

29 October 2014

ASX ANNOUNCEMENT



AVALON MINERALS LTD SEPTEMBER 2014 QUARTERLY REPORT

VISCARIA COPPER-IRON PROJECT, SWEDEN (AVALON - 100%)

- Updated Scoping Study of Viscaria Project delivers a robust copper-iron project development proposition with demonstrable upside;
- The Scoping Study considers only that portion of Mineral Resources that occur within the optimised open pit shells;
- 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 10.4 years;
- An annual magnetite concentrate (69% Fe) production rate range of 0.4 – 1.3 million DMT over 8.4 years;
- 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;
- Several opportunities to potentially add further value have been identified and will be investigated during ongoing studies. These include:
 - Potential underground development under open pit shells;
 - Possible by-product credits, such as gold in the Discovery Zone;
 - Consideration of the viability and value of an oxide copper circuit;
- The A Zone, B Zone and D Zone Mineral Resource Estimates have been reclassified according to JORC 2012 guidelines;
- Independent review completed of all metallurgical test work. Results indicate:
 - D Zone copper sulphide mineralisation produces a concentrate with 26% copper and 94% copper recovery;
 - High quality, magnetite concentrate produced with 70% Iron and low impurity levels from D Zone mineralisation;
 - A Zone and B Zone mineralisation is amenable to flotation producing a concentrate with 23% copper and 80% copper recovery;

CORPORATE

- Appointment of General Manager – Studies and Technical Services;
- Placement to raise AUD\$1.95M completed;
- Breakaway Research Report - the report recommended a 'Speculative BUY' and a risked base case valuation of \$0.068/share.

ASX: AVI

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Cautionary Statement

The Scoping Study referred to in this announcement 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.

EXPLORATION ACTIVITIES

Viscaria Copper-Iron Project Scoping Study Update

On 28 August 2014, Avalon announced the results of an update to the Viscaria Copper-Iron Project Scoping Study (Figure 1 and 2). The Updated Scoping Study reassessed the viability and potential value of an Open Pit Mining Scenario exploiting 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	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%

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

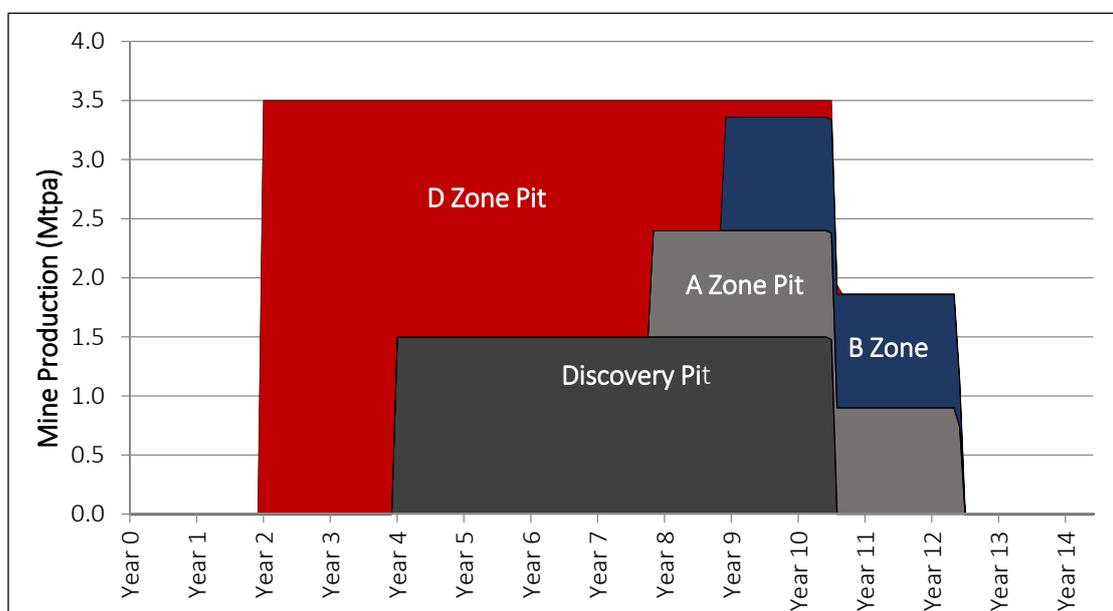


Table 3: Production Target Summary

Year	Tonnes Mined (Mt)	Cu %	Fe %	Copper Conc. (kDMT)	Contained Copper (kt)	Magnetite Conc. (kDMT)	Contained Iron (kt)
Year 0							
Year 1							
Year 2	3.5	0.50	23.5	59.0	14.7	976	673
Year 3	3.5	0.50	23.5	59.0	14.7	976	673
Year 4	3.5	0.55	29.4	65.6	16.4	1266	874
Year 5	3.5	0.55	29.4	65.6	16.4	1266	874
Year 6	3.5	0.55	29.4	65.6	16.4	1266	874
Year 7	3.5	0.58	28.4	69.1	17.3	1217	840
Year 8	3.5	0.73	22.8	87.1	21.8	944	651
Year 9	3.5	0.77	16.9	91.3	22.8	655	452
Year 10	2.8	0.80	12.3	77.1	19.3	381	263
Year 11	1.9	0.90		57.0	14.3		
Year 12	0.9	0.91		26.9	6.7		
Total	33.6	0.63	22	723	181	8,933	6,173

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 $\pm 35\%$).

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 \$/tore	9.46	
Admin Costs	US \$/tore	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

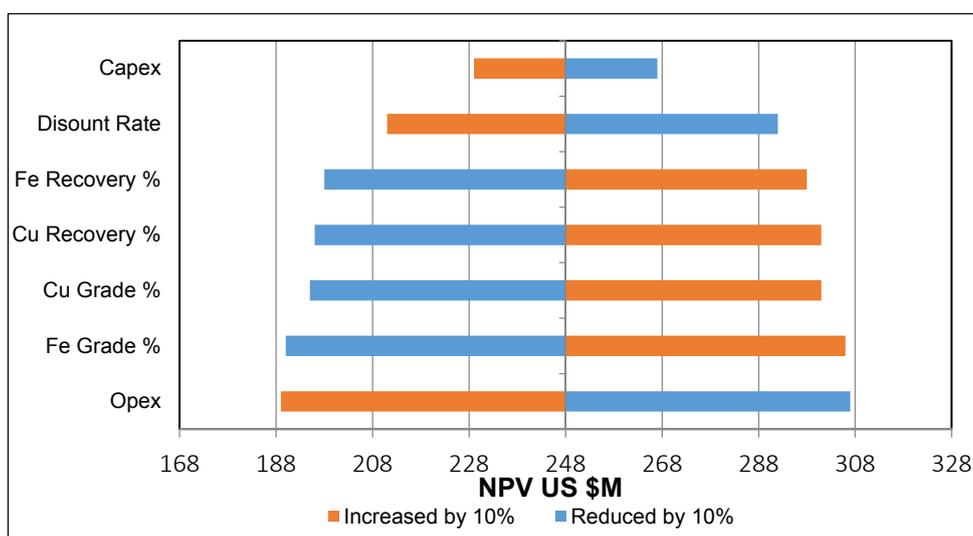
Sensitivity of Project Economic Assessment Results

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)

Cu Price (US \$/lb)	Magnetite Price (US \$/t 69% Fe concentrate)		
	80	100	120
2.75	\$98	\$200	\$301
3	\$147	\$248	\$349
3.25	\$195	\$297	\$398
3.5	\$244	\$345	\$447

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 the following: 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.

Overall Viscaria Copper-Iron Project Mineral Resources

The individual JORC 2012 Mineral Resource estimates for each of the Viscaria Copper-Iron Project deposits are shown in Tables 10 and 11 below. D Zone and Discovery Zone are copper-magnetite iron ore 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).

Table 10: 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

Table 11: 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-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.

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 Bergsstaten 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 Bergsstaten 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 application for the Mining Exploitation Concession (MEC) at the Discovery Zone (Rakkurijärvi K1) has been lodged. Avalon is committed to ensuring that it engages with all stakeholders as it progresses the work programs and the related permitting requirements. Consulting group Swedish Geological AB (SGAB) has been contracted to complete further stakeholder engagement studies.

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.

CORPORATE

General Manager – Studies and Technical Services

On 13 October 2014, the Company announced the appointment of Ray Robinson to the position of General Manager – Studies and Technical Services.

Mr Robinson brings to Avalon a wealth of experience in managing Feasibility Studies and delivering development projects on time and on budget. He has worked across a range of commodities in various geographies and managed a wide range of consulting groups.

Annual General Meeting

On 2 October 2014, the Company announced that the Notice of AGM had been despatched to all shareholders. The Notice is available on the Company's website.

Annual Financial Report to 30 June 2014

On 30 September 2014, the Company released its Annual Financial Report. The Report has been despatched to those shareholders who had requested a hard copy.

The Annual Financial Report is available on the Company's website.

Research Report

On 29 September 2014, Avalon announced that Breakaway Research had recently completed a commissioned research report on the Company.

A copy of the report is available from the Company's website under Investors/Brokers Research. The report recommended a 'Speculative BUY' and a risked base case valuation of \$0.068/share.

Additional coverage has also been provided by Morgans Stockbroking.

Placement - On 28 July 2014, the Company announced that it has arranged a placement to raise AUD\$1.95M through the issue of approximately 244M shares at an issue price of \$0.008 per share.

The placement was made to new, professional investors in Australia, UK and Hong Kong as well as a major, existing Australian shareholder. The funds are being applied to progressing the Company's Viscaria Copper-Iron Project in northern Sweden and to working capital.

The Company will require further funds to support its strategy of progressing the Viscaria Project through feasibility and permitting stages, in readiness for mine development. Directors are currently considering several suitable capital raising options to ensure the Company is well funded to move forward to its next stage of development.

Cash Resources - at 30 September 2014, the Company had cash reserves of \$1.4M.

Shareholder Information - at 30 September 2014, the Company had 1,437,354,886 fully paid ordinary shares on issue and approximately 943 shareholders.

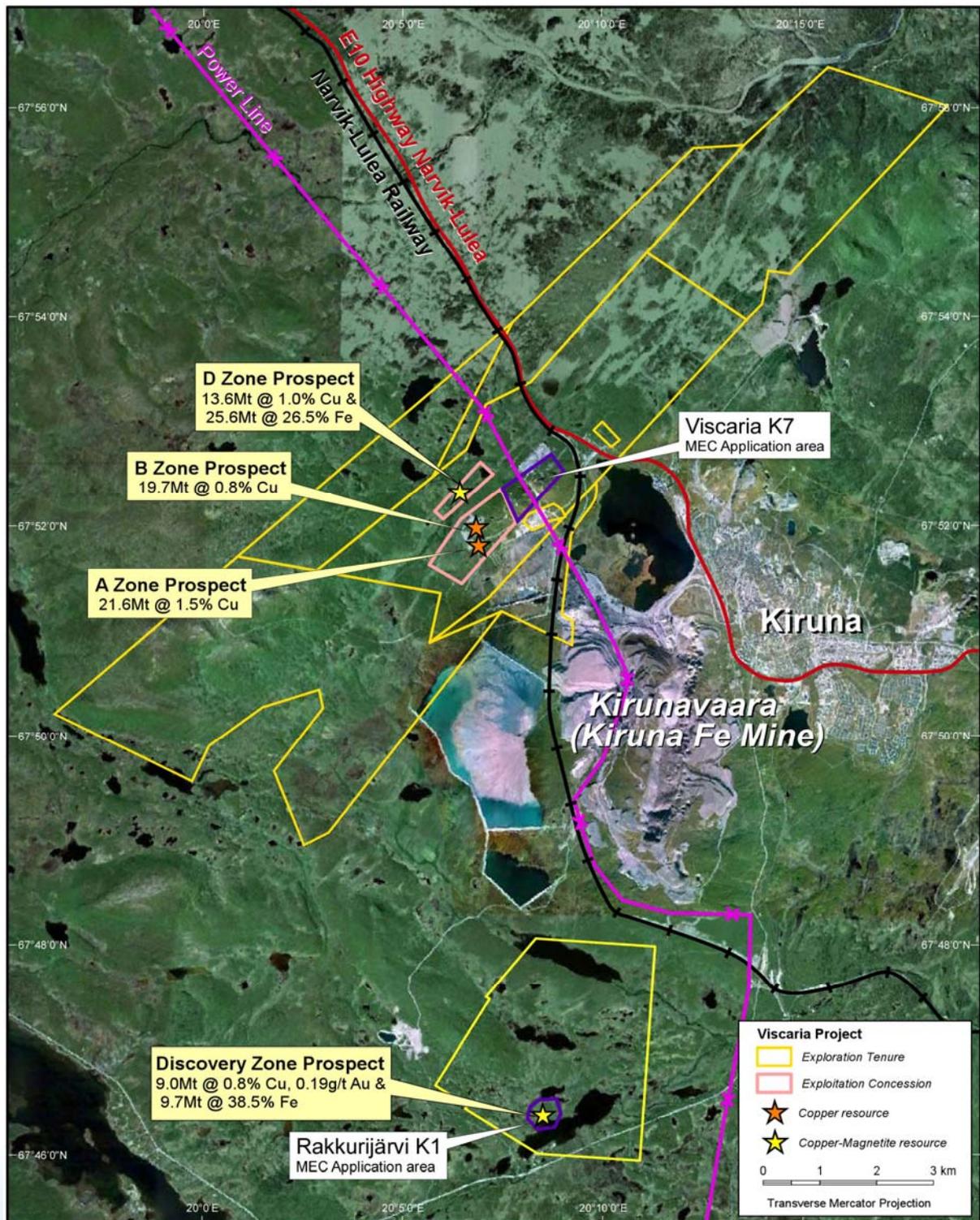


Figure 1 – Project Location





Figure 2 – Location of the A Zone, B Zone, D Zone and Discovery Zone Mineral Resources in relation to established infrastructure and Avalon Minerals tenure.



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	Renewal lodged	100%
Avalon Minerals Viscaria AB	Viscaria No 2	Norrbottn, Sweden	Renewal lodged	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 104	Norrbottn, Sweden	Renewal lodged	100%
Avalon Minerals Viscaria AB	Viscaria No 105	Norrbottn, Sweden	Renewal lodged	100%
Avalon Minerals Viscaria AB	Viscaria No 106	Norrbottn, Sweden	Renewal lodged	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	Huornas No 1	Norrbottn, Sweden	Renewal lodged	100%
Avalon Minerals Viscaria AB	Viscaria K No 3	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K No 4	Norrbottn, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K No 7	Norrbottn, Sweden	Application	100% (upon grant)
Avalon Minerals Adak AB	Rakkurijärvi No 1	Norrbottn, Sweden	Granted	100% over the area covered by the HNR* acquisition agreement
Avalon Minerals Adak AB	Rakkurijärvi K No 1	Norrbottn, Sweden	Application	100% (upon grant and once acquisition from HNR* complete)

*HNR – Hannans Reward Ltd (ASX:HNR)

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 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 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 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 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 metallurgical results is based upon information reviewed by Edward McLean who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr McLean is a full-time employee of Ausenco Services Pty 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”. Mr McLean consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DIRECTORY

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ASX Code: AVI

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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: 1,437,354,886 (AVI)
(at 30 September 2014)

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

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")

30 September 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	53	53
1.2 Payments for (a) exploration & evaluation	(611)	(611)
(b) development	-	-
(c) production	-	-
(d) administration	(443)	(443)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	5
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	(996)	(996)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
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	-	-
1.13 Total operating and investing cash flows (carried forward)	(996)	(996)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)		
		(996)	(996)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,831	1,831
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	(116)	(116)
	Net financing cash flows	(1,716)	1,716
	Net increase (decrease) in cash held	720	720
1.20	Cash at beginning of quarter/year to date	684	684
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,404	1,404

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	126
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.	126

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	560
4.2 Development	-
4.3 Production	-
4.4 Administration	350
Total	910

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	152	103
5.2 Deposits at call	1,252	582
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1404	684

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	1,437,354,886	1,437,354,886		
7.4 Changes during quarter (a) Increases - Placement (b) Decreases through returns of capital, buy-backs	233,750,000	233,750,000	\$0.008	\$0.008
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>	26,000,000	Nil	<i>Exercise price</i> 5 cents	<i>Expiry date</i> 30/09/2015
Performance Rights	9,875,000	Nil	Nil	05/06/2019
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter Options	-	-	-	-
Performance Rights	1,250,000	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 October 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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