

## AVALON MINERALS LTD DECEMBER 2013 QUARTERLY REPORT

**ASX: AVI**

### HIGHLIGHTS

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

- Mining Exploitation Concession application, Viscaria K7 (northern A Zone) will now be progressed after successful re-zoning;
- Hydrology survey of Viscaria Project area underway, a key component of the Environmental Impact Assessment (EIA);
- Re-assaying program for historic Discovery Zone drilling samples underway to increase confidence in the resource estimate;
- Studies underway to progress the Discovery Zone Mining Exploitation Concession application;
- Drilling and metallurgical testwork planned for first half 2014.

#### Corporate

- The first A\$1M payment for the acquisition of the Discovery Zone was made;
- The Rights Issue was reopened and closed over-subscribed, raising approximately A\$5.88m;
- The 2013 Annual General Meeting was held;
- Board and Management changes were implemented.

#### REGISTERED OFFICE

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### Viscaria Project Location



## EXPLORATION ACTIVITIES

### Viscaria Feasibility Study Preparation

Since the completion of the Scoping Study in July 2013, Avalon Minerals Limited ('Company' or 'Avalon') has been focussing on the planning and preparation work for the commencement of the Viscaria Project Feasibility Study. Part of the preparation work involves re-assaying of historic drilling samples from the Discovery Zone Prospect that were originally completed by Anglo American Exploration BV & Rio Tinto from 1999-2003 and Lundin Mining from 2004-2006. The aim of this re-assaying program is to increase the confidence of the Discovery Zone Mineral Resource which should in turn allow Avalon to use this resource estimate with higher confidence in the Viscaria Project Feasibility Study. It is also envisaged that by increasing the confidence of the historic drilling results, Avalon will have to complete less drilling on this prospect in the future, decreasing the cost to advance the Viscaria Copper-Iron Project.

Investigations are also being carried out at A Zone and B Zone to gain a more in depth understanding of the geological controls of mineralisation. This work is being conducted to facilitate a drill program with the objective to upgrade the current resources to measured and indicated classification as required for the Feasibility Study.

In addition to the studies currently underway, Avalon also plans to conduct a program of drilling and metallurgical testwork in the first half of 2014. The aim of this program is to increase the metallurgical knowledge of the Viscaria Project Mineral Resources, so that a higher confidence, detailed process flow sheet can be developed as part of the Feasibility Study.

## 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 the MEC for Viscaria in two licences; 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 (Figure A).

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.

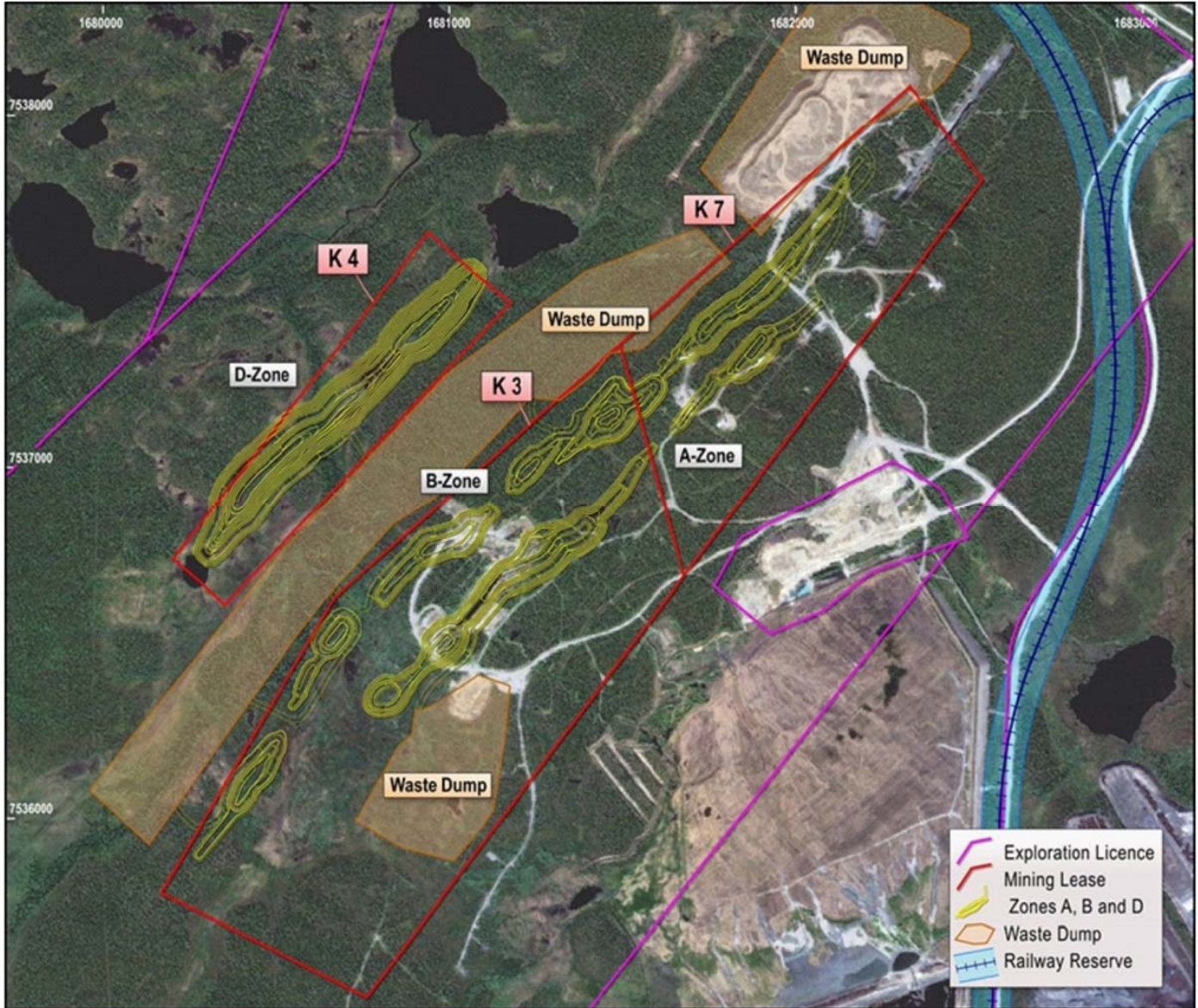
### b) Discovery MEC

Work is progressing on the submission of additional information in support of the Mining Exploitation Concession (MEC) application at the Discovery Zone. 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.

### 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.

Figure A: Location of Mining Exploitation Concession application Viscaria K7 relative to A Zone, B Zone and D Zone.



## 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	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 2	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 3	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 101	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 102	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 103	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 104	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 105	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 106	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 107	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 108	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 112	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 113	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Vittangijarvi No 1	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Huornas No 1	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 3	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 4	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 7	Norrbottn, Sweden	Application	100% (upon grant)
Avalon Minerals Adak AB	Rakkurijarvi No 1	Norrbottn, Sweden	Granted	100% (once acquisition from HNR complete)
Avalon Minerals Adak AB	Rakkurijarvi K No 1	Norrbottn, Sweden	Application	100% (upon grant and once acquisition from HNR complete)

## CORPORATE

- A variation to the Heads of Agreement with Hannans Reward Ltd (Hannans) was reached. The variation provided for a revised payment schedule that was dependant upon certain events occurring, including the Company having access to funds from its reopened Rights issue and Hannans withdrawing its formal demand for payment. All the required events occurred and on 8 October 2013, the Company announced that it had transferred A\$1 million to Hannans. The balance of A\$3M under the Heads of Agreement will be paid to Hannans when the Discovery Zone Exploitation Concession is granted.

- The Company re-opened its non-renounceable, 1 for 1 Rights Issue at A\$0.01 per share on 28 October 2013 with CPS Capital Group Pty Limited agreeing to partially (A\$2.1M) underwrite the Rights Issue. Avalon subsequently announced on 14 November 2013, the successful completion of its non-renounceable, 1 for 1 Rights Issue at A\$0.01 per share raising the maximum amount of \$3,762,369.75 sought under the updated Offer document. An amount of \$2,123,036.48 had previously been raised in respect of shares issued on 1 October 2013, pursuant to the Takeovers Panel's interim orders, bringing the total funds raised from the Rights Issue to \$5,885,406.23.

The Rights Issue was oversubscribed with demand being greater than the remaining 376,236,975 shares available under the updated Offer document. Shares issued pursuant to the re-opened Rights Issue were allotted on 18 November 2013.

- The Company held its 2013 annual general meeting on 29 November 2013. A second strike was received on the remuneration report but the 'spill' motion was not carried. Resolutions relating to the ratification of prior share issues, 10% placement facility under ASX Listing Rule 7.1A, appointment of an auditor and election of Mr Crispin Henderson as a director were passed. Other resolutions regarding the election or removal of certain directors were withdrawn or did not proceed to a vote.

Following the AGM, the following board changes were announced:

- appointment of Mr Graham Ascough as a non-executive director and new Chairman;
- resignations of Dato Siew Mun Chuang (Philip), Dato Siew's alternate director Mr Ler Leong Keh; Mr Siew Mun Wai (Edward), Mr Siew's alternate Mr David Sanders; Mr Seng Han Goh (Gary) and Mr Jeremy Read.

Avalon's Board now comprises Mr Graham Ascough (Chairman) and two non-executive directors, Mr Paul Nairdone and Mr Crispin Henderson.

Mr Ian Wallace and Dr Quinton Hills were appointed to jointly fulfil an interim management role, pending the recruitment of a new CEO for the Company.

## **Cash Resources**

As at 31 December 2013, the Consolidated Entity had cash reserves of \$2.67M.

## **Shareholder Information**

During the quarter, the Company issued a total of 588,540,623 shares.

At 31 December 2013, the Company had 1,203,694,886 fully paid ordinary shares on issue and approximately 947 shareholders.

## **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 2013, Sweden was ranked by the Fraser Institute as the second best country (behind Finland) for developing mineral projects.

## DIRECTORY

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

**Web site:**

[www.avalonminerals.com.au](http://www.avalonminerals.com.au)

**Email:**

[info@avalonminerals.com.au](mailto: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: 0409 484 322  
Em: [ros.shand@avalonminerals.com.au](mailto: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](http://www.computershare.com.au)

### **Registered Office:**

Level One  
65 Park Road  
Milton Queensland 4064  
Phone: 07 3368 9888  
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### **Issued capital:**

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

### **Directors:**

Graham Ascough – Chairman  
Crispin Henderson – Non-Executive Director  
Paul Niardone - Non-Executive Director

### **Company Secretary:**

Roslynn Shand

For further information please visit [www.avalonminerals.com.au](http://www.avalonminerals.com.au) or contact:

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# 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 December 2013

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(646)	(992)
(b) development	-	-
(c) production	-	-
(d) administration	(2,291)	(3,042)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	23
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(2,922)</b>	<b>(4,011)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	(1,000)	(1,000)
(b) equity investments	-	-
(c) other fixed assets	-	(1)
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)	-	-
<b>Net investing cash flows</b>	<b>(1,000)</b>	<b>(1,001)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(3,922)</b>	<b>(5,012)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(3,922)	(5,012)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	3,990	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	43	(71)
	<b>Net financing cash flows</b>	<b>4,033</b>	<b>6,504</b>
	<b>Net increase (decrease) in cash held</b>	<b>111</b>	<b>1,492</b>
1.20	Cash at beginning of quarter/year to date	2,557	1,176
1.21	Exchange rate adjustments to item 1.20	2	2
1.22	<b>Cash at end of quarter</b>	<b>2,670</b>	<b>2,670</b>

\* Share proceeds for the quarter included the partial receipt of funds from the take overs panels interim orders (\$1,845,428). These shares were not issued until early October 2013.

**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	478
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, including termination pay of Managing Director.	478

**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	(997)
4.2 Development	-
4.3 Production	-
4.4 Administration	(621)
<b>Total</b>	<b>(1,618)</b>

### 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	2,670	2,557
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,670</b>	<b>2,557</b>

### 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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter				
7.3 <b>+Ordinary securities</b>	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	588,540,623	588,540,623	0.01	0.01
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	1,000,000 500,000 6,000,000 7,800,000 12,200,000	Nil Nil Nil Nil Nil	<i>Exercise price</i> 40 cents 30 cents 5 cents 5 cents 5 cents	<i>Expiry date</i> 31/01/2014 1/07/2014 30/09/2015 30/09/2015 30/09/2015
<b>Performance Rights</b>	9,750,000 15,550,000	Nil Nil	Nil Nil	5/06/2019 5/06/2019
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <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: 31 January 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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