



QUARTERLY REPORT

March 2011

ASX/Media Release

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AVALON MINERALS LTD MARCH 2011 QUARTERLY REPORT

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ASX Code: AVI
209.2 million shares
2.6 million unlisted options

Directors

David McSweeney
Executive Chairman
Andrew Munckton
Managing Director
Tan Sri Abu Sahid Bin Mohamed
Non-Executive Director
Stephen Stone
Non-Executive Director
Amro Al-Khadra
Non-Executive Director

Mineral Resources:

A Zone: 17.3mt @ 1.84%Cu
B Zone: 27.4mt @ 0.73% Cu
D Zone: 9.0mt @ 0.55% Cu & 27% Fe
Tailings Dam: 12.5mt @ 0.25% Cu

For a total of 66.2mt @ 0.9% Cu and 600,000 tonnes of copper metal

HIGHLIGHTS

Viscaria Copper Iron Ore Project, Sweden

(Avalon - 100%)

- Exploration drilling at D Zone returns significant high grade intersections including:
 - 79m @ 0.8% Cu and 26% Fe
 - 28m @ 1.9% Cu and 20% Fe
 - 44m @ 1.2% Cu and 30% Fe
- Drilling within D Zone resource envelope has returned wider and higher grade copper intersections than predicted in resource model.
- DTR test work confirms potential to produce premium-grade magnetite concentrate, with results including:
 - 80m @ 71.1% Fe and 0.7% SiO₂ with 31% Wt Rec
 - 22m @ 71.1% Fe and 0.8% SiO₂ with 33% Wt Rec
- Project Environmental Impact Assessment submitted to the regulator.
- Pellet making test work commenced.

Corporate

- Successful completion of \$4.1M Share Placement, comprising the issue of 22.8m shares at \$0.18/share.
- Completion of one-for-five Non-Renounceable Entitlements Issue, comprising the issue of 34.1M shares at \$0.18/share to raise \$6.1M. The Issue was fully underwritten by the Company's largest shareholder, Tan Sri Abu Sahid Bin Mohamed.
- Appointment of Mr Amro Al-Khadra as Non-Executive Director on 1 March 2011. Mr Al-Khadra filled the position vacated by Mr Gary Steinepreis.
- Expenditure for the quarter totalled \$6.0M under the influence of the accelerated drilling program. Cash Reserves at end of March totalled \$6.6M.



VISCARIA COPPER-IRON PROJECT

The Viscaria Copper-Iron Project in northern Sweden is the Company's primary focus and underpins Avalon's plans to become a mid-tier copper producer. The 2010 Viscaria Pre-Feasibility Studies laid the foundation for the 2011 Viscaria drilling and Bankable Feasibility Studies.

2011 Drilling Program

During the Quarter, drilling at the Viscaria Project advanced significantly with the aims of:

- Upgrading and expanding the existing D Zone resource of 9.0Mt grading 0.55% Cu and 27% Fe;
- Defining the style of copper and iron mineralisation at D Zone South; and
- Confirming the resources defined within the open pit mining shell at A Zone and B Zone.

The drilling program commenced on 11 November 2010 and continued throughout the March 2011 quarter.

D Zone

The D Zone ore body contains overlapping copper and magnetite iron ore mineralisation. Test work conducted to date indicates that the two metals can be effectively separated using conventional processing techniques.

Avalon's drilling during the March quarter focused primarily on the D Zone, with assay results received to the end of March including:

- 20m @ 1.1% Cu and 21% Fe from 53m
- 28m @ 1.9% Cu and 20% Fe from 52m
- 44m @ 1.2% Cu and 30% Fe from 58m
- 79m @ 0.8% Cu and 26% Fe from 88m

Drilling results are shown in Appendix 1 and head assay results and locations of drill intersections are shown in Figure 1.

Drilling within the current resource envelope has returned wider and higher grade copper intersections than were predicted by the September 2010 resource model, reinforcing the Company's confidence in the potential of the D Zone mineralised horizon to host a significant copper and iron ore resource.

The results are consistent with Avalon's interpretation of a central core of higher grade copper mineralisation within the D Zone ore body, which sits within a broader zone of magnetite mineralisation approximately 20-30 metres in width and 1,200 metres long. The higher grade copper mineralisation plunges shallowly south, which is in keeping with the general plunge of copper mineralisation at both A Zone and B Zone.

Drilling in the March quarter has extended the mineralisation both north and south and confirmed the extension of the higher grade copper mineralisation below the base of the current pit design.

In addition to the excellent copper intersections, Davis Tube Recovery (DTR) test work was conducted on a number of drilled holes to evaluate the potential to upgrade the magnetite mineralisation within the D Zone resource to high grade concentrate. Results received to date have confirmed excellent weight recovery and upgradability, with best results including:

- 22m @ 33% Wt Rec, 71.1% Fe and 0.8% SiO₂ from 40m
- 23m @ 35% Wt Rec, 70.7% Fe and 0.8% SiO₂ from 43m
- 80m @ 31% Wt Rec, 71.1% Fe and 0.7% SiO₂ from 89m
- 20m @ 36% Wt Rec, 71.0% Fe and 0.8% SiO₂ from 119m

DTR results are summarised in Appendix 2 and DTR results and locations of reported drilling are shown in Figure 2.

The results indicate the magnetite mineralisation within the D Zone resource can be effectively upgraded to achieve a high quality iron concentrate from both shallow and deeper mineralisation at D Zone. The significance of the excellent concentrate specifications is that the Viscaria concentrate matches the quality specification stipulated by LKAB for provision of supply to their nearby Kirunavarra pellet making facility. This has positive implications for the potential to negotiate a future offtake agreement with LKAB for Viscaria magnetite concentrate.

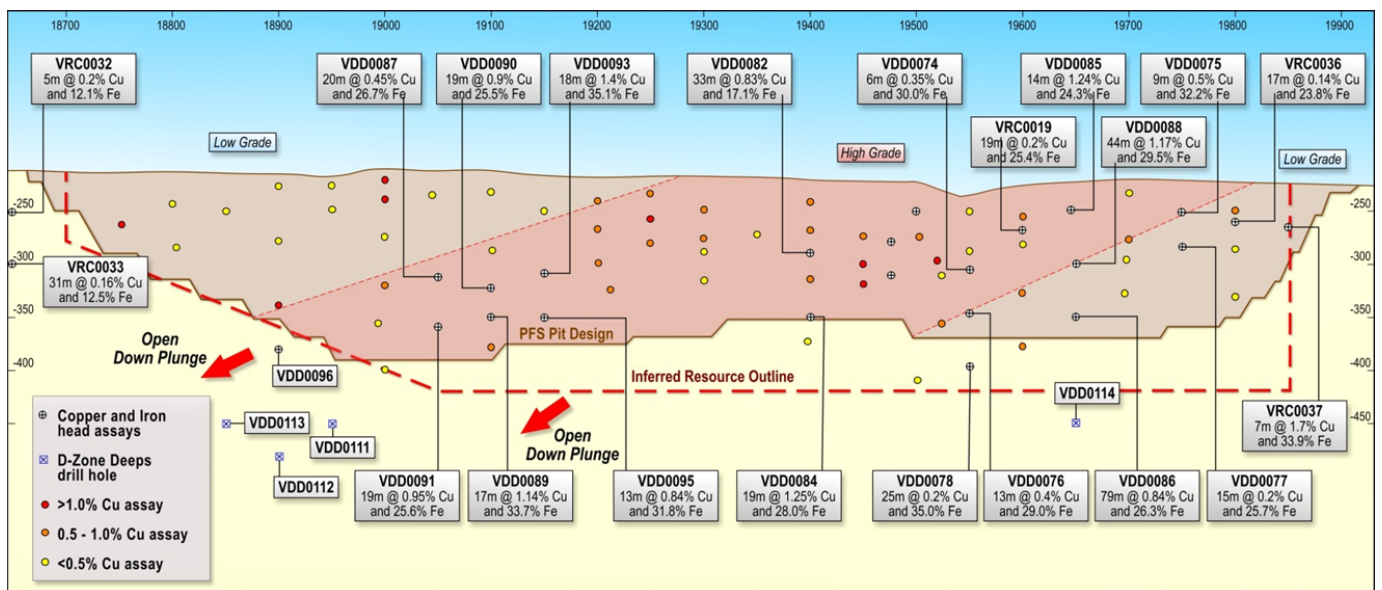


Figure 1: D Zone Copper and Iron Results

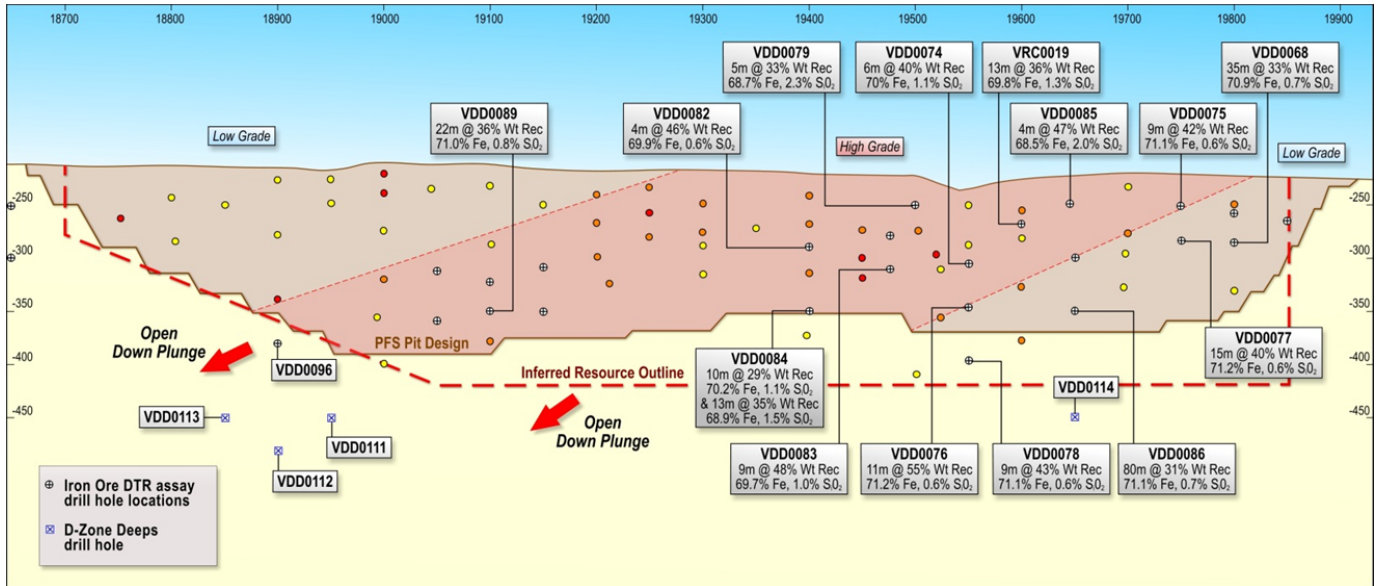


Figure 2 – D Zone DTR Results

B Zone

Drilling conducted at B Zone was designed to infill Inferred Resources within the current pit design. Results from this drilling are shown in Appendix 3. Results have shown medium grade (0.5% to 1.2%) copper and sulphur mineralisation over the target horizon. The intersections encountered to date confirm the expected position and tenor of the mineralisation from previous drilling.

Further infill drilling is planned over the June Quarter to allow conversion of resources to the Measured and Indicated categories and validation of pit geotechnical design parameters.

D Zone South

Wide-spaced drilling at D Zone South during the Quarter returned only low grade (0.1%) copper and iron ore mineralisation over the target horizon. Further exploration work in this area has been deferred pending availability of drill rigs. The prospectivity of D Zone South has been downgraded.

Forward Program

At present, three drill rigs (one percussion and two diamond) are operating at site. The program of works being undertaken as part of the ongoing Bankable Feasibility Study (BFS) includes drilling at D Zone (12,000m) and metallurgical and geotechnical drilling at A and B Zone (4,000m), and is scheduled to be completed in the June 2011 Quarter.



Bankable Feasibility Study

The Bankable Feasibility Study (BFS) of the Viscaria Cu-Fe project commenced in October 2010. The BFS includes all approval and engineering elements of the project and remains on schedule for completion in the September 2011 Quarter.

Engineering

The Engineering Study for process plant and infrastructure was awarded to MSP Engineering Pty Ltd with work commencing in December 2010. This work will provide a detailed design and capital and operating cost estimate for the process plant and infrastructure.

At the end of March the engineering was approximately 50% complete.

During the quarter preliminary comminution circuit design was finalised with crushing, milling and secondary crushing equipment selected.

The geotechnical and survey reports from site were received which has enabled final locations to be selected for plant and infrastructure installation.

Electrical, mechanical and civil/structural engineering has progressed and now requires final equipment list completion prior to further work. The equipment list finalisation is scheduled for completion in the June quarter.

Approvals

Mining

The Mining Exploitation Concession (MEC) was submitted to the Bergsstaten (Mines Department) in 2010. Information was requested by the Kiruna County Administration Board regarding the potential land use conflicts with the Kiruna-Narvic railway line reserve (see Figure 3) in January 2011. Further additional information was also requested regarding the potential impact of mining upon the six power generation windmills which are located within and adjacent to the A and B Zone MEC in February 2011.

Amendments to the MEC and Management Plans have been submitted to the Bergsstaten in response to these requests. The amended application, which now excludes the railway reserve but includes provision for altering the windmill land use in the event the windmills are required to be removed, was submitted in April 2011 and is currently being considered by the Bergsstaten.

Environment Impact Assessment (EIA)

The project EIA is a technical description of the expected project impact on the community, land and environment surrounding the project. It is a comprehensive document which covers all consultation and baseline technical data on the existing land, air and water uses and community expectations of the project.

The document must be submitted to the Environmental Court of Sweden (ECS) (the government regulator) which triggers a formal project assessment process, and if approved, results in a licence to operate with conditions issued by the government of Sweden.

Subsequent to the quarter end, the Viscaria EIA was formally submitted to ECS. The ECS will now formally consider the project and review any submissions to the application from affected parties.

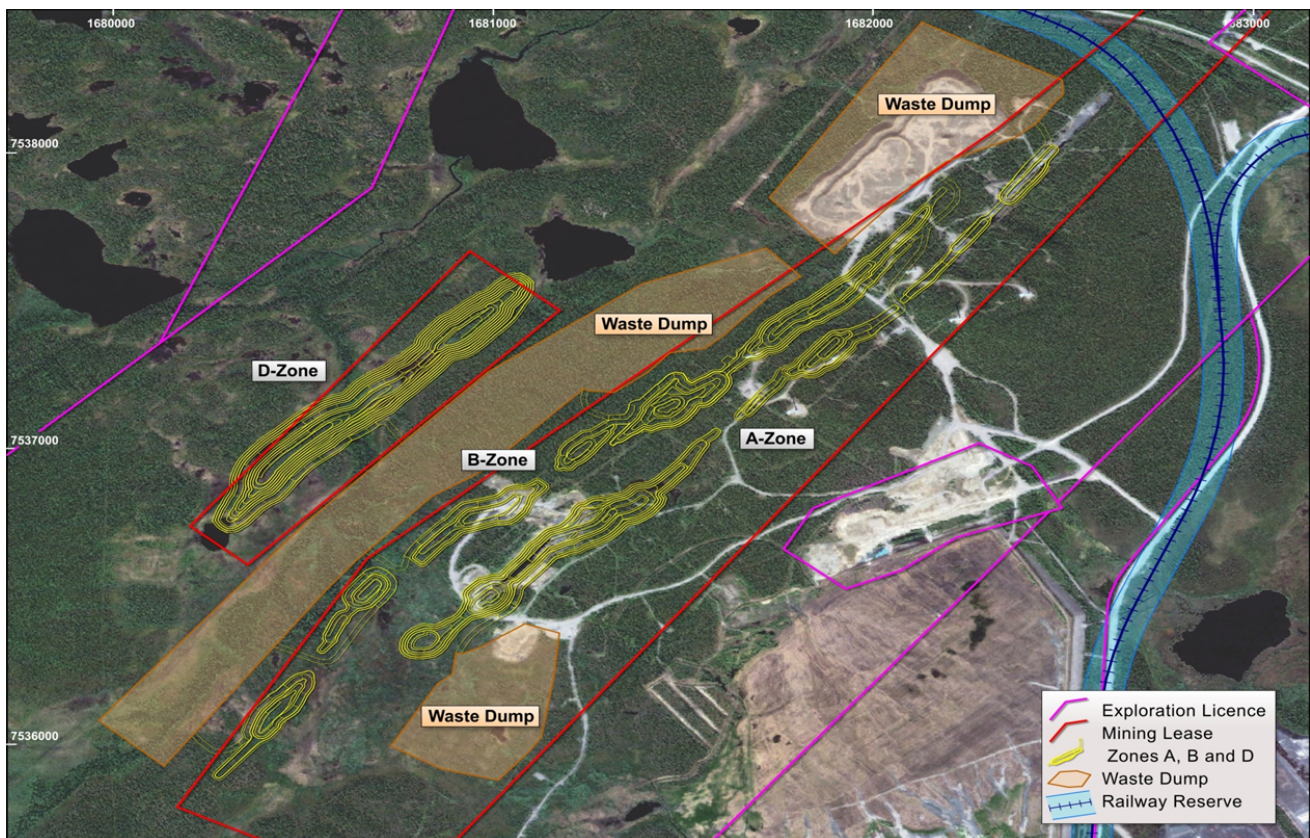


Figure 3: Granted Tenure and Applications on Air Photo



Customers

Discussions are progressing satisfactorily with Boliden AB and LKAB for offtake agreements for copper and magnetite concentrates respectively. In the quarter, a bulk concentrate sample was prepared at SGA in Germany in preparation for conducting pellet making tests on Viscaria magnetite concentrates, and on a blend of Viscaria and LKAB iron ore concentrate. Results are expected in the June quarter.

Costs and Progress

During the quarter, expenditure totalled \$6.0 million in response to the acceleration of the drilling program, replacement of a proportion of RC drilling with more expensive diamond drilling, and the commencement of the deeper down plunge extension drilling at D Zone. At quarter end, the drilling program was approximately 70% complete, and is scheduled to reduce substantially in volume as we complete the program over the June quarter.

EXPLORATION – OTHER PROJECTS

Regional Exploration

Avalon continued with the collection of historical data for its recently acquired exploration tenure in preparation for the 2011 field season. Geophysical, geochemical and geological data sets are now partially complete. Further historical data, principally from the Swedish geological survey and privately available data, is being integrated for analysis.

Data compilations, including the D Zone South iron mineralisation, were collected and integrated with historical geophysical data sets. Planning will commence once ground truthing of magnetite mineralisation has been completed in the 2011 field season.

Adak Copper-Zinc Project

The Adak copper project contains five historical mines – **Adak, Lindskold, Brannmyran, Karlsson (the Adak Dome Mines) and Rudtjebacken** – covering an area of 26.71km², located in the world-class Skelleftea VMS mining district of Northern Sweden.

During the Quarter Avalon completed technical studies of remaining mineralisation from the flooded underground mining positions. No other exploration was undertaken. Presently a number of groups are evaluating the Adak project with a view to either joint venture or sale and purchase.



CORPORATE

Capital Raising

On 10 January 2011 the Company announced a Share Placement of 22,841,542 shares at \$0.18/share, raising \$4.1 million. The Placement was made to a company associated with Avalon's existing shareholder, successful Malaysian businessman Dato Siew Mun Chuang.

The funds raised are being used to continue the Bankable Feasibility Study and drilling programs at the Viscaria Cu-Fe project.

In conjunction with the Placement, the Company also completed a one-for-five Non-Renounceable Entitlements Issue to existing eligible shareholders. The Entitlement Issue was fully underwritten by Avalon's largest shareholder Tan Sri Abu Sahid Bin Mohamed.

The issue closed oversubscribed on 11 February 2011, raising \$6.14m, representing the issue of a total of 34,119,508 shares at \$0.18/share.

Appointment and Resignation of Director

On 1 March 2011, the Company appointed experienced international businessman Mr Amro Al-Khadra to the position of Non-Executive Director. Mr Al-Khadra filled the position vacated by Mr Gary Steinepreis who tendered his resignation due to other business commitments. Mr Al-Khadra is currently the Group Managing Director and CEO of leading Malaysian-based construction and property development group, Maju Holdings Sdn Bhd, a position he has held since October 2009.

Cash Resources

As at 31 March 2011, the Consolidated Entity had cash reserves of \$6.62 million.

The effects of the accelerated drilling program resulted in cash outflow for the quarter of approximately \$5.0 million across all aspects for the company's operations. With approximately 70% of the drilling now complete, expenditure is expected to reduce substantially in the June quarter.

Avalon has no corporate debt.

Shareholder Information

At 31 March 2011, the Company had 209,238,002 shares on issue and approximately 820 shareholders. The top 20 Shareholders held approximately 67% of the Company.

**Competent Person's Statement**

The information in this report that relates to Mineral Resources and Exploration Results is based upon information reviewed by Mr Andrew Munckton BSc (Mining Geology) who is a Member of the Australasian Institute of Mining and Metallurgy.

Mr Munckton 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 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Munckton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

JORC – Exploration Targets

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information relating to exploration targets should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient work completed to define them beyond exploration targets and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

- ENDS -

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On behalf of:
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Appendix 1: Drilling Intersections Viscaria D Zone

North	Hole ID	From (m)	To (m)	Interval (m)	Fe%	Cu%
18620	VRC0032	32	37*	5	12.5	0.20
	VRC0033	77	108	31	-	0.20
	VRC0034	NSI				
19050	VDD0090	94	113	19	25.5	0.90
	VDD0087	92	112	20	26.7	0.45
	VDD0091	127	155	28	12.1	N/A
19100	VDD089	120	143	23	42.6	1.00
	<i>Including</i>	128	143	15	29.4	1.24
19150	VDD0093	93	113	20	33.5	N/A
	VDD0095	128	141	13	29.6	N/A
19400	VDD082	50	83	33	15.8	0.75
	<i>Including</i>	53	73	20	20.8	1.08
	VDD084	132	151	19	27.9	1.25
19450	VDD0081	15	35	20	-	0.7
19475	VDD0080	46	64	18	21.8	1.3
	VDD083	52	80	28	20.2	1.85
	<i>Including</i>	62	80	18	17.9	2.07
19500	VDD0079	42	47	5	26.2	0.6
19550	VDD0074	99	105	6	30.5	0.3
	VDD0076	123	134	11	-	0.2
19650	VDD085	28	41	13	28.1	1.05
	VDD086	88	167	79	26.3	0.84
	<i>Including</i>	124	167	43	30.8	1.42
	VDD0088	58	102	44	29.5	1.17
	VDD0092	121	124	3	9.3	0.65
19700	VDD0070	38	66	28	25.7	-
	<i>Including</i>	48	66	18	-	0.8
	VDD0071	93	124	31	23.1	-
19750	VDD0075	21	30	9	32.2	-
	<i>Including</i>	27	30	3	-	0.7
	VDD0077	43	58	15	25.7	--
	<i>Including</i>	52	58	6	-	0.2
19800	VRC0036	12	29	17	23.8	0.14
	VDD0068	40	63	13	28	0.1
	<i>Including</i>	67	80	13	26	0.2
19850	VRC0037	36	43*	7	33.7	1.71

NB: Assays are by XRF and ICP, * Denotes end of hole, NA = not available

Appendix 2 – DTR Results Viscaria D Zone

North	Drill Hole	From (m)	To (m)	Interval (m)	Wt Rec %	Fe %	SiO ₂ %	Al ₂ O ₃ %	Cu %	P %	S %
19800	VDD068	40.4	62.9	22.5	33.3	71.1	0.78	0.09	0.002	0.003	0.005
	<i>Including</i>	67.2	79.7	12.5	34.4	70.7	0.54	0.04	0.001	0.002	0.003
19700	VDD070	42.8	66.3	23.5	34.9	70.7	0.79	0.05	0.001	0.003	0.011
19550	VDD074	98.7	104.7	6.0	40.0	70.9	1.09	0.04	0.020	0.006	0.014
19750	VDD075	22.0	30.5	8.5	42.1	71.5	0.64	0.05	0.003	0.005	0.009
19550	VDD076	126.7	137.5	10.8	55.6	71.5	0.55	0.01	0.006	0.007	0.012
19750	VDD077	43.0	57.0	14.0	39.9	71.4	0.55	0.08	0.002	0.002	0.001
19550	VDD078	154.0	163.0	9.0	43.4	71.4	0.57	0.06	0.002	0.005	0.006
	<i>Including</i>	196.0	201.0	5.0	36.6	71.6	0.62	0.17	0.003	0.001	0.030
19500	VDD079	42.0	47.0	5.0	32.7	67.8	2.32	0.28	0.119	0.009	0.001
19475	VDD080	48.0	63.0	15.0	44.8	69.8	1.02	0.10	0.211	0.009	0.006
19600	VRC019	39.0	52.0	13.0	35.7	70.0	1.16	0.05	0.008	0.017	0.002
19400	VDD0082	58.1	61.8	3.7	45.7	69.9	0.57	0.16	0.127	0.04	0.001
19475	VDD0083	59	68.1	9.1	48.4	69.7	1.01	0.04	0.296	0.03	0.004
19400	VDD0084	62.5	73	10.5	29.0	70.2	1.10	0.13	0.035	0.01	0.02
	<i>Including</i>	136	149.5	13.5	34.7	68.9	1.45	0.06	0.226	0.03	0.01
19650	VDD0085	36	40	4	47.5	68.5	2.00	0.11	0.534	0.02	0.01
19650	VDD0086	89	169	80	31.4	71.1	0.69	0.10	0.004	0.01	0.02
19100	VDD0089	119	141	22	36.1	71.0	0.76	0.09	0.014	0.01	0.03

NB: DTR results are for Davis Tube Recovery using a75micron screen. Approximate fineness of sample is P₈₀ of 45microns. Assays are by XRF. Assay results are prior to Copper and Sulphur flotation.

Appendix 3 – Drilling Intersections Viscaria B Zone

North	Hole ID	From (m)	To (m)	Interval (m)	Fe %	Cu %	S %
20600	VRC0040	45	47*	2	16.1	0.43	3.64
20550	VRC0042	31	40	9	15.5	0.70	3.65
20450	VRC0043	28	32	4	15.3	1.08	2.07
	<i>Including</i>	47	53	6	16.5	1.27	3.08
20350	VRC0044	52	58	6	17.2	0.57	3.06

NB: Assays are by ICP, * Denotes end of hole