property, plant and equipment

	2014 $	2013 $
Plant and equipment at cost	**758,925**	881,811
Less accumulated depreciation	**(467,067)**	(466,341)
	291,858	415,470

	2014 $	2013 $
Office equipment		
At Cost	**66,375**	71,002
Accumulated depreciation	**(49,951)**	(44,768)
	16,424	26,234
Computer equipment		
At Cost	**187,120**	294,486
Accumulated depreciation	**(171,940)**	(254,083)
	15,179	40,403
Exploration equipment		
At Cost	**339,611**	346,711
Accumulated depreciation	**(200,424)**	(145,019)
	139,187	201,692

Note 10. Property, plant and equipment (continued)

	2014 $	2013 $
Leasehold improvements		
At Cost	**63,556**	63,556
Accumulated depreciation	**(27,716)**	(15,005)
	35,840	48,551
Mine infrastructure		
At Cost	**78,395**	81,303
Accumulated depreciation	**(5,596)**	(3,771)
	72,799	77,532
Motor vehicles		
At Cost	**23,868**	24,754
Accumulated depreciation	**(11,441)**	(3,696)
	12,428	21,058
Balance at 30 June	**291,858**	415,470

	2014 $	2013 $
Office equipment		
Carrying amount at beginning of financial year	**26,234**	26,234
Additions	**468**	7,318
Disposals	**(678)**	-
Depreciation	**(9,391)**	(9,385)
Effect of movement in foreign exchange	**(209)**	2,067
Carrying amount at end of financial year	**16,424**	26,234
Computer equipment		
Carrying amount at beginning of financial year	**40,403**	81,955
Additions	**3,240**	14,930
Disposals	**(1,602)**	-
Depreciation	**(26,810)**	(57,955)
Effect of movement in foreign exchange	**(51)**	1,474
Carrying amount at end of financial year	**15,179**	40,403
Exploration equipment		
Carrying amount at beginning of financial year	**201,692**	18,363
Additions	**-**	213,954
Disposals	**-**	-
Depreciation	**(58,990)**	(45,484)
Effect of movement in foreign exchange	**(3,515)**	14,859)
Carrying amount at end of financial year	**139,187**	201,692
Leasehold improvements		
Carrying amount at beginning of financial year	**48,551**	61,262
Additions	**-**	-
Disposals	**-**	-
Depreciation	**(12,711)**	(12,711)
Effect of movement in foreign exchange	**-**	-
Carrying amount at end of financial year	**35,840**	48,551

Note 10. Property, plant and equipment (continued)

	2014 $	2013 $
Mine infrastructure		
Carrying amount at beginning of financial year	**77,532**	68,259
Additions	**-**	564
Disposals	**-**	-
Depreciation	**(2,087)**	(1,851)
Effect of movement in foreign exchange	**(2,646)**	10,561
Carrying amount at end of financial year	**72,799**	77,532
Motor vehicles		
Carrying amount at beginning of financial year	**21,058**	-
Additions	**-**	22,588
Disposals	**-**	-
Depreciation	**(8,387)**	(3,373)
Effect of movement in foreign exchange	**(243)**	1,842
Carrying amount at end of financial year	**12,428**	21,058
Balance at 30 June	**291,858**	415,470

Note 11. Exploration and evaluation assets

	2014 $	2013 $
Exploration and evaluation – at cost less amounts written off	**36,853,557**	37,494,950

Movements reconciliation

		2014 $	2013 $
Balance at 1 July		**37,494,950**	21,659,085
Tenement acquisition	12	**(1,000,000)**	2,000,000
Exploration and evaluation expenditure		**1,810,747**	10,111,082
Effect of movements in exchange rates		**(1,452,140)**	3,724,783
Balance at 30 June		**36,853,557**	37,494,950

The recovery of the Consolidated Entity’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.

Note 12. Trade and other payables

	2014 $	2013 $
Tenement acquisition	-	2,000,000
Trade payables	69,307	335,292
Sundry payables and accrued expenses	267,092	239,591
	336,399	2,574,883

New Tenements

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

Subsequently a dispute arose regarding the first payment, with Hannans commencing recovery action. As the Company did not believe the debt was due for payment as all conditions with regard to the first payment had not been met, the matter was defended. On 30 September 2013, the Company and Hannans agreed to vary the payment terms. Under the terms of the variation agreement, $1 million was paid in October 2013 and a second payment of $3 million will be due after ongoing environmental assessments and approval by the Swedish Mines Inspectorate. The directors do not expect this process to be completed until the 2015 calendar year and no liability has been provided for in the accounts due to the uncertainty of successfully obtaining an exploitation permit and the realistic expected timeframe of more than 12 months for a desired positive outcome.

Note 13. Provisions

	2014 $	2013 $
Employee leave liabilities	83,711	102,465

Note 14. Contributed equity

(a) Share capital

	Number of shares	2014 $
Ordinary shares – fully paid	1,203,604,886	57,591,829

Note 14. Contributed equity (continued)

(b) Movements in ordinary share capital

		Number of shares	Issue price $	$
	Balance as at 1 July 2012	290,873,602		36,105,165
July-12	Shares issued to professional and sophisticated investors	39,979,189	0.09	3,598,127
	Less: transaction costs on issue of shares			(116,319)
Aug-12 to March-13	Options issued to employees			200,000
Nov-12	Shares issued to professional and sophisticated investors	115,285,714	0.070	8,070,000
	Less: transaction costs on issue of shares			(565,087)
Nov-12	Tranche 2 Performance Rights Issued in lieu of cash	14,700,000	0.075	1,102,500
April-13	Shares issued to professional and sophisticated investors	25,075,000	0.050	1,253,750
	Less: transaction costs on issue of shares			(65,400)
May-13	Shares issued to professional and sophisticated investors in lieu of cash	66,666,666	0.015	1,000,000
June-13	Shares issued to professional and sophisticated investors in lieu of cash Less: transaction costs on issue of shares	9,436,836	0.015	141,553
				(14,140)
	Balance 30 June 2013	562,017,007		50,710,149

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

(c) Ordinary shares

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

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

Note 14. Contributed equity (continued)

(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 2014 financial year there were 37,125,000 performance rights/options over ordinary shares on issue as shown below:

- 26,000,000 options with an exercise price 5c and an expiry date of 30 September 2015;
- 11,125,000 performance rights (see Note 21), expiring 5 June 2019.

(f) Capital management

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

The ability to raise equity in the future to fund the Group's operations, investigations and exploration activities is a risk that could influence the activities of the Company. The Group has historically raised sufficient capital to fund its operations, however, it recognises that it is at risk of financial markets which dictate its ability to fund operations beyond exhaustion of the current cash funds. Various fund raising activities have occurred since the end of the financial year, refer Note 21.

	2014 **$**	2013 $
Current assets	732,554	1,387,181
Current liabilities	420,110	2,677,348
Liquidity ratio	1.7 : 1	0.5 : 1

The Company intends to raise funds in the medium term to fund its exploration, investigating and evaluation activities. Refer to capital raising activities in events occurring after reporting date (Note 21 and Note 1(a)) to review activities undertaken.

Note 15. Reserves

	2014 **$**	2013 $
Share based payments reserve	3,329,231	3,750,343
Foreign currency translation reserve	125,639	1,544,000
Total reserves	**3,454,870**	5,294,343

Note 15. Reserves (continued)

Nature and purpose of reserves

Share-based payments reserve

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

Foreign currency translation reserve

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

Note 16. Remuneration of auditors

	2014 **$**	2013 $
During the period the following fees were paid or payable for services provided by the auditor of the Company and its related practices:		
Audit and Review Services		
BDO		
Audit and review of consolidated financial statements	48,000	-
Audit of Swedish subsidiaries financial statements	11,527	-
KPMG		
Audit and review of consolidated financial statements	-	53,507
Audit of Swedish subsidiaries financial statements	-	8,375
Other Services		
BDO		
Accounting advice - Australia	13,597	-
Taxation matters – Australia	6,000	-
Accounting advice – Sweden	-	-
Taxation matters – Sweden	4,940	-
KPMG		
Accounting advice - Australia	8,250	-
Taxation matters – Australia	13,750	37,955
Accounting advice – Sweden	-	7,060
Taxation matters – Sweden	2,470	15,886

Note 17. Contingent liabilities

The Company is not aware of any material contingent liabilities at 30 June 2014 not otherwise disclosed in the Financial Statements.

Note 18. Capital and other commitments

(a) Capital Commitments

Commitments on Tenements	**2014 $**	2013 $
Expenditure Commitments:		
Existing Tenements		
- not later than 12 months	208,000	65,000
- between 12 months and 5 years	182,000	-
- greater than 5 years	-	-
New Tenements		
- between 12 months and 5 years	3,000,000	2,000,000
	3,390,000	2,065,000

Existing Tenements

Exploration tenement fees are required to keep licenses in good standing. The Consolidated Entity is committed to this expenditure on the current tenements. In order to maintain current rights to tenure of its mineral tenement leases, the Consolidated Entity will be required to 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 Consolidated Entity.

New Tenements

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

The first $2 million dollar payment was recorded in current liabilities as at 30 June 2013, refer Note 12. The second payment was conditional upon ongoing environmental assessments and approval by the Swedish Mines Inspectorate and therefore is disclosed as a capital commitment. The terms of payment under the heads of agreement with Hannans Reward Limited were varied subsequent to the end of the 2013 financial year with a payment of $1 million being made in October 2013 and a further $3 million to be made on the same terms and conditions as the second $2 million payment in the original agreement. The directors do not expect this process to be completed until the 2015 calendar year and no liability has been provided for in the accounts due to the uncertainty of successfully obtaining an exploitation permit and the realistic expected timeframe of more than 12 months for a desired positive outcome.

(b) Lease commitments

Operating lease payable	**2014 $**	2013 $
- not later than 12 months	**197,279**	275,364
- between 12 months and 5 years	**197,122**	223,584
- greater than 5 years	**-**	-
	394,401	498,948

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

Note 19. Share-based payments

(a) Issue of Options and Performance Rights to Key Management Personnel and other Employees

2014

There were no new Options or Performance Rights issued to Key Management Personnel and other Employees during 2014, but for accounting purposes deemed options were issued to Mr Norris.

Subject to obtaining shareholder approval, the Company has offered a total of 40,000,000 options to Mr M Norris on the following terms:

- 15 million options each to acquire one new ordinary share in Avalon Minerals Limited exercisable at a price, rounded to the nearest tenth of a cent, 50% above the closing price of the company's shares on the date shareholder approval is granted, with an exercise period of 3 years commencing on the date shareholder approval is granted and expiring on the third anniversary of that date; and
- 25 million options each to acquire one new ordinary share in Avalon Minerals Limited exercisable at a price rounded to the nearest tenth of a cent, 100% above the closing price of the company's shares on the date shareholder approval is granted, with an exercise period of 5 years commencing on the date shareholder approval is granted and expiring on the fifth anniversary of that date.
- For accounting purposes the issue of the options was deemed to have occurred on 1 April 2014 when employment commenced although it is subject to shareholder approval at the next meeting of Shareholders. The share option charge for the current financial year has been calculated at $6,490 and has been included as an expense in the current financial year.

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

Performance Rights movements during the 2014 financial year:

The Performance Rights movement for each Director and Key Management Personnel and by tranche is as follows:

	Tranche 1 No	Tranche 3 No	Year Granted	Lapsed	Balance at end of year
Directors					
Mr M Norris					
Mr J Read (1)	2,500,000	3,750,000	2012	(6,250,000)	-
Mr P Niardone	1,400,000	2,100,000	2012		3,500,000
Other KMP					
Mr Q Hills	1,300,000	1,950,000	2013		3,250,000
Mr I Wallace (1)	1,300,000	1,950,000	2013	(3,250,000)	
Ms R Shand	450,000	675,000	2013		1,125,000
Ms L Cochrane (1)	450,000	675,000	2013	1,125,000)	
Ms L Lindskog (1)	600,000	1,200,000	2013	(1,800,000)	
	8,000,000	12,300,000		12,425,000	7,875,000

(1) Resigned/finished during the year

2013

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

Note 19. Share-based payments (continued)

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

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

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

Performance Conditions attached to the performance rights were:

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

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

(b) Options

(i) **Fair Value of Options Granted during the 2014 Financial Year**

No Options were issued or granted during the 2014 financial year.

For accounting purposes the issue of 40,000,000 options to Mr Malcolm Norris were deemed to have been issued on 1 April 2014 when employment commenced although it is subject to shareholder approval at the next meeting of Shareholders.

Note 19. Share-based payments (continued)

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

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

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

(iii) **Amortisation expense for options**

The amortised expense in the statement of profit or loss and other comprehensive income for the year ended 30 June 2014 was $nil (30 June 2013: $799,100).

(c) Performance Rights

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

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

Eligibility Criteria

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

Structure and Administration of the Rights Plan

(ii) The rights plan provides for performance rights to be acquired by:

a. Eligible Participants who have accepted an invitation to acquire performance rights under the rights plan;
b. The key terms and conditions of the rights plan are set out in the rights plan and provided to Eligible Participants;
c. Subject to ASX listing rules, the Board may from time to time amend or add to all as any of the provisions of the rights plan or the terms and conditions of any performance rights granted, including vesting conditions.

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

(iv) Acquisition of Performance Rights

All performance rights are offered to Eligible Participants for no consideration.

(v) Performance Rights Exercise Price

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

(vi) Shares

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

Note 19. Share-based payments (continued)

(vii) Lapse

An unvested performance right will lapse upon the earliest to occur of (amongst other circumstances):

a. The Eligible Participant transferring or granting a security of interest over a performance right;
b. The Eligible Participant ceasing to be an eligible employee (other than for ill health or death, the Board determines within 3 months of the relevant event, that the performance right will still vest);
c. The Eligible Participant acting fraudulently or dishonestly or in breach of the eligible participant's obligations to any group member;
d. A resolution being passed or order being made to wind up the Company;
e. The vesting conditions in respect of a performance right not being met within any applicable period; and
f. The 7th year of the grant date.

(viii) Assignability

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

(ix) Restrictions

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

(x) Vesting

Vesting conditions will be determined by the Board at the time an invitation inviting Eligible Participants to participate in the rights plan is made. Generally, performance rights will not vest until the relevant vesting conditions linked to those performance rights have been satisfied. However:

a. In the case of ill health or death the vesting conditions may be waived by the Board in its absolute discretion;
b. If a 'Change of Control' (ie takeover bid (as defined under the Corporations Act) is made to acquire at least 50% of the Shares, a person obtains voting power in the Company of more than 33% and the takeover bid is or has become unconditional or a Court has sanctioned a compromise or arrangement under Part 5.1 of the Corporations Act (other than the purpose of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other entity or entities)) occurs, and there is no contravention of the applicable laws (for example the ASX Listing Rules and the Corporations Act), subject to the terms and conditions of the grant of a performance right, all those performance rights will immediately vest to shares.

The following table summarises the key assumptions adopted for the valuation of performance rights issued in the 2013 financial year:

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

Note 19. Share-based payments (continued)

Performance Conditions attached to the performance rights were:

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

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

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

Amortisation expense for Directors and Employee Performance Rights

The amortised income/expense in the statement of profit or loss for the year ended 30 June 2014 was $37,112 income (2013: $2,688,258 expense).

Note 20. Related party transactions

Controlling entities

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

Interests in subsidiaries are disclosed in note 22.

Note 21. Events occurring after reporting date

On 5 August 2014, the Company issued 233,750,000 fully paid ordinary shares at an issue price of $0.008 per share to sophisticated and professional investors as part of a share placement to raise $1.95M (before costs). The funds will be used to progress the Company's Viscaria Copper-Iron Project in Sweden and for working capital.

Note 22. Subsidiaries

Subsidiaries

2014

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

2013

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

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

Note 23. Cash Flow Information

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

	2014	2013
	$	$
Operating profit / (loss) after income tax	**(4,204,601)**	(6,191,996)
Non-cash flows in loss		
Depreciation	**56,754**	91,710
Exploration expenditure written off	**-**	-
Share based payments – performance rights/options	**(37,112)**	3,487,358
Changes in operating assets and liabilities		
Decrease/(increase) in trade & other receivables	**153,415**	269,186
(Increase) / Decrease in trade & other payables	**(1,238,554)**	166,488
(Decrease) / Increase in provisions	**(18,754)**	44,301
Cash flow from operations	**(5,288,852)**	(2,132,953)

Note 24. Earnings per share

	2014	2013
	cents	cents
Basic earnings per share	**(0.4)**	(1.4)
Diluted earnings per share	**(0.4)**	(1.4)
Weighted average number of shares used as the denominator	**Number**	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,018,485,741	426,560,308
Effect of dilution:		
Share options/performance rights	-	-
Weighted average number of ordinary shares used as the denominator adjusted for the effect of dilution	1,018,485,741	426,560,308
Losses used in calculating basic and diluted losses per share	**$**	**$**
Net loss	**(4,204,601)**	(6,191,996)

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

Note 25. Dividends

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial period ended 30 June 2014 (2013: nil).

The balance of the Company's franking account is nil (2013: nil).

Note 26. Parent Entity Information

Information relating to Avalon Minerals Limited:

	2014 $	2013 $
Current assets	663,480	957,721
Total assets	1,823,160	1,082,083
Current liabilities	377,068	492,889
Total Liabilities	377,068	492,889
Net Assets	**1,446,092**	589,194
Issued capital	57,591,830	50,610,149
Accumulated losses	(59,474,969)	(53,771,298)
Share-based payments reserve	3,329,231	3,750,343
Total shareholders' equity	**1,446,092**	589,194
Net income (loss) for year	(3,956,016)	(7,046,302)
Total comprehensive income (loss)	(3,956,016)	(7,046,302)

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 $32,367 (2013: $32,367) representing term deposits securing performance guarantees over rental of the Company's office premises.

The Parent Entity has no contractual commitments for the acquisition of property, plant or equipment. Its subsidiary, Avalon Minerals Adak AB, has a contingent liability of $3M as per the Hannans agreement.

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 2014 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(b), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2014.

On behalf of the Board

Mr Graham Ascough
Chairman

Brisbane, Queensland

30 September 2014

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INDEPENDENT AUDITOR'S REPORT

To the members of Avalon Minerals Limited

Report on the Financial Report

We have audited the accompanying financial report of Avalon Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Avalon Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

A. the financial report of Avalon Minerals Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Emphasis of matter

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 32 of the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Australia Ltd

BDO

A S Loots
Director

Brisbane, 30 September 2014

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

SHAREHOLDINGS

Substantial shareholders

The following are substantial shareholders within the Company as at 26 September 2014.

Holders (above 5%)	Ordinary shares held	Interest held
Tan Sri Abu Sahid Bin Mohamed	223,682,760	15.56%
Phoenix Copper Ltd	125,110,690	8.70%
Lim Heng Suan	98,936,322	6.88%
Tan Sri Datuk Ta Kin Yan	93,368,871	6.50%

Class of shares and voting rights

At 26 September 2014, there were 943 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 26 September 2014, 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 26 September 2014)

Category	Number of holders Ordinary shares	 Unlisted Options
1 – 1,000	57	-
1,001 – 5,000	61	-
5,001 – 10,000	57	-
10,001 – 100,000	391	-
100,001 and over	377	17
	943	17

There were 506 holders holding less than a marketable parcel.

Unquoted Securities

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

Restricted Securities

There were no restricted securities as at 26 September 2014.

Twenty Largest Security holders as at 26 September 2014

Holder name	Ordinary Shares	
	Number	%
MR ABU SAHID BIN MOHAMED	223,682,760	15.56
PERSHING AUSTRALIA NOMINEES PTY LTD <INDIAN OCEAN A/C>	164,711,871	11.46
CITICORP NOMINEES PTY LIMITED	140,869,696	9.80
MR LIM HENG SUAN	98,936,322	6.88
J P MORGAN NOMINEES AUSTRALIA LIMITED	79,477,753	5.53
BGL INVESTMENTS PTY LTD <BGL INVESTMENTS A/C>	71,510,146	4.98
DARREN CARTER	62,500,000	4.35
NATIONAL NOMINEES LIMITED	59,717,577	4.15
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	58,980,436	4.10
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	44,373,899	3.09
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	29,300,000	2.04
CS FOURTH NOMINEES PTY LTD	18,750,000	1.30
MR GAVIN JOHN REZOS	18,000,000	1.25
UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	17,223,496	1.20
NEFCO NOMINEES PTY LTD	15,328,624	1.07
MR MICHAEL DAVIES	12,500,000	0.87
OSIRIS CAPITAL INVESTMENTS PTY LTD	11,400,000	0.79
FLUE HOLDINGS PTY LTD	8,257,324	0.57
DOWNING DOMAIN INVESTMENTS PTY LTD <DOWNING FAMILY A/C>	6,250,000	0.43
MR JONATHAN EDGAR	6,250,000	0.43
Total	**1,148,019,904**	**79.87**

Other information

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