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AVALON
MINERALS LTD

Avalon Minerals Ltd

ABN 68 123 184 412

Half-Year Financial Report

31 December 2013

Avalon Minerals Ltd

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DIRECTORS' REPORT

Your directors present their half-year report on the consolidated entity ("Group") consisting of Avalon Minerals Ltd ("Avalon" or "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2013.

Directors

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

Mr Graham Ascough (appointed 29 November 2013)
 Mr Crispin Henderson
 Mr Paul Niardone
 Mr Jeremy Read (resigned 29 November 2013)
 Dato Siew Mun Chuang (resigned 29 November 2013)
 Mr Siew Mun Wai (resigned 29 November 2013)
 Mr Seng Han Gary Goh (resigned 29 November 2013)

Principle Activities

During the financial half-year the principal continuing activities of the Group consisted of exploration for copper and iron ore in Sweden.

Review of Operations

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

Half-year ended 31 December	2013	2012
	\$	\$
	<hr/>	<hr/>
Revenue from continuing operations	20,699	104,543
Net loss before income tax expense	(3,351,283)	(4,193,273)
Income tax expense	-	-
Net loss attributable to members of Avalon Minerals Ltd	<hr/> (3,351,283) <hr/>	<hr/> (4,193,273) <hr/>

Financial Position

At the end of the half-year the consolidated entity had a cash balance of \$2,671,008 (June 2013: \$1,185,959) and net assets of \$42,824,125 (June 2013: \$36,620,253).

Total liabilities amounted to \$560,826 (June 2013: \$2,677,348) and were limited to trade and other creditors and employee entitlements.

DIRECTORS' REPORT (continued)

Review of Operations (continued)

Share Placements

Various share placements and a Rights Issue were conducted during the six months ended 31 December 2013.

- 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.

Other Corporate

After a renegotiation of the Heads of Agreement with Hannans Rewards Limited, \$1 million was paid as the first payment for the acquisition of the Discovery Zone. A further payment of \$3 million is to be made upon grant of the Discovery Zone Exploitation Concession.

During the half-year, significant funds, particularly on legal advice, were spent in managing the Takeovers Panel process, the re-opened Right Issue and various Board issues. In addition, the suspension of the previous managing director led to the appointment of external consultants to assist in the day-to-day management of the Company; this added to the substantial increase in corporate costs relative to the comparative period.

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. Management changes were subsequently implemented with the appointment of Ian Wallace and Dr Quinton Hills to jointly fulfil an interim management role, pending the recruitment of a new CEO for the Company.

Exploration

Viscaria Feasibility Study Preparation

Since the completion of the Scoping Study in July 2013, 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.

DIRECTORS' REPORT (continued)

Review of Operations (continued)

Exploration (continued)

In addition to the studies currently underway, Avalon also plans to conduct a program of drilling and metallurgical testwork in 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

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 the 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.

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.

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.

Matters Subsequent to the end of the Financial Period

No matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affair in the future financial periods.

DIRECTORS' REPORT (continued)

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 7.

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



Graham Ascough
Chairman
Avalon Minerals Ltd

12 March 2014

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DECLARATION OF INDEPENDENCE BY ALBERT LOOTS TO THE DIRECTORS OF AVALON MINERALS LTD

As lead auditor for the review of Avalon Minerals Ltd for the half-year ended 31 December 2013, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Avalon Minerals Ltd and the entities it controlled during the period.



A S Loots
Director

BDO Audit Pty Ltd

Brisbane, 12 March 2014

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AVALON MINERALS LTD
Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2013

		Consolidated	
	Note	Half-year ended 31-Dec-13 \$	Half-year ended 31-Dec-12 \$
Revenue from continuing operations			
Finance income	3	19,857	58,064
Other income		842	46,479
Expenses			
Employee benefits expenses	4(a)	(1,431,631)	(3,614,151)
Corporate and office expenses	4(b)	(1,904,545)	(623,280)
Depreciation expense		(35,806)	(60,385)
Loss from continuing operations before income tax		(3,351,283)	(4,193,273)
Income tax expense		-	-
Net loss for the period		(3,351,283)	(4,193,273)
Other comprehensive gain/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation of differences – foreign operations		2,718,424	1,184,194
Total comprehensive loss for the period		(632,859)	(3,009,079)
Earnings per share (cents per share):			
Basic earnings per share		(0.39)	(1.27)
Diluted earnings per share		(0.39)	(1.27)

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

AVALON MINERALS LTD
Consolidated Statement of Financial Position
As at 31 December 2013

		Consolidated	
	Note	At 31-Dec-13 \$	At 30-Jun-13 \$
ASSETS			
Current assets			
Cash and cash equivalents		2,671,008	1,185,959
Trade and other receivables		220,096	201,222
Total Current Assets		2,891,104	1,387,181
Non-Current Assets			
Plant and equipment		367,931	415,470
Exploration and evaluation	5	40,125,916	37,494,950
Total Non-Current Assets		40,493,847	37,910,420
TOTAL ASSETS		43,384,951	39,297,601
LIABILITIES			
Current Liabilities			
Trade and other payables	6	475,124	2,574,883
Provisions		85,702	102,465
Total Current Liabilities		560,826	2,677,348
TOTAL LIABILITIES		560,826	2,677,348
NET ASSETS		42,824,125	36,620,253
EQUITY			
Issued capital	7	57,214,291	50,710,149
Reserves		8,345,356	5,294,343
Accumulated losses		(22,735,522)	(19,384,239)
TOTAL EQUITY		42,824,125	36,620,253

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

AVALON MINERALS LTD
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2013

Consolidated			
	Note	Half-year ended 31-Dec-13 \$	Half-year ended 31-Dec-12 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)	4 (b)	(2,872,237)	(919,861)
Interest income		19,857	23,552
Other income		842	46,479
Net cash outflow used in operating activities		(2,851,538)	(849,830)
Cash flows from investing activities			
Purchase of plant and equipment		(795)	(199,654)
Exploration and evaluation expenditure		(2,188,246)	(3,890,014)
Net cash outflow used in investing activities		(2,189,041)	(4,089,668)
Cash flows from financing activities			
Proceeds from issues of shares		6,575,021	11,859,128
Costs associated with issue of shares		(70,879)	(681,310)
Net cash inflow from financing activities		6,504,142	11,177,818
Net increase/ (decrease) in cash and cash equivalents held		1,463,563	6,238,320
Cash and cash equivalents at the beginning of the half-year		1,185,959	694,310
Effect of exchange rate fluctuations on cash held		21,486	14,714
Cash and cash equivalents at the end of the period		2,671,008	6,947,344

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

AVALON MINERALS LTD
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2013

	Issued Capital	Share- Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total \$
For the half-year ended 31 December 2013	\$	\$	\$	\$	
As at 1 July 2013	50,710,149	3,750,343	1,544,000	(19,384,239)	36,620,253
Loss for the financial period	-	-	-	(3,351,283)	(3,351,283)
Other comprehensive income	-	-	2,718,424	-	2,718,424
Total comprehensive loss for the period	-	-	2,718,424	(3,351,283)	(632,859)
Equity Transactions					
Shares issued	6,575,021	-	-	-	6,575,021
Share issue costs	(70,879)	-	-	-	(70,879)
Share based payments	-	332,589	-	-	332,589
As at 31 December 2013	57,214,291	4,082,932	4,262,424	(22,735,522)	42,824,125

	Issued Capital	Share- Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total \$
For the half-year ended 31 December 2012	\$	\$	\$	\$	\$
As at 1 July 2012	36,105,165	1,365,485	(2,213,732)	(13,192,243)	22,064,675
Loss for the financial period	-	-	-	(4,193,273)	(4,193,273)
Other comprehensive income	-	-	1,184,194	-	1,184,194
Total comprehensive loss for the period	-	-	1,184,194	(4,193,273)	(3,009,079)
Equity Transactions					
Shares issued	11,859,128	-	-	-	11,859,128
Share issue costs	(681,310)	-	-	-	(681,310)
Share based payments	-	2,814,384	-	-	2,814,384
Shares issued from Performance Rights	1,486,500	(1,486,500)	-	-	-
As at 31 December 2012	48,769,483	2,693,369	(1,029,538)	(17,385,516)	33,047,798

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

AVALON MINERALS LTD
Notes to the Consolidated Financial Statements

Note 1 Basis of preparation and changes in accounting policies

a) Basis of preparation

This general purpose condensed financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all of the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Avalon Minerals Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules. The annual report and any public announcements issued can be located on the company's website www.avalonminerals.com.au.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

b) New and amended Accounting Standards and Interpretations

New and revised standards have been issued by the AASB and are effective for the half-year; however there are no material changes to the policies that affect the recognition and measurement of the results or financial position of the consolidated entity.

c) Fair Values

The fair values of consolidated entity's financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

d) Going Concern

The consolidated entity incurred a net loss of \$3,351,283 for the half-year ended 31 December 2013. As at 31 December 2013 the consolidated entity has net cash reserves of \$2,671,008 and a net current asset surplus of \$2,330,278.

The consolidated entity also has a second payment of \$3 million (refer note 6) in relation to the acquisition of Rakkurijarvi Exploration Permit and the Discovery Zone Exploitation Concession, which cover the Discovery Zone and Tribulation Zone prospects. This amount is due for payment following the grant of the Discovery Zone Exploration Concession. The \$3 million is not recorded as a liability as at 31 December 2013.

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.

AVALON MINERALS LTD
Notes to the Consolidated Financial Statements (Continued)

Note 1 Basis of preparation and changes in accounting policies (continued)

d) Going Concern (continued)

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.

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.

Note 2 Segment reporting

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

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

Note 3 Finance Income

	Consolidated	
	Half-year ended	Half-year ended
	31-Dec-13	31-Dec-12
	\$	\$
Revenue		
Interest income	19,857	58,064

AVALON MINERALS LTD
Notes to the Consolidated Financial Statements (Continued)

Note 4 Expenses

	Consolidated	
	Half-year ended 31-Dec-13 \$	Half-year ended 31-Dec-12 \$
(a) Employee benefits expense		
Wages and salaries	(1,163,568)	(731,584)
Less transfer to exploration and evaluation	267,096	154,986
Superannuation expense	(37,025)	(34,045)
Non-executive director's fees	(116,642)	(93,047)
Staff training and recruitment	(2,133)	(19,881)
Share based payment expense	(332,589)	(2,814,384)
Other employee benefits expenses	(46,770)	(76,196)
	(1,431,631)	(3,614,151)
(b) Corporate and office expenses		
Legal fees	(1,139,049)	(193,684)
Consulting fees	(414,729)	(172,371)
Other corporate expenses	(278,235)	(150,818)
Office expenses	(72,532)	(106,407)
	(1,904,545)	(623,280)

Note 5 Exploration and evaluation assets

	Consolidated	
	At 31-Dec-2013 \$	At 30-Jun-13 \$
Exploration expenditure capitalised	40,125,916	37,494,950

Recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation of areas of interest, and the sale of minerals or the sale of the respective areas of interest.

Note 6 Trade and other payables

	Consolidated	
	At 31-Dec-13 \$	At 30-Jun-13 \$
Tenement acquisition (a)	-	2,000,000
Trade payables	131,198	335,292
Sundry payables and accrued expenses	343,926	239,591
	475,124	2,574,883

(a) After a renegotiation of the Heads of Agreement with Hannans Rewards Limited (refer Note 8) the first payment for the acquisition of the Discovery Zone of \$2 million was reduced to \$1 million and was paid during the period. A further payment of \$3 million is to be made following the grant of the Discovery Zone Exploitation Concession and is not recorded as a liability as at 31 December 2013.

AVALON MINERALS LTD
Notes to the Consolidated Financial Statements (Continued)

Note 7 Equity securities issued

	At 31-Dec-13	At 30-Jun-13
	\$	\$
Fully paid ordinary shares	57,214,291	50,710,149

Ordinary Shares

	Half-year ended 31-Dec-13	Half-year ended 31-Dec-12	Half-year ended 31-Dec-13	Half-year ended 31-Dec-12
	\$	\$	Number of shares	Number of shares
At 1 July	50,710,149	36,105,165	562,017,007	290,873,602
Share placement ¹	344,807		26,523,616	-
Share placement ²	344,807		26,523,640	-
Rights Issue ³	5,885,407		588,540,623	-
Share placement ⁴	-	3,598,127	-	39,979,189
Share placement ⁵		8,070,000	-	115,285,714
Performance Rights Issued		1,102,500		14,700,000
Options issued to Employees		200,000	-	-
Share issue costs	(70,879)	(306,309)	-	-
At balance sheet date	57,214,291	48,769,483	1,203,604,886	460,838,505

- 1 During July 2013, the Company placed 26,523,616 fully paid shares for a consideration of \$344,807 (1.3 cents per share).
- 2 During August 2013, the Company placed 26,523,640 fully paid shares for a consideration of \$344,807 (1.3 cents per share).
- 3 On 9 August 2013, the Company announced a 1 for 1 pro-rata non-renounceable right issue to raise approximately \$5.89 million. Following an 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.
- 4 During July 2012, the Company placed 39,979,189 fully paid shares for a consideration of \$3,598,128 (9.0 cents per share).
- 5 During November 2012, the Company placed 115,285,714 fully paid shares for a consideration of \$8,070,000 (7.0 cents per share).

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

AVALON MINERALS LTD

Notes to the Consolidated Financial Statements (Continued)

Note 7 Equity securities issued (continued)

Performance Rights

During the period, performance rights for certain performance rights holders lapsed following the termination of the employment or contractual arrangements. Amounts previously brought to account in relation to these performance rights were reversed during the period.

The Board of Directors agreed the performance rights for one ex-employee continue even though employment ceased. As such, the full amount of the original valuation of the performance rights not previously expensed was expensed in the period.

Note 8 Capital Commitments

On 5 May 2013 the Group entered into a binding heads of agreement with Hannans Reward Limited to acquire the Rakkurijarvi Exploration Permit and the Discovery Zone Exploitation Concession, which cover the Discovery Zone and Tributation Zone prospects (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. On 30 September 2013 the Company agreed to vary the payment terms ("Variation") to the following:

- a) Avalon to make an initial payment of \$1 million to Hannans;
- b) Within 5 Business Days of the Discovery Exploitation Concession being granted, Avalon will make a payment of \$3 million to Hannans.

\$2 million had been recorded as a liability in the accounts at 30 June 2013 based on the agreement in place at 30 June 2013. With the Variation, \$1 million was paid on 3 October 2013 and the second payment of \$3 million will be due for payment following the grant of the Discovery Zone Exploration Concession. The directors do not expect this process to be completed until the second half of the 2014 calendar year.

The second payment is conditional upon ongoing environmental assessments and approval by the Swedish Mines Inspectorate and therefore is disclosed as a capital commitment not as a liability.

Note 9 Contingencies

As at 31 December 2013 the Company has no contingent liabilities.

Note 10 Dividends

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

Note 11 Events occurring after balance sheet date

No matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affair in the future financial periods.

AVALON MINERALS LTD
Directors' Declaration

In the opinion of the directors:

- (a) The financial statements and the 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 31 December 2013 and of its performance for the half year then ended; and
 - ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2011* and other mandatory professional reporting requirements; and
- (b) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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

On behalf of the board



Graham Ascough
Chairman
Avalon Minerals Ltd

12 March 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Avalon Minerals Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Avalon Minerals Ltd, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Avalon Minerals Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year 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.

BDO Audit Pty Ltd



A S Loots
Director

Brisbane, 12 March 2014

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