

29 APRIL 2014

ASX ANNOUNCEMENT



AVALON MINERALS LTD MARCH 2014 QUARTERLY REPORT

ASX: AVI

HIGHLIGHTS

Viscaria Copper-Iron Project, Sweden (Avalon - 100%)

- **Significant upgrade to the Discovery Zone Mineral Resource with:**
 - **Increase in grade to 0.80% Copper and 0.19g/t Gold;**
 - **Significant increase in contained metals, by 110% for copper to 71,000t and by 96% for Gold to 55,000oz;**
 - **30% of the Discovery Zone has been upgraded to JORC 2012 Indicated Mineral Resource classification; resulting in less drilling required to complete further Feasibility Studies;**
- **Mining Exploitation Concession application, Viscaria K7 (northern A Zone), being progressed after successful re-zoning;**
- **Hydrology survey of Viscaria Project area progressing; a key component of the Environmental Impact Assessment (EIA);**
- **Studies underway to progress the Discovery Zone Mining Exploitation Concession application;**
- **Stakeholder engagement programs being developed as part of the Discovery Zone MEC application process.**

Corporate

- **Mr Malcolm Norris appointed as CEO/Managing Director, effective 1 April 2014;**
- **Mr Don Hyma appointed as a non-executive director, effective 19 March 2014.**

REGISTERED OFFICE

Avalon Minerals Ltd
ABN 68 123 184 412
65 Park Road
Milton Qld 4064 Australia
P + 61 7 3368 9888
F + 61 7 3368 9899
info@avalonminerals.com.au
www.avalonminerals.com.au



EXPLORATION ACTIVITIES

Discovery Zone Mineral Resource Upgrade

On 9 April 2014, Avalon announced an upgraded Mineral Resource estimate for the Discovery Zone Prospect on the Viscaria Project in northern Sweden (Figures 1 and 2). The Mineral Resource for the Discovery Zone is reported 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 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 1 and Table 2 display the Mineral Resources at Discovery Zone for copper/gold and magnetite iron according to Inferred and Indicated classification.

Table 1: 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 2: Discovery Zone Mineral Resource for Iron reported above a 15% Mass Recovery cut-off

Mineral Resource Category	TONNES (Mt)	Fe (%)	Mass Recovery (%)	Estimated 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.

The new Discovery Zone Mineral Resource has an increased copper grade of 0.8% Cu, compared to 0.31% 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, within the broader magnetite model.

The upgrading of 30% of the Discovery Zone Mineral Resource to the Indicated resource classification 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 Discovery Zone Prospect is one of four deposits that comprise the Viscaria Copper-Iron Project. Discovery Zone and D Zone are copper-magnetite deposits, while A Zone and B Zone are copper only deposits. The A Zone, B Zone and D Zone deposits are located in close proximity to each other and the Discovery Zone is located approximately 10kms to the south (Figure 2). The individual Mineral Resource estimates for each of these deposits are shown in Table 3 and Table 4.

Viscaria Project Feasibility Studies and Approvals

a) Viscaria MEC

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

A third MEC application (Viscaria K7) remains under consideration by Bergsstaten pending an amendment to the Kiruna town planning act to allow for the grant of a mining lease which includes the power generation windmills and a power line affected by the northern parts of A Zone and B Zone. In December 2013, Avalon was informed that the amendment to the Kiruna town planning act had been completed. This amendment will now allow Avalon to progress the granting of this Mining Exploitation Concession with the Swedish Regulatory Authorities.

b) Discovery Zone MEC

Work is progressing on the submission of additional information in support of the Mining Exploitation Concession (MEC) application at the Discovery Zone (Rakkurijärvi K1). The original submission was made prior to Avalon's acquisition of the Discovery Zone. A request for more information from the regulator was received and Avalon is currently compiling the required information. The Company has contracted Golder Sweden, based out of Luleå, to assist with the application and complete a final peer review prior to submission.

During the quarter, meetings were held with stakeholders regarding the Discovery Zone MEC application process. Avalon is committed to ensuring that it engages with all stakeholders as it progresses the Pre-feasibility Study work programs and the related permitting requirements.

c) Environment Impact Assessment

The Company has also commenced a site-wide hydrological survey. The results of this study will be utilised in the Viscaria Project Environmental Impact Assessment (EIA) submission which is required ahead of further project approvals.

Table 3: 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	1.66	239,687
	Indicated	4,690,000	1.22	57,218
	Inferred	2,480,000	1.03	25,544
	Subtotal	21,609,000	1.49	322,449
B Zone	Measured	123,000	1.33	1,636
	Indicated	4,118,000	0.72	29,650
	Inferred	15,410,000	0.77	118,657
	Subtotal	19,651,000	0.76	149,943
D Zone Cu Resource	Indicated	5,100,000	1.07	54,570
	Inferred	8,500,000	0.96	81,600
	Subtotal	13,600,000	1.00	136,170
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	679,562

Table 4: Currently Defined Mineral Resource for Iron reported on the Viscaria Project above a 15% Mass Recovery cut-off

Resource Name	Classification	Tonnes (Mt)	Fe Grade (%)	Mass Recovery (%)	Estimated recoverable iron (Mt)
D Zone Fe Resource	Indicated	11.7	27.5	33.4	2.7
	Inferred	13.9	25.7	31.0	3.0
	Subtotal	25.6	26.4	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, B Zone and D Zone Mineral Resources were prepared and first disclosed under the JORC Code 2004. They have not been updated since to comply with the JORC Code (2012) on the basis that the information has not materially changed since it was last reported.
- All Copper Mineral Resource estimates are reported above a cut-off Grade of 0.4% Cu.
- All Iron Mineral Resource estimates are reported above a cut-off of 15% Mass Recovery.
- Estimated recoverable iron is calculated as iron resource tonnes x mass recovery % x Fe % in concentrate. Fe % in concentrate = 69% Fe based on Davis Tube Recovery test work at a 75 micron grind size and/or Magnetic Separation metallurgical test work.
- Total D Zone Indicated and Inferred Mineral Resource reported for the Copper above a cut-off of 0.4% Cu and Iron above a cut-off of 15% Mass Recovery are not mutually exclusive; the Mineral Resource for Iron above a cut-off of 15% Mass Recovery excludes 4.4 million tonnes at 0.89% Cu above a cut-off grade of 0.4% Cu.
- Total Discovery Zone Indicated and Inferred Mineral Resource reported for Copper-Gold above a cut-off of 0.4% Cu and for Iron above a cut-off of 15% Mass Recovery are broadly spatially coincident. However, they are modelled and reported separately to avoid mixing geological domains.

CORPORATE

During the quarter, the following board and management changes were announced:

- ✓ the appointment of Mr Malcolm Norris as CEO/Managing Director, effective 1 April 2014. Mr Norris has strong credentials, with a solid track record of delivering significant shareholder wealth through discovery success and disciplined management. He is well regarded in capital markets throughout Australia, Asia, North America and the UK.
- ✓ the appointment of Don Hyma as a non-executive director, effective 19 March 2014. Mr Hyma has extensive project development experience in iron ore and copper and was involved in the design and development of the Raglan mine in the Canadian Arctic.

The two appointees possess a wealth of experience and knowledge in the mining industry, particularly in developing and delivering projects, which will be beneficial as Avalon moves forward with the development of the Viscaria Project in Sweden.

Avalon's Board now comprises Mr Graham Ascough (Chairman), Mr Malcolm Norris (CEO/Managing Director) and three non-executive directors, Mr Paul Niardone, Mr Crispin Henderson and Mr Don Hyma.

With the recruitment of Mr Norris as CEO/Managing Director, Mr Ian Wallace (Business Manager) and Dr Quinton Hills (Exploration Manager) have reverted to their previous management roles.

During the quarter, the Company lodged its Half-Year Financial Report (for the period ended 31 December 2013).

Cash Resources

As at 31 March 2014, the Company had cash reserves of \$1.7M.

Shareholder Information

At 31 March 2014, the Company had 1,203,604,886 fully paid ordinary shares on issue and approximately 926 shareholders.

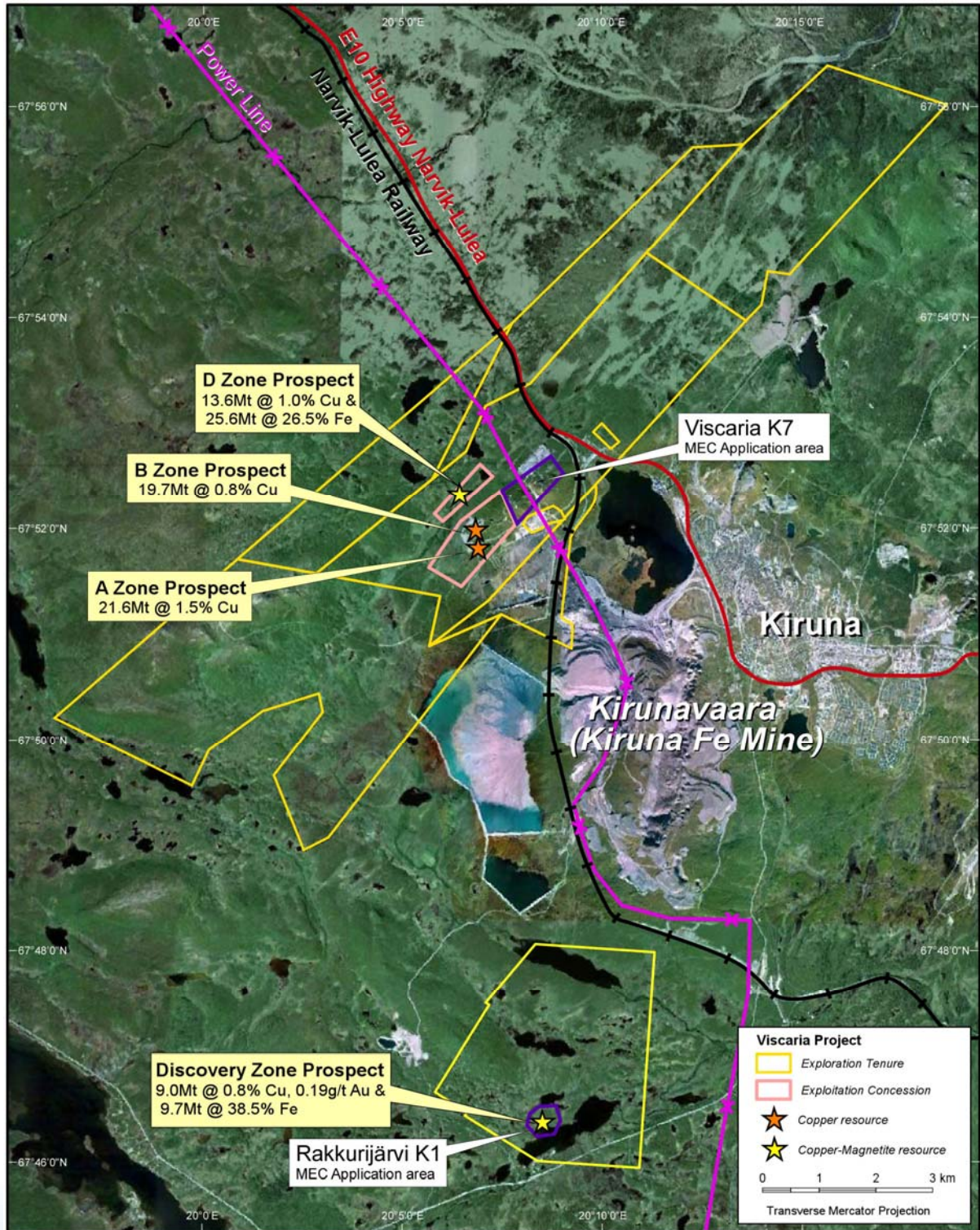


Figure 1 – Project Location





Figure 2 – Location of Viscaria Copper-Iron Project relative to local infrastructure.



TENEMENT SCHEDULE

At the end of the quarter, the Company holds the following tenements:

Tenement Holder	Tenement Name	Location	Status	Ownership
Avalon Minerals Viscaria AB	Viscaria No 1	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 2	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 3	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 101	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 102	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 103	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 104	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 105	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 106	Norrbotten, Sweden	Granted	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	Granted	100%
Avalon Minerals Viscaria AB	Huornas No 1	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 3	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 4	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 7	Norrbotten, Sweden	Application	100% (upon grant)
Avalon Minerals Adak AB	Rakkurijärvi No 1	Norrbotten, Sweden	Granted	100% (once acquisition from HNR complete)
Avalon Minerals Adak AB	Rakkurijärvi K No 1	Norrbotten, Sweden	Application	100% (upon grant and once acquisition from HNR complete)

ABOUT AVALON

Avalon is an ASX listed mineral exploration company with high quality assets in Sweden, one of the leading metal producing countries in the European Union. Avalon's flagship asset is the Viscaria Copper-Iron Project located 1,200km north of Stockholm. The Viscaria Project is surrounded by established infrastructure, lying immediately adjacent to LKAB's Kirunavaara Iron Ore operation and in close proximity to high-capacity rail and ports.

ABOUT SWEDEN

Sweden has a 1,000 year mining history, is the largest producer of iron ore in the European Union and is a leading producer of base metals (copper, zinc, lead) and precious metals (gold and silver). There are excellent discovery opportunities, with much of the country underexplored by modern standards.

Furthermore, Sweden possesses a world-class geological database and favourable minerals legislation, is politically and economically stable and has mining know-how, highly trained personnel and excellent infrastructure. In early 2014, Sweden was ranked by the Fraser Institute as the best country in the world for developing mineral projects.

DIRECTORY

AVALON MINERALS LIMITED **ABN 68 123 184 412**

Web site:

www.avalonminerals.com.au

Email:

info@avalonminerals.com.au

Stock Exchange Listing

Australian Stock Exchange

ASX Code: AVI

Investor Information Contacts:

Ms Roslynn Shand - Company Secretary
Avalon Minerals Limited
Tel: 07 3368 9888
Mob: 0407 413 666
Em: ros.shand@avalonminerals.com.au

Shareholder Enquiries:

Share registry matters should be directed to:

Computershare Investor Services
Phone: 1300 850 505
Website: www.computershare.com.au

Registered Office:

Level One
65 Park Road
Milton Queensland 4064
Phone: 07 3368 9888
Fax: 07 3368 9899

Issued capital:

Ordinary shares: 1,203,604,886 (AVI)

Directors:

Graham Ascough – 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

For further information please visit www.avalonminerals.com.au or contact:

Avalon Minerals Limited
T: 07 3368 9888
E: info@avalonminerals.com.au
www.avalonminerals.com.au

Competent Persons Statement

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 Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 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.

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

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

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

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Avalon Minerals Limited

ABN

68 123 184 412

Quarter ended ("current quarter")

31 March 2014

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(551)	(1,543)
(b) development	-	-
(c) production	-	-
(d) administration	(402)	(3,444)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	12	35
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(941)	(4,952)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	(1,000)
(b) equity investments	-	-
(c) other fixed assets	(3)	(4)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(3)	(1,004)
1.13 Total operating and investing cash flows (carried forward)	(944)	(5,956)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(944)	(5,956)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	6,575
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Capital raising costs	(6)	(77)
	Net financing cash flows	(6)	6,498
	Net increase (decrease) in cash held	(950)	542
1.20	Cash at beginning of quarter/year to date	2,670	1,176
1.21	Exchange rate adjustments to item 1.20	(2)	0
1.22	Cash at end of quarter	1,718	1,718

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	49
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Director's remuneration.	49
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Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(580)
4.2 Development	-
4.3 Production	-
4.4 Administration	(460)
Total	(1,210)

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,717	2,670
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,717	2,670

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Nil			
6.2 Interests in mining tenements acquired or increased	Nil			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter				
7.3 +Ordinary securities	1,203,604,886	1,203,604,886		
7.4 Changes during quarter (a) Increases Rights Issue (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter				
7.7 Options <i>(description and conversion factor)</i>	500,000 26,000,000	Nil Nil	<i>Exercise price</i> 30 cents 5 cents	<i>Expiry date</i> 01/07/2014 30/09/2015
Performance Rights	15,125,000	Nil	Nil	05/06/2019
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter Options	1,000,000	Nil	40 cents	31/01/2014
Performance Rights	10,175,000	Nil	Nil	05/06/2019
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 29 April 2014
(Company Secretary)

Print name: ROSLYNN SHAND

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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