



AVALON MINERALS LTD JUNE 2007 QUARTERLY REPORT

Avalon Minerals Ltd
ABN 68 123 184 412

Suite 2
2 Richardson Street
WEST PERTH WA 6005

PO Box 165
WEST PERTH WA 6872

Telephone: +61 8 9322 2752
Facsimile: +61 8 9322 2827

Email:
david@avalonminerals.com.au

Web:
www.avalonminerals.com.au

ASX Code: AVI
40 million shares
11 million unlisted options
Nil convertible notes

Market Cap
A\$11.2 million

Cash
A\$3 million

Directors
David McSweeney (Executive
Chairman)
Stephen Stone (Director)
Gary Steinepreis (Director)

HIGHLIGHTS

- **Agreement to acquire Resource Properties Pty Ltd's 1,900km² uranium exploration portfolio comprising 13 Exploration Licence Applications (ELA's) in Western Australia.**
- **Acquisition of a 70% interest in the highly prospective Empress Springs gold, base metals and uranium project in North Queensland, through JV with Independence Group NL.**
- **6 New Exploration Licences granted at the Lennard Shelf Zinc Project in WA's East Kimberley region.**
- **Extensive airborne electromagnetic (EM) survey underway for highly prospective Marloo Project (uranium, gold, copper).**
- **Additional uranium and base metal acquisition opportunities under application.**



SUMMARY

Avalon Minerals Ltd was established in late 2006 to search for, acquire and develop mineral deposits after completing a successful listing on the Australian Stock Exchange on the 22nd of March 2007 - closing a A\$3.5 million IPO oversubscribed, approximately three weeks after its launch.

Avalon's corporate objective is to build a resource mining group based on cash flows from producing operations. The primary strategy for achieving this objective is the acquisition and exploration of strategic regional exploration landholdings in proven mineral provinces. A secondary objective is to acquire advanced resource projects with the potential for early cash flow.

The Company has continued to build on its business model during the Quarter by the expansion of its uranium portfolio to include thirteen new projects in Western Australia's Yilgarn and Kimberley regions, one new uranium/base metals project in North Queensland and by the progress of its Lennard Shelf zinc project in Western Australia 's East Kimberley region.

Avalon's aim is to explore its current portfolio of zinc and uranium assets in its own right and with the use of joint ventures, whilst expanding its portfolio in Australia and overseas. The company also maintains an active interest in iron ore opportunities given management's previous experience in this area.

Uranium exploration and development will be conducted via its recently acquired, wholly owned subsidiary, **Resource Properties Pty Ltd**, whilst the Company's zinc projects will be held within its existing subsidiary **Xmin Limited**.

Significant progress was made during the Quarter, which Avalon intends to capitalise on in the second half of 2007 with an active exploration campaign for both the newly acquired and existing projects.

WESTERN AUSTRALIA

ZINC

Avalon maintains an active project review generation program for new Zinc projects in Australia and overseas, headed up by consulting geologist Mr Geoff Hewlett. The company's primary zinc projects are the Lennard Shelf Projects in Western Australia, where six new key exploration licences were recently approved under the Native Title Act, after the Kimberley Land Council (KLC) withdrew its objection to the grant of the tenements.

Lennard Shelf - Zinc-Lead

Avalon's wholly-owned 2594km² Lennard Shelf Projects - located in the acclaimed zinc province in the East Kimberley region of Western Australia - are the Company's primary zinc targets and include the Oscar Range, Barramundi and Lawford Projects.

The tenements – which are located adjacent to and along strike from Teck Cominco / Xstrata's Lennard Shelf deposits, including the 23 million tonne Pillara Deposit – are a key focus of Avalon's exploration and growth strategy. The granting of the tenements has enabled the Company to expedite its exploration activities in the Lennard Shelf region in the second half of 2007 with the objective being to identify new Mississippi Valley Type (MVT) zinc/lead deposits with the potential to support a standalone processing facility.

During the Quarter, a study by respected international geological consultants, CSA Australia Pty Ltd, identified a number of highly prospective MVT base metal exploration targets within the area covered by the Exploration Licences. In addition, CSA identified a number of potential new host rock units that have previously only received minor exploration.

The next phase of exploration at Lennard Shelf is to conduct NITON soil sampling field programs over an initial 12 priority targets and is set to commence upon receiving clearance from the Kimberley Land Council.

In conjunction with the NITON program, the Company is planning to undertake a number of IP (Induced Polarisation) surveys over priority areas including the Oscar Range and Window targets to take advantage of the mobilisation of an IP crew to the Kimberley to carry out work for other Kimberley operators.

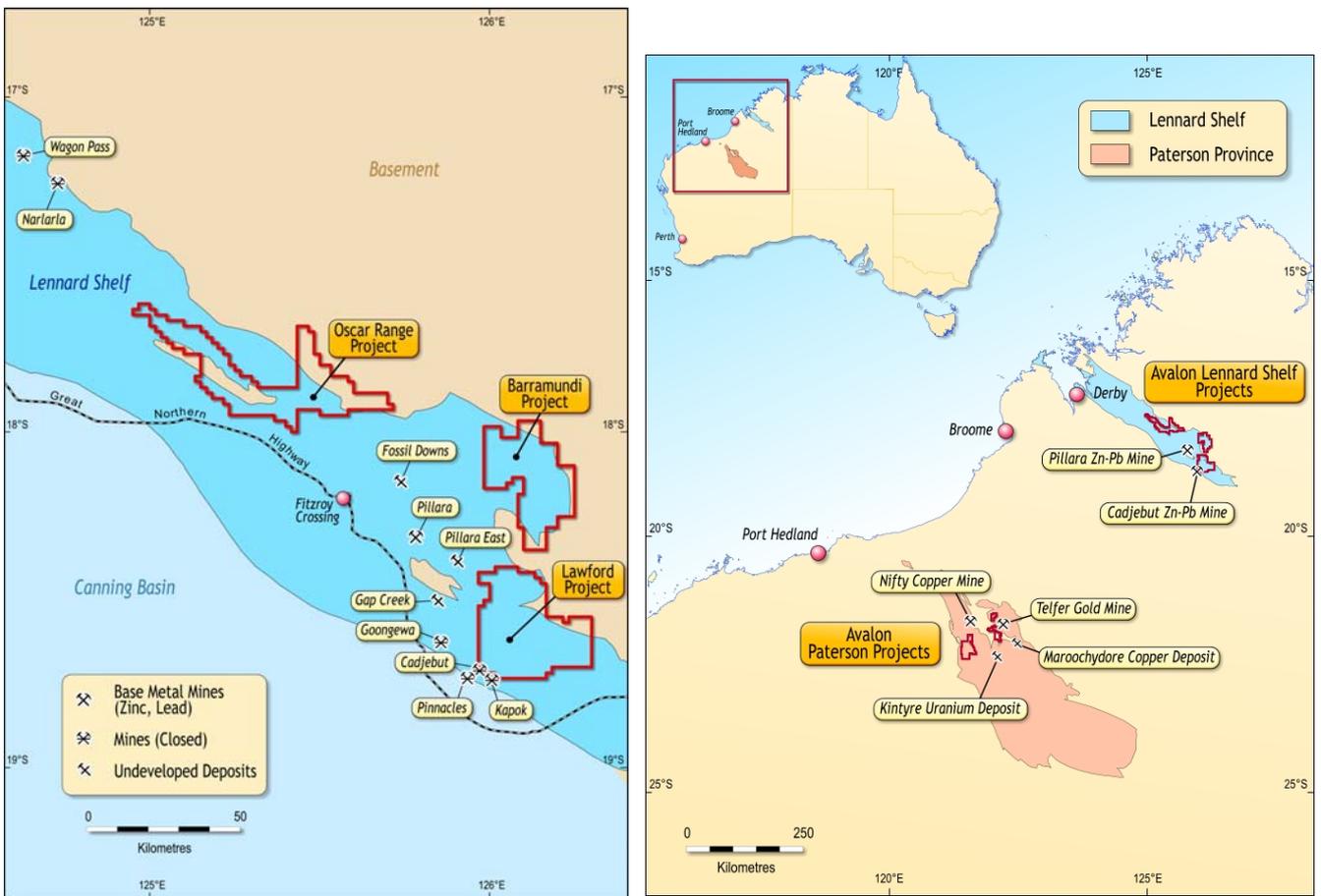


Figure 1 – Lennard Shelf Project Maps

URANIUM

The Company has significantly expanded its Uranium portfolio in recent times, which already included the Marloo Uranium Project- 40 km East of Kintyre in the Pilbara region - by the 100% acquisition of private company, Resource Properties Pty Ltd and their 13 Exploration Licence Applications (ELA's) in Western Australia (total area 1900km²).

In addition to the new Western Australian uranium properties, Avalon has also entered into the Empress Springs Joint Venture in North Queensland, where the company intends to immediately conduct both base metals and uranium exploration.

Avalon has commenced planning for the grant of the priority exploration licences and a detailed 2 year work program across the Australian portfolio commencing at Marloo this year. Exploration work will continue across the Western Australian and Queensland projects throughout 2007 and 2008.

Avalon has now positioned itself to actively participate in the growing uranium sector through exploration and discovery within its tenement portfolio - now comprising some 2800km² of overall landholdings - and It is intended that Resource Properties Pty Ltd will be the vehicle for developing Avalon's uranium projects both in Australia and overseas.

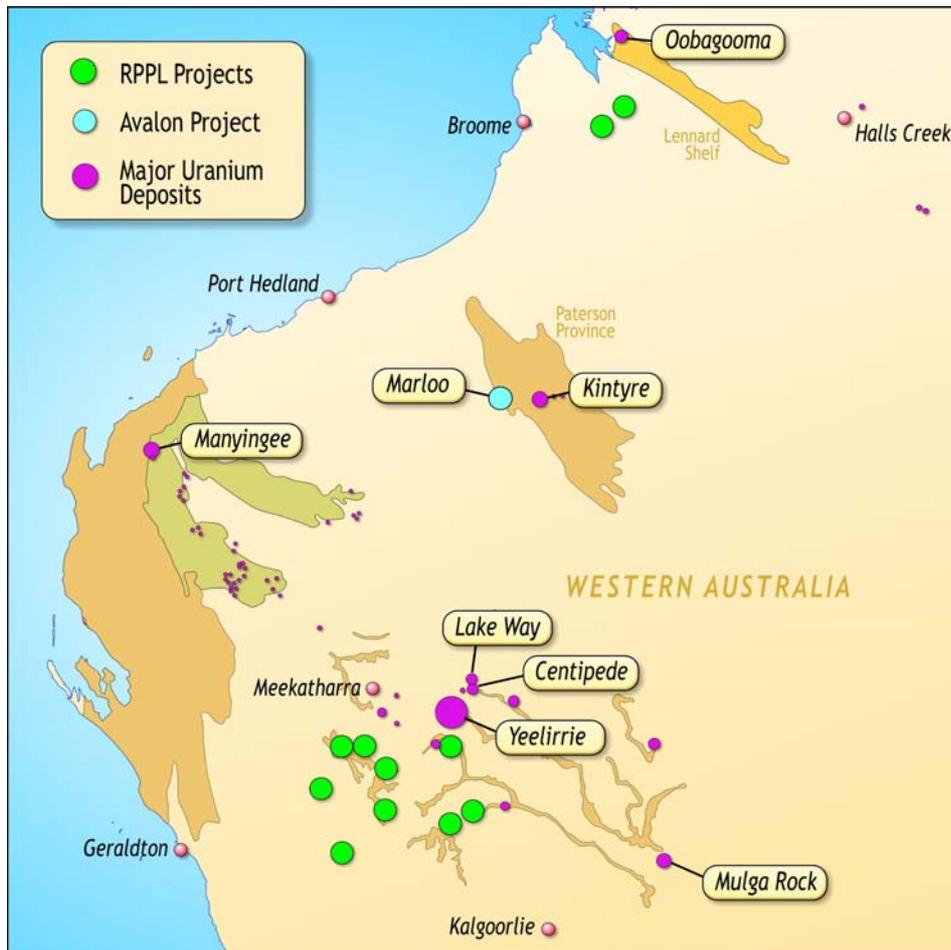


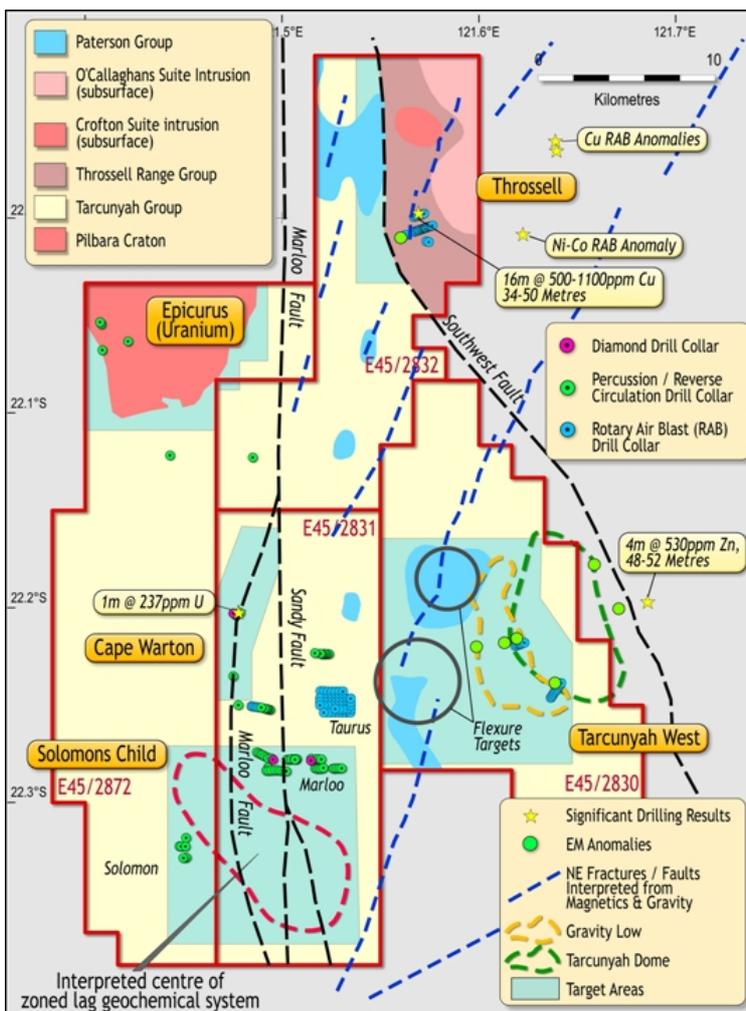
Figure 2 – Avalon's Western Australian uranium tenements

Marloo - Uranium

The Marloo Project - covering seven exploration licences and some 700km² - forms part of Avalon's 1400km² Paterson Project in Western Australia's mineral-rich Pilbara region and is located in the Paterson Province, which hosts the Telfer Gold Mine, the Nifty Copper Mine and the unconformity-styled Kintyre uranium deposit. Exploration will focus on the potential for the discovery of unconformity-styled uranium mineralisation.

Recent reconnaissance exploration work has reinforced its prospectivity for this style of mineralisation, indicating that faults transecting the project area carried uranium-bearing fluids, with background scintillometer readings of up to 1,000cps recorded in outcropping faulted areas.

In June, Avalon announced that it had committed to participate in a major Airborne Electromagnetic (EM) survey to significantly enhance its uranium and base metals exploration activities at Marloo.



The planned EM survey will form part of a much larger survey to be flown and partially funded by Geoscience Australia – which will fund one third of the Marloo EM program, with in-fill lines to be funded for by Avalon at a reduced rate.

On-ground exploration activities are scheduled to commence as soon as all appropriate Heritage Agreements are signed, enabling the tenements to be granted. These Heritage Agreements are currently being finalised with the Western Desert Lands Aboriginal Corporation and are expected to be completed shortly.

Figure 3 – Marloo Uranium Project

Resource Properties ELA's - Uranium

Avalon has strengthened its position in Australian uranium exploration through the acquisition of a substantial exploration portfolio covering 1,900km² in Western Australia's Kimberley and Yilgarn regions from privately held company Resource Properties Pty Ltd.

The Resource Properties acquisition - comprising 13 Exploration Licence Applications (ELA's) and including some highly prospective uranium acreage - significantly enhances Avalon's existing uranium inventory.

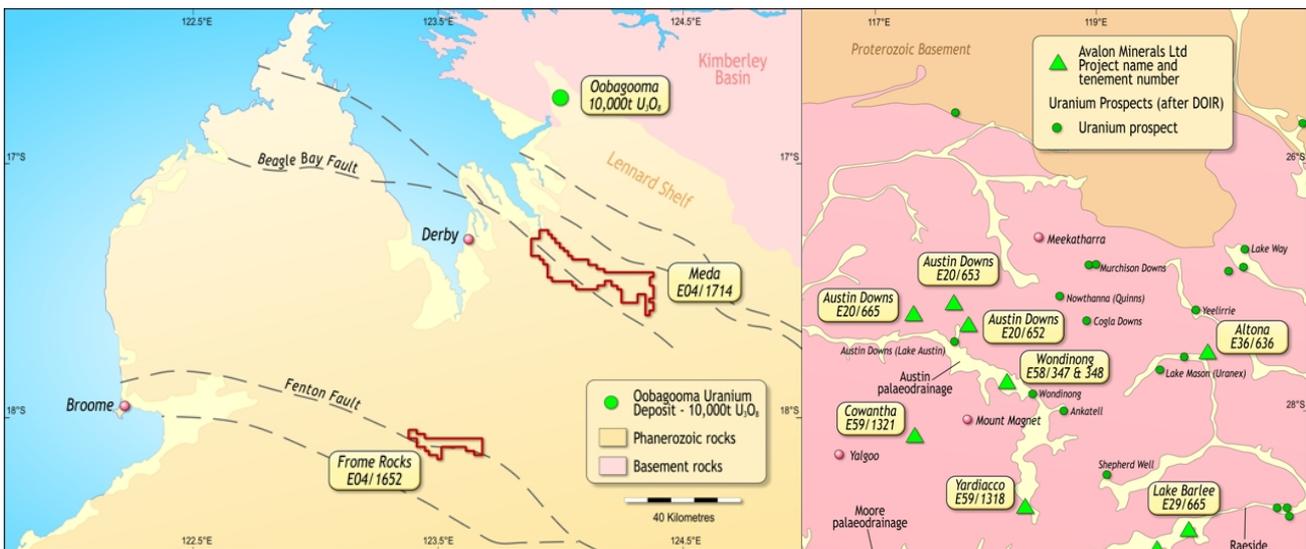


Figure 4 – Resource Properties Kimberley tenements



Figure 5 – Resource Properties Yilgarn tenements

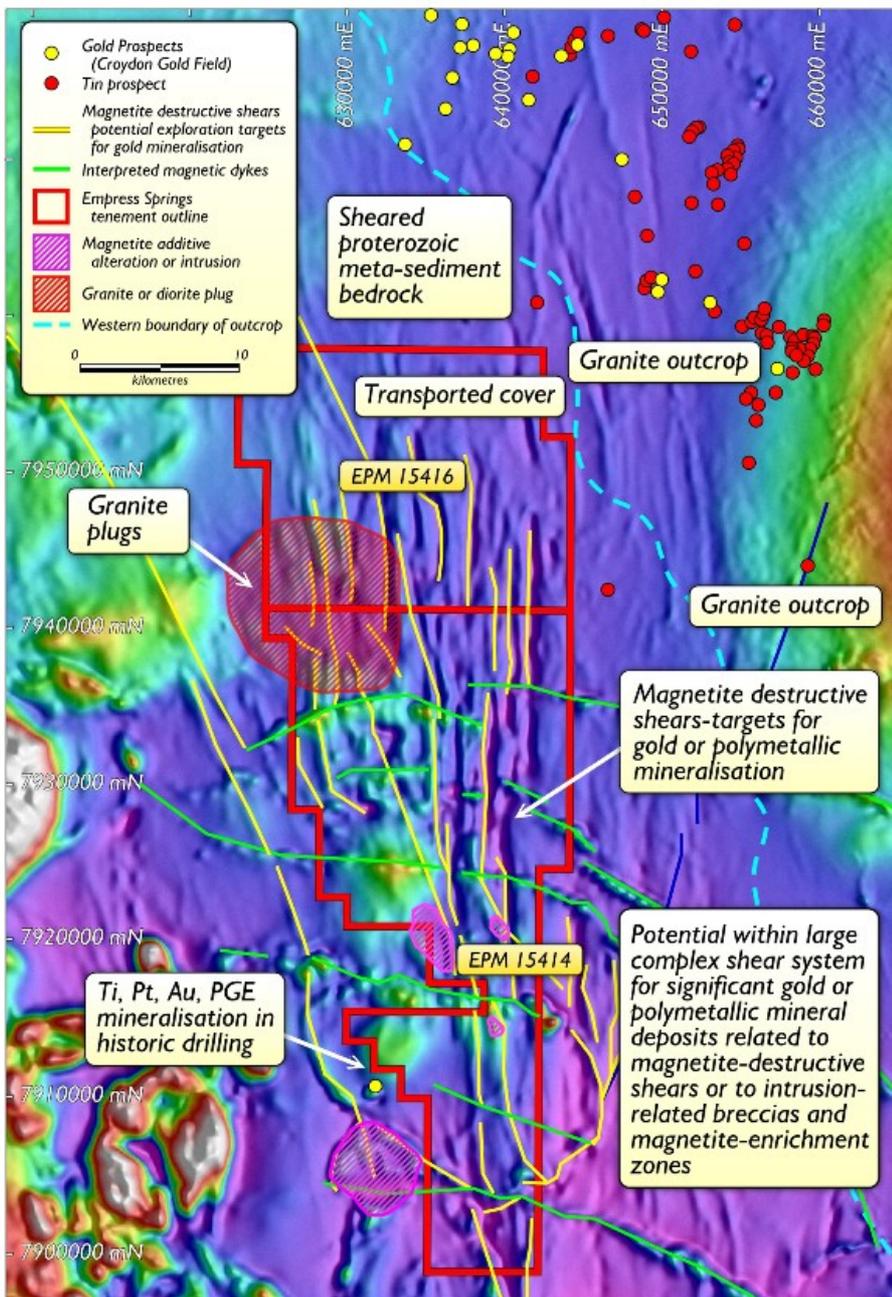
The portfolio comprises 11 ELA's in proven uranium districts in the Yilgarn region, considered prospective for calcrete-hosted uranium mineralization. The two Kimberly Uranium prospects are considered prospective for roll-front styled uranium deposits.

QUEENSLAND

Empress Springs – Gold, Uranium and Base Metals (Avalon 70%)

Avalon has entered into a joint venture agreement with ASX-listed nickel producer, Independence Group NL, to earn a 70% interest in the Empress Springs gold, base metals and uranium project in North Queensland.

The project, located 40km south of Croydon, comprises two granted exploration licences covering a total area of 833km². The region is a well-known gold producing region with historical production of 750,000oz at Croydon and the more recent discovery by Gold Aura Ltd of polymetallic mineralisation at Wallabadah located 30 km north of Croydon.



Interpretative work completed in identifying the target zones at Empress Springs has laid the foundation for an early drilling program planned to commence this field season. Avalon plans to immediately commence an exploration program to include a program of Reverse Circulation (RC) drill traverses to be directed across targeted zones of alteration.

The Empress Springs Project also has the potential for roll-front or drainage channel hosted redox-style uranium mineralization. The regional granites are fluorine-tin enriched and also have potential to generate uranium mineralizing fluids.

Under the terms of the Joint Venture with Independence Group, Avalon must spend \$125,000 in the first 12 months and a total of \$750,000 over 4 years to earn its 70% interest in the project.

Figure 6 –Empress Springs

NEW APPLICATIONS

During the Quarter, the company submitted four exploration licence applications - offered by the Queensland Geological Survey Department - for tenements with coincident gravity and magnetic targets, located 150km west of Mt Isa in Northern Queensland. The applications were submitted as part of a tender process with successful applicants expected to be notified in the September Quarter.

Avalon also made applications for two exploration licences in the Esperance region with potential for iron-ore mineralisation.

PROJECT GENERATION ACTIVITIES

The acquisition of 13 Exploration Licence Applications in Western Australia was attained with the 100% purchase of Resource Properties Pty Ltd, from interests associated with Mr Don Boyer, for total consideration comprising four million Avalon shares and \$100,000 cash.

Avalon will continue to assess additional uranium and zinc project opportunities both in Australia and internationally.

2007 EXPLORATION PROGRAMME

- Lennard Shelf Zinc Project - Commencement of field activities (September Quarter)
- Marloo Uranium Project - Completion of electromagnetic (EM) survey (September Quarter)
- Resource Properties Uranium Portfolio - Commencement of data review and detailed exploration program (Second half 2007)
- Empress Springs Gold, Uranium and Base Metals Project - Completion of data review and commencement of field work (Second half 2007)

CORPORATE

As at 30 June 2007;

- Avalon has 405 shareholders with the Top 20 holding 60.25% of the Company.
- The company has A\$3 million cash on hand.

Avalon moved its head office on the 1st of August 2007 - Contact numbers and postal address will remain unchanged with new offices located at:

Unit 2, 2 Richardson Street
West Perth WA 6005
Po Box 165 West Perth 6872



David McSweeney
Executive Chairman



Competent Persons Statements

The information in this report relates to Exploration information reviewed by Mr Geoff Hewlett MSc DIC MAIG who is a Member of the Australasian Institute of Mining and Metallurgy and acts as a geological consultant to Avalon Minerals Ltd. Mr Hewlett has over 30 years of exploration experience in a variety of mineral deposit styles including four years relevant experience in exploration for uranium mineralisation and he consents to inclusion of the information in this report in the form and context in which it appears. He qualifies as a Competent Person as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves".

- ENDS -

Released by:
Nicholas Read/Jason Cunningham
Read Corporate
Telephone: +61 (0)8 9388 1474

On behalf of:
Mr David McSweeney
Managing Director & CEO
Avalon Minerals Limited
Mobile: +61 0439 399 318

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

AVALON MINERALS LTD

ABN

68 123 184 412

Quarter ended ("current quarter")

30 June 2007

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (...12 months) \$A'000 |
|---|----------------------------|---|
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for | | |
| (a) exploration and evaluation | (108) | (162) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (138) | (258) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 26 | 33 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other – security bonds | - | - |
| Net Operating Cash Flows | (220) | (387) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | | |
| (a)prospects | - | - |
| (b)equity investments | - | - |
| (c) other fixed assets | (19) | (97) |
| 1.9 Proceeds from sale of: | | |
| (a)prospects | - | - |
| (b)equity investments | - | - |
| (c)other fixed assets | - | - |
| 1.10 Loans to other entities | - | (250) |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other - Net GST & TFN | 14 | (19) |
| Net investing cash flows | (5) | (366) |
| 1.13 Total operating and investing cash flows (carried forward) | (225) | (753) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|--|-------|-------|
| 1.13 | Total operating and investing cash flows (brought forward) | (225) | (753) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | 4,045 |
| 1.15 | Proceeds from sale of forfeited shares | | |
| 1.16 | Proceeds from borrowings | | |
| 1.17 | Repayment of borrowings | | |
| 1.18 | Dividends paid | | |
| 1.19 | Other – Costs of capital raising | - | (148) |
| | Net financing cash flows | - | 3,897 |
| | Net increase (decrease) in cash held | (225) | 3,144 |
| 1.20 | Cash at beginning of quarter/year to date | 3,369 | |
| 1.21 | Exchange rate adjustments to item 1.20 | | |
| 1.22 | Cash at end of quarter | 3,144 | 3,144 |

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 | 45 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | |

1.25 Explanation necessary for an understanding of the transactions

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

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

+ 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 | 200 |
| 4.2 Development | |
| Total | 200 |

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 | 3,144 | 3,369 |
| 5.2 Deposits at call | | |
| 5.3 Bank overdraft | | |
| 5.4 Other (provide details) | | |
| Total: cash at end of quarter (item 1.22) | | |

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 (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 +Ordinary securities | 40,000,000 | 20,225,000 | | |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | | | | |
| 7.5 +Convertible debt securities <i>(description)</i> | | | | |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 Options <i>(description and conversion factor)</i> | 5,400,000 5,600,000 | - - | Exercise Price 20 Cents 40 cents | Expiry Date 31/1/2010 31/1/2009 |
| 7.8 Issued during quarter | | | | |
| 7.9 Exercised during quarter | | | | |
| 7.10 Expired during quarter | | | | |
| 7.11 Debentures <i>(totals only)</i> | | | | |
| 7.12 Unsecured notes <i>(totals only)</i> | | | | |

+ See chapter 19 for defined terms.

