

AVALON MINERALS LTD JUNE 2012 QUARTERLY REPORT

HIGHLIGHTS

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

- A 2000m, four hole drilling program was completed in early July at the Viscaria Copper Project testing for extensions of high-grade copper mineralisation at the A and D Zone Mineral Resources;
- Significant Intersections (down hole width) include:
 - VDD0125 (A Zone): 18.6m @ 1% Cu from 450.4, including a high-grade zone of 7.8m @ 1.9% Cu
 - VDD0127 (A Zone): 6.5 metres @ 3.4% Cu from 767.5m
 - VDD0128 (D Zone): 68.5m @ 0.6% Cu & 28.2% Fe from 177m, including two high-grade zones of 5.1m @ 2.1% Cu & 42% Fe and 6.4m @ 1.8% Cu & 34.5% Fe
- The fourth and final drill hole, VDD0129 (D Zone) intersected a 61.3m thick copper and magnetite mineralised zone from 266.3m with assay results expected to be available by early September 2012;
- The copper-magnetite mineralisation in VDD0129 extends the mineralisation intersected in VDD0128 over 50m down dip and indicates that it is probable that the current Mineral Resource for D Zone can be expanded;
- All drill holes were drilled outside of the currently defined Mineral Resource envelopes at the A and D Zone prospects and the thick interval of mineralisation indicates that it is probable the current Mineral Resource for A and D Zone can be expanded;
- The success of all the drill holes from this program has shown that high grade shoots of copper mineralisation, within broad zones of copper, extend to significant depth and Avalon has been able to successfully target these high grade shoots of copper;
- The drill program provided valuable information to assist Avalon with its planning to undertake a major copper drill program later in 2012, with the objective to significantly increase the Mineral Resources on the Viscaria Project;
- A Scoping Study into assessing the mine life and Net Present Value of a combined open pit / underground mining operation has commenced.

Corporate

- **General Meeting held with all 6 resolutions approved by shareholders;**
- **Share registry relocated to Computershare in Brisbane;**
- **Placement arranged to raise \$3.6M (before costs) to advance the Viscaria Project;**
- **The cash position of the Company at the end of the quarter was \$740,000.**

VISCARIA COPPER IRON PROJECT

EXPLORATION

Drilling

During the quarter, field work continued on the Viscaria Copper-Iron Ore Project in northern Sweden (Figure One). A 2000m drilling program was commenced in March 2012, with the objective of testing extensions to high grade copper mineralisation at the A and D Zone Mineral Resources.

The program was divided between drilling at the southern section of A Zone targeting the plunging high-grade copper shoots 600m below the surface and stepping out >60m beneath the high grade shoots of D Zone, at the 200-300m depth interval.

The existing drill holes, which this initial drill program for 2012 will follow up on, are given in Table One.

Three holes of the program were completed during the quarter. The completion of the fourth drill hole was announced on 10 July 2012, with assay results anticipated to be available by early September 2012. All four holes VDD0125, VDD0127, VDD0128 and VDD0129 (VDD0126 was abandoned due to drilling issues) intersected significant intervals of copper mineralisation.

The success of the recently completed drill program indicates that Avalon's exploration team now has a good understanding of the controls on the higher-grade copper mineralisation at Viscaria. This is an important step prior to undertaking a much larger drill program later in 2012, with the aim of significantly increasing the Mineral Resources on the Viscaria Project.

Details of Drill Hole VDD0125 (A Zone)

Drill hole VDD0125 intersected a succession of basaltic units and tuffaceous, volcanic sediments. There are several occurrences of shear zone hosted, mineralised veins primarily within tuffaceous, volcanic sediments between 450.4m and 469m. The mineralisation is characterised by chalcopyrite (copper sulphide) and pyrrhotite (iron sulphide).

Assay results indicate that VDD0125 intersected 18.6m @ 1.0% Cu from 450.4m, including 7.8m @ 1.9% Cu.

The survey details of drill hole VDD0125 are given in Table Two with the hole location shown in Figure Two.

Table One – Initial Drill Program for 2012

| | Proposed Hole | Existing Hole | From (m down hole) | To (m down hole) | Width (m down hole) | Cu% |
|--------|----------------------|----------------------|---------------------------|-------------------------|----------------------------|------------|
| A Zone | ASP024 | D-6128 | 428.1 | 439.6 | 11.55 | 1.55 |
| | | D-8398 | 39.3 | 43.6 | 4.3 | 1.64 |
| | | D-8397 | 83.4 | 89.3 | 5.9 | 0.99 |
| | | D-8544 | 56.4 | 66.1 | 9.7 | 1.81 |
| | | | 84 | 87.9 | 3.9 | 2.19 |
| A Zone | ASP025 | D-7821 | 27.8 | 33.9 | 6.1 | 3.11 |
| | | D-7703 | 74.55 | 81.4 | 6.85 | 1.17 |
| | | D-7162 | 125.5 | 130.3 | 4.85 | 3.09 |
| | | D-7612 | 46.2 | 54.5 | 8.3 | 3.12 |
| A Zone | ASP026 | D-4686 | 807.5 | 809.65 | 2.15 | 3.09 |
| | | D-4688 | 787.7 | 793.2 | 5.5 | 2.20 |
| D Zone | DZP114 | VDD0112 | 265.7 | 270.3 | 4.6 | 1.48 |
| | | | 291 | 297.42 | 6.4 | 1.63 |
| | | VDD0113 | 261 | 268.15 | 7.15 | 1.14 |
| | | VDD0118 | 236 | 239.55 | 3.6 | 2.07 |
| | | VDD0096 | 181.3 | 189.4 | 8.1 | 1.75 |
| | | VDD0111 | 218.1 | 225.55 | 7.45 | 2.00 |
| D Zone | DZP115 | VDD0114 | 180.6 | 194 | 13.45 | 1.09 |
| | | VDD0086 | 128 | 166 | 38 | 1.57 |
| | | VDD0088 | 68.25 | 88 | 19.75 | 1.91 |

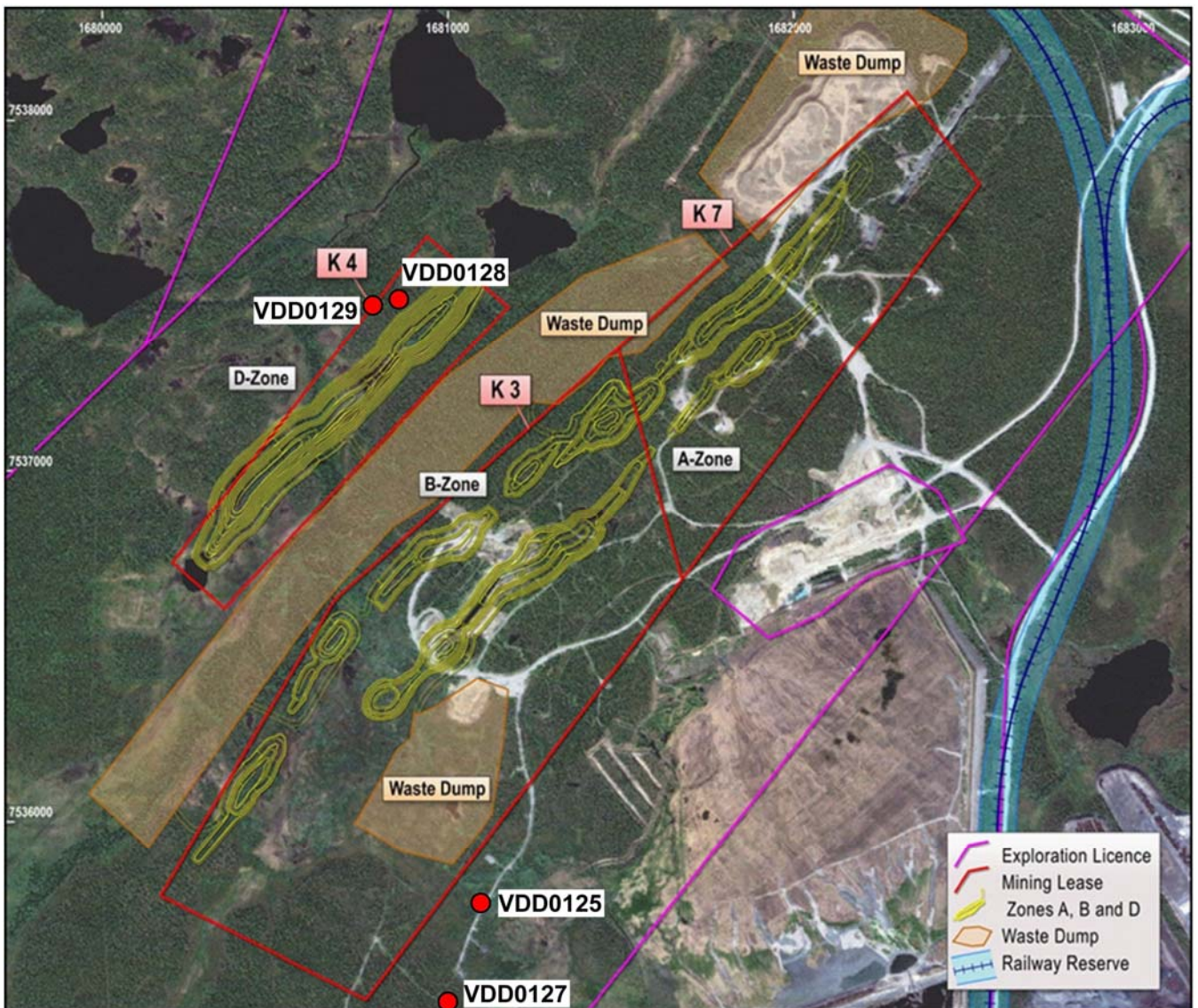
Figure One – Project Location



Table Two

| Hole | Easting (WGS 84) | Northing (WGS 84) | RL (m) | Azimuth (degrees) | Inclination (degrees) | From (down hole m) | To (down hole m) | Intersection Width (down hole m) | End of Hole (m) |
|---------|------------------|-------------------|--------|-------------------|-----------------------|--------------------|------------------|----------------------------------|-----------------|
| VDD0125 | 1681119 | 7535701 | 525 | 310 | -65.0 | 450.4 | 469.0 | 18.6 | 503.9 |

Figure Two – Location of Drill Holes VDD0125, VDD0127, VDD0128 and VDD0129



Details of Drill Hole VDD0127 (A Zone)

Drill hole VDD0127 intersected copper mineralisation over 42metres down hole from 747m, near the contact between basalts and tuffaceous sediments.

The best copper mineralised intervals extend from 767.55 m to 774.0m (6.45m down hole width) and 783.0m to 786.0m (3 down hole width) as follows:

- 6.45m @ 3.4% Cu from 767.55m
- 3.0m @ 1.2% Cu from 783.0m

The survey details of drill hole VDD0127 are given in Table Three with the drill hole location shown in Figure Two.

Table Three

| Hole | Easting (RT90) | Northing (RT90) | RL (m) | Azimuth (degrees) | Inclination (degrees) | From (down hole m) | To (down hole m) | Intersection Width (down hole m) | End of Hole(m) |
|----------|----------------|-----------------|---------|-------------------|-----------------------|--------------------|------------------|----------------------------------|----------------|
| VDD00127 | 1,680,995 | 7,535,479.183 | 533.447 | 314.215 | -65 | 764.6 | 786 | 21.4 | 846 |

Details of Drill Hole VDD0128 (D Zone)

Drill hole VDD0128 intersected copper-iron mineralisation over a broad 68.5m (down hole depth) interval from a depth of 177.0m, hosted in an interlayered sequence of tuffaceous, volcanic sediments and dolerites. The chalcopyrite (copper sulphide mineralisation) is characterised by disseminations, stringers and veins and is associated with skarn-like alteration. The magnetite (iron oxide mineralisation) is characterised by fine to coarse grained disseminations that increase in abundance to massive magnetite in some zones.

The first high grade copper-mineralised interval extends 8.1m down hole from 189.9m and returned an intersection of 1.5% Cu and 39.2% Fe. Within this interval occurs an even higher grade copper mineralisation intersection of 5.1m @ 2.1% Cu and 42% Fe.

A second high grade copper interval extends 8.0m down hole from 216.0m and returned an intersection of 1.5% Cu and 34.5% Fe. Within this interval occurs an even higher grade copper mineralisation intersection of 6.4m @ 1.8% Cu and 34.5% Fe.

The overall thick copper-magnetite intersection suggests that there is scope to increase the tonnes of mineralisation which should be extractable using open pit methods, while the two high grade copper intersections indicate that parts of the D Zone mineralisation has potential to be extracted using underground method. The indication that the D Zone mineralisation also has underground as well as open pit potential, in addition to the A Zone mineralisation, adds a new dimension to the project.

The survey details of drill hole VDD0128 are given in Table Four, with the drill hole location shown in Figure Two.

Table Four

| Hole | Easting (RT90) | Northing (RT90) | RL (m) | Azimuth (degrees) | Inclination (degrees) | From (down hole m) | To (down hole m) | Intersection Width (down hole m) | End of hole(m) |
|---------|----------------|-----------------|--------|-------------------|-----------------------|--------------------|------------------|----------------------------------|----------------|
| VDD0128 | 1,680,854 | 7,537,470 | 510.8 | 134.0 | -55.0 | 177.0 | 245.5 | 68.5 | 250.7 |
| | | | | | | Including | | | |
| | | | | | | 189.9 | 198.0 | 8.1 | |
| | | | | | | And | | | |
| | | | | | | 216.0 | 224.0 | 8.0 | |

Details of Drill Hole VDD0129 (D Zone)

Drill hole VDD0129 was drilled underneath hole VDD0128 in order to intersect the thick copper-iron mineralisation and the two high-grade copper intersections, approximately, 50m down plunge of the intersection in VDD0128 to the southwest. The drill hole intersected a 61.3m thick copper and magnetite mineralised zone at 266.3m (down hole width), at the contact between dolerite in the hanging wall and tuffaceous sediments in the footwall. There is evidence of skarn-like alteration within the disseminated to banded to massive magnetite which hosts disseminations, stringers and veins of chalcopyrite.

The best copper-magnetite mineralised intervals extend from:

- 296.6-309.15m (12.55m down hole width) – Disseminations and stringers of chalcopyrite within ironstone (magnetite-rich rock).
- 321.7-327.6m (5.9m down hole width) – Disseminations and stringers of chalcopyrite and banded magnetite within a tuffaceous sediment.

It is anticipated that the results of hole VDD0129 will be available by early September 2012.

The survey details of drill hole VDD0129 are given in Table Five with the drill hole location shown in Figure Two.

Table Five

| Hole | Easting (RT90) | Northing (RT90) | RL (m) | Azimuth (degrees) | Inclination (degrees) | From (down hole m) | To (down hole m) | Intersection Width (down hole m) | End of Hole(m) |
|----------|----------------|-----------------|--------|-------------------|-----------------------|--------------------|------------------|----------------------------------|----------------|
| VDD00129 | 1,680,822 | 7,537,463 | 510.8 | 134.215 | -60 | 266.3 | 327.6 | 61.3 | 348 |

Mineral Resources

On 29 November 2011, Avalon advised the ASX of updated Mineral Resources for the A, B and D Zone prospects as follows:

- A Zone Mineral Resource comprises 21.6Mt at 1.5% Cu, above a 0.4% copper grade cut-off and is classified as Inferred, Indicated and Measured according to the guidelines of the JORC Code (2004).
- B Zone Mineral Resource comprises 19.7Mt at 0.8% Cu, above a 0.4% copper grade cut-off and is classified as Inferred, Indicated and Measured according to the guidelines of the JORC Code (2004).
- D Zone Mineral Resource comprises 11.9Mt at 0.6% Cu and 24% Fe, above a 15% mass recovery and is classified as Inferred, Indicated and Measured according to the guidelines of the JORC Code (2004).

The Mineral Resource inventory (Zones A, B and D) for the Viscaria Project currently totals 53.8Mt @ 1.0% Cu and is classified as having 22.6Mt @ 0.7%Cu Inferred, 15.2Mt @ 0.8%Cu Indicated and 16.0 Mt @ 1.6%Cu Measured, according to the guidelines of the JORC Code (2004). For further information please refer to the announcement Avalon made to the ASX on 29 November 2011.

Within each of the A, B and D Zone Mineral Resources, zones of higher grade and thicker copper mineralisation occur. At a 0.8% Cu cut-off A Zone contains 9.5Mt @ 2.7% Cu and D Zone contains 3.2Mt @ 1.2% Cu. It is the extensions of these higher grade zones which this initial drill program for 2012 will targeted.

Previous drilling at A Zone intersected high grade copper mineralisation such as:

- 7.1m @ 3.5% Cu in hole D-7616 from 60.3m
- 8.3m @ 3.1% Cu in hole D-7612 from 46.2m
- 9.7m @ 1.8% Cu in hole D-8544 from 56.4m
- 11.3m @ 2.2% Cu in hole D-6670 from 60.3m

Previous drilling at D Zone also intersected high grade copper mineralisation such as:

- 7.5m @ 2.0% Cu in hole VDD0111 from 218m
- 19.8m @ 1.9% Cu in hole VDD0088 from 68m
- 38.0m @ 1.6% Cu in hole VDD0086 from 128m

A Zone

The A Zone Mineral Resource consists of VMS style copper sulphide mineralisation where significant historical underground mining occurred up until 1997.

| Category | 2011 A Zone Mineral Resource by CSA | | | 2010 A Zone Avalon Mineral Resource by CSA | | | Comparison | | |
|--------------|-------------------------------------|-------------|------------------|--|-------------|------------------|------------|-------------|------------------|
| | Tonnes | Grade (Cu%) | Copper Metal (T) | Tonnes | Grade (Cu%) | Copper Metal (T) | Tonnes | Grade (Cu%) | Copper Metal (T) |
| Measured | 14,439,000 | 1.66 | 239,000 | 6,700,000 | 2.47 | 165,000 | 116% | -33% | 45% |
| Indicated | 4,690,000 | 1.22 | 57,000 | 4,100,000 | 1.76 | 72,000 | 14% | -31% | -21% |
| Meas + Ind | 19,128,000 | 1.55 | 296,000 | 10,800,000 | 2.20 | 238,000 | 77% | -30% | 24% |
| Inferred | 2,480,000 | 1.03 | 26,000 | 6500000 | 1.24 | 81,000 | -62% | -17% | -68% |
| Total | 21,609,000 | 1.49 | 322,000 | 17,300,000 | 1.84 | 318,000 | 25% | -19% | 1% |

B Zone

B Zone consists of a series of disseminated copper mineralisation lodes within an overall zone of sulphide alteration. The mineralisation is generally lower in Cu grade than A Zone and has minor underground mining history at the northern end of the deposit.

| Category | 2011 B Zone Mineral Resource by CSA | | | 2010 B Zone Mineral Resource by CSA | | | Comparison | | |
|--------------|-------------------------------------|-------------|------------------|-------------------------------------|-------------|------------------|-------------|-------------|------------------|
| | Tonnes | Grade (Cu%) | Copper Metal (T) | Tonnes | Grade (Cu%) | Copper Metal (T) | Tonnes | Grade (Cu%) | Copper Metal (T) |
| Measured | 123,000 | 1.33 | 2000 | | | | | | |
| Indicated | 4,118,000 | 0.72 | 30,000 | | | | | | |
| Meas + Ind | 4,240,000 | 0.74 | 32,000 | | | | | | |
| Inferred | 15,410,000 | 0.77 | 118,000 | 25,388,000 | 0.76 | 192,900 | -39% | 2% | -38% |
| Total | 19,650,000 | 0.76 | 149,000 | 25,388,000 | 0.76 | 192,900 | -23% | 0% | -23% |

D Zone

D Zone consists of a series of copper and iron rich lodes of mineralisation within a wider zone of carbonate and magnetite alteration. The deposit is approximately 1100 metres long, 20-30 metres wide and drilled to up to 200 metres below surface.

| 2011 D Zone Mineral Resource | | | | | | | | |
|--|-------------------|----------------|-------------|--------------|--------------|--------------|---------------|------------------|
| Grade Tonnage Reported below a Cut off Grades of 15% Mass_Rec and above a Cut off of 0.3% Cu | | | | | | | | |
| Deposit | Category | Tonnes | Cu (%) | Fe (%) | Mass_Rec (%) | Fe_Conc (%) | SiO2_Conc (%) | Copper Metal (T) |
| D Zone | Measured | 32,000 | 0.58 | 14.74 | 9.19 | 49.47 | 3.20 | 190 |
| | Indicated | 489,000 | 0.65 | 10.84 | 9.16 | 43.60 | 2.89 | 3,160 |
| | Meas + Ind | 521,000 | 0.64 | 11.08 | 9.16 | 43.96 | 2.91 | 3,340 |
| | Inferred | 274,000 | 0.89 | 22.12 | 4.39 | 16.01 | 1.12 | 2,420 |
| | Total | 795,000 | 0.73 | 14.88 | 7.52 | 34.33 | 2.29 | 5,770 |

Bankable Feasibility Study

The BFS of the Viscaria Copper Iron Project commenced in October 2010 and was suspended in mid-August 2011. Resource estimates, initial mine design and optimisation work and project approval activities continued during the last quarter of 2011 to provide an interim update to the BFS.

Mining Study

Mineral Resource wireframe models were provided to CSA Global engineers to commence preliminary work on optimisation of open pit designs. Updated geotechnical parameters and cost estimates were also provided to the engineers to allow the preliminary work to proceed and provide guidance on the future direction of the BFS.

The optimisation and mine design of each open pit development incorporated the following assumptions:

- Copper price of US\$ 6614 / t, US \$3.00 / lb;
- Iron Ore price of US\$ 95.1 / t, US \$1.38 / dmtu;
- Net Smelter Return of 89.7% after TC/RC and payability charges;
- Processing cost varies between US\$13 and \$18 per tonne dependent upon material type.
- Mining Cost based on PFS contractor estimates;
- Geotechnical design parameters based on recommendations of the geotechnical consultants.
- CSA November 2011 Resource Models;
- 2011 Estimate of ore loss, dilution and metallurgical recovery based on test work summaries.

Results of the optimisation are summarised in Table Six.

Table Six – Results of the Open Pit optimisation

| Zone | Tonnes | Grade | | Recovery | | Product | | |
|-----------------|-------------------|-------------|------|-------------|------|-------------------------|-------------|---------------------|
| | | Cu% | Fe% | Cu% | Fe% | Iron Concentrate (t) | Fe% | Copper Metal (t) |
| A | 2,783,000 | 1.13 | | 88.5 | | | | 27834 |
| B | 1,318,000 | 0.76 | | 90.0 | | | | 9013 |
| D | 7,559,000 | 0.61 | 22.6 | 91.4 | 92.8 | 2,383,000 | 69.5 | 42167 |
| Subtotal | 11,660,000 | 0.75 | | 90.3 | | 2,383,000 | 69.5 | 79014 |

The optimisation outputs are backed by mine design and sensitivity analysis on each pit design and utilise cost estimates based on the Viscaria Pre Feasibility Study and updated cost and technical data based on 2011 investigations and estimates.

The optimisation outputs use Measured, Indicated and Inferred blocks with appropriate estimates for ore loss and dilution at each deposit. As such they constitute a reasonable estimate of the production scenarios to be expected from the project. However, further technical work is required to bring all elements of the estimate of production to a Bankable Feasibility Study Standard. In particular, further work on the metallurgical recovery, geotechnical estimate and mining and processing cost estimate is warranted.

The results indicate that at either a 3.0mtpa or 1.5 mtpa throughput rate as contemplated in the 2010 Pre Feasibility Study and that the A Zone, B Zone and D Zone combination provides a mine life of approximately 3.8 or 7.5 years respectively.

This mine life is considered insufficient at the current time to commence operations based solely on the Mineral Resources at the Viscaria project that can be mined by open pit methods. Consequently, the Company will commence a Scoping Study to determine if the mine life can be increased by augmenting open pit Mineral Resources with Mineral Resources mined from underground. The value of a combined open pit / underground mining operation will then be estimated at a Scoping Study level. It is hoped by combining open pit and underground mining, the projected mine life will be able to be extended beyond 10 years, which is considered the minimum requirement for an operation of this type.

The BFS remains suspended pending further review and analysis of the project economics.

Approvals

a) MEC

The Mining Exploitation Concession (MEC) for the Viscaria project was submitted to the Bergsstaten (Mines Department) in April 2010 and was significantly amended in early 2011 following submissions from the city of Kiruna. The Bergsstaten has advised it has 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 Two).

A third MEC application (Viscaria K7) remains under consideration by Bergsstaten pending an amendment to the Kiruna town planning act to allow for the grant of a mining lease which includes the power generation windmills and a power line affected by the northern parts of A Zone and B Zone.

The granting of the MEC is a precursor to consideration by the regulator of the Environmental Impact Assessment and permits access to the historical underground mining openings to check present day geotechnical conditions and groundwater levels.

b) Environment Impact Assessment

The Environment Impact Assessment (EIA) was submitted to the Environmental Court of Sweden (ECS) in April 2011. Following the suspension of the BFS, the Company sought suspension of consideration of the EIA by the ECS for up to 12 months to reduce expenditure. A response from the ECS to the request is yet to be received.

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.

The Adak project is currently for sale or Joint Venture.

CORPORATE

Share Registry

Following the relocation of the Company's registered office to Milton in Brisbane, the Share Registry has been moved to:

Computershare Investor Services Pty Limited
ABN 48 078 279 277
117 Victoria Street
West End Queensland 4101 Australia
GPO Box 523
Brisbane Queensland 4001 Australia
Investor Enquiries 1300 850 505
Telephone 61 7 3237 2100
Facsimile 61 3 9473 2555

General Meeting – 5 June 2012

On 5 June 2012, a General meeting was held to consider 6 resolutions, including ratification of previous option and share issues, approval to issue 20,000,000 options to key personnel and 2 directors (Read and Niardone), approval of a Performance Rights Plan and approval of the grant of 15,600,000 performance rights to 2 directors (Read and Niardone). All resolutions were passed by shareholders.

To date, 7,800,000 Options (1 cent payable up front, with an exercise price of 5 cents each, expiry 30 September 2015) to the two directors have been issued.

Placement

On 6 July, 2012, the Company announced that it had arranged a placement, raising \$3.6M (before costs) at a price of 9 cents per share to support the continued exploration and development of its flagship **Viscaria Copper Project** in northern Sweden. This placement confirms the strong financial support Avalon continues to receive for this project and for its new management team. We look forward to making significant progress with the proceeds raised.

Proceeds from the equity raising will be used to advance the Viscaria Project in Sweden including the commencement of a regional exploration program; completing a scoping study to determine the economics of an open pit and underground mining operation; completion of planning for a major resource extension drill program; and replenishment of Avalon's working capital.

Patersons Securities Limited acted as Lead Manager- Australia and RFC Ambrian Limited acted as Lead Manager- United Kingdom. The placement shares will be issued to professional and sophisticated clients of Patersons and Indian Ocean Capital in Australia and of Ambrian in the United Kingdom, as well as to investors introduced by the Company.

Cash Resources

As at 30 June 2012, the Consolidated Entity had cash reserves of \$740,000.

Shareholder Information

At 30 June 2012, the company had 290,873,602 fully paid ordinary shares on issue and approximately 880 shareholders.

For further information please visit www.avalonminerals.com.au or contact:

Mr Jeremy Read
Managing Director
Avalon Minerals Limited
Office: 07 3368 9888
Mob: 0409 484 322

Competent Persons Statement

The information in this report that relates to Mineral Resources and exploration targets is based upon information reviewed by Mr Jeremy Read BSc (Hons) who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Read 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 Read consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Mineral Resource estimate for A, B and D Zones was compiled and prepared by Dr Bielin Shi (MAusIMM, MAIG) of CSA Global Pty Ltd who is a Competent Person as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2004 Edition and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

Company Directory

AVALON MINERALS LIMITED
ABN 68 123 184 412

Web site: www.avalonminerals.com.au

Email: info@avalonminerals.com.au

Stock Exchange Listing

Australian Stock Exchange – ASX Code: AVI

Investor Information Contacts:

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Em: jeremy.read@avalonminerals.com.au

Mr James Harris
Professional Public Relations
Tel: 08 9388 0944
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Shareholder Enquiries:

Share registry matters should be directed to:

Computershare Investor Services
Phone: 1300 850 505
Website: 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: 290,873,602 (AVI)

Directors:

Tan Sri Bin Sahid Mohamed – Chairman
Jeremy Read – Managing Director
Dato Philip Siew – Deputy Chairman
Paul Niardone – Non-Executive Director
Edward Siew – Non-Executive Director
Gary Goh – Non-Executive Director

Company Secretary:

Roslynn Shand

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 June 2012

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for (a) exploration & evaluation | (1,419) | (3,982) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (914) | (2,419) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 19 | 84 |
| 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 | (2,314) | (6,317) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | (79) | (148) |
| 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 | (79) | (148) |
| 1.13 Total operating and investing cash flows (carried forward) | (2,393) | (6,465) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|--|----------------|----------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (2,393) | (6,465) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 142 | 4,979 |
| 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 | (241) | (434) |
| | Net financing cash flows | (99) | 4,545 |
| | Net increase (decrease) in cash held | (2,492) | (1,920) |
| 1.20 | Cash at beginning of quarter/year to date | 3,232 | 2,660 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 740 | 740 |

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 | 262 |
| 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. | 262 |

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 | (1,486) |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | (639) |
| Total | (2,125)* |

(*) AUD3.6 million (before costs) was raised via a placement in early July 2012.

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 | 740 | 3,232 |
| 5.2 Deposits at call | - | - |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 740 | 3,232 |

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 | | | |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|---|-----|--|--|
| 6.2 Interests in mining tenements acquired or increased | Nil | | |
|---|-----|--|--|

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 | 290,873,602 | 290,873,602 | | |
| 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 | | | | |
| 7.7 Options <i>(description and conversion factor)</i> | 500,000 1,000,000 500,000 300,000 6,000,000 | Nil Nil Nil Nil Nil | <i>Exercise price</i> 30 cents 40 cents 30 cents 40 cents 5 cents | <i>Vesting/Expiry date</i> 31/3/2013 31/01/2014 1/07/2014 Vest 27/4/2013 Expiry 27/04/2014 30/09/2015 |
| 7.8 Issued during quarter | | | | |
| 7.9 Exercised during quarter | | | | |
| 7.10 Expired during quarter | 2,700,000 500,000 2,400,000 | Nil Nil Nil | <i>Exercise price</i> 30 cents 40 cents 30 cents | <i>Expiry date</i> 27/04/2014 1/07/2015 27/04/2015 |
| 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:
(Company Secretary)

Date: 31 July 2012

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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+ See chapter 19 for defined terms.