



ASX/Media Release

30 January 2008

AVALON MINERALS LTD DECEMBER 2007 QUARTERLY REPORT

Avalon Minerals Ltd
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ASX Code: AVI
44 million shares
11 million unlisted options
Nil convertible notes

Market Cap
A\$8.8million

Cash
A\$2.05 million

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

HIGHLIGHTS

- Granting of the Lake Barlee Uranium tenement (WA) paves the way for uranium exploration to commence.
- Heritage clearances being finalised prior to commencement of NITON soil sampling program over 12 priority targets at the Lennard Shelf Zinc/Lead Project (WA).
- Exploration commences at Empress Springs (QLD) with initial field sampling program underway in December 2007.
- Recent regional seismic survey undertaken by Geoscience Australia covers the Empress Springs project area.
- Site visit and grab samples collected at Marloo Uranium Project (WA).
- Heritage objections withdrawn from five Uranium exploration licences, enabling the granting of the majority of EL's within the Company's uranium portfolio to be fast tracked.
- Additional new project development and acquisition opportunities reviewed, both in Australia and overseas.

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Summary

The December 2007 Quarter rounded off an active first calendar year for Avalon with data reviews, site visits and ongoing project generation activities across the company's diverse portfolio of Australian assets.

At the Company's Lennard Shelf Zinc-Lead Project in Western Australia, progress continued to be made with heritage agreements and planning for the upcoming NITON soil sampling programme, to be conducted by Joint Venture partner Rox Resources.

Avalon's Western Australian uranium portfolio was further enhanced with the granting of the Lake Barlee exploration licence, the signing of Heritage Clearance Agreements over the Marloo tenements and further detailed analysis of data and planning of upcoming exploration activities.

At Empress Springs, the Company's Queensland based project, excellent progress was made during the Quarter with the completion of a geobotanical soil sampling programme and the definition of four target zones scheduled to be drilled in April – May this year.

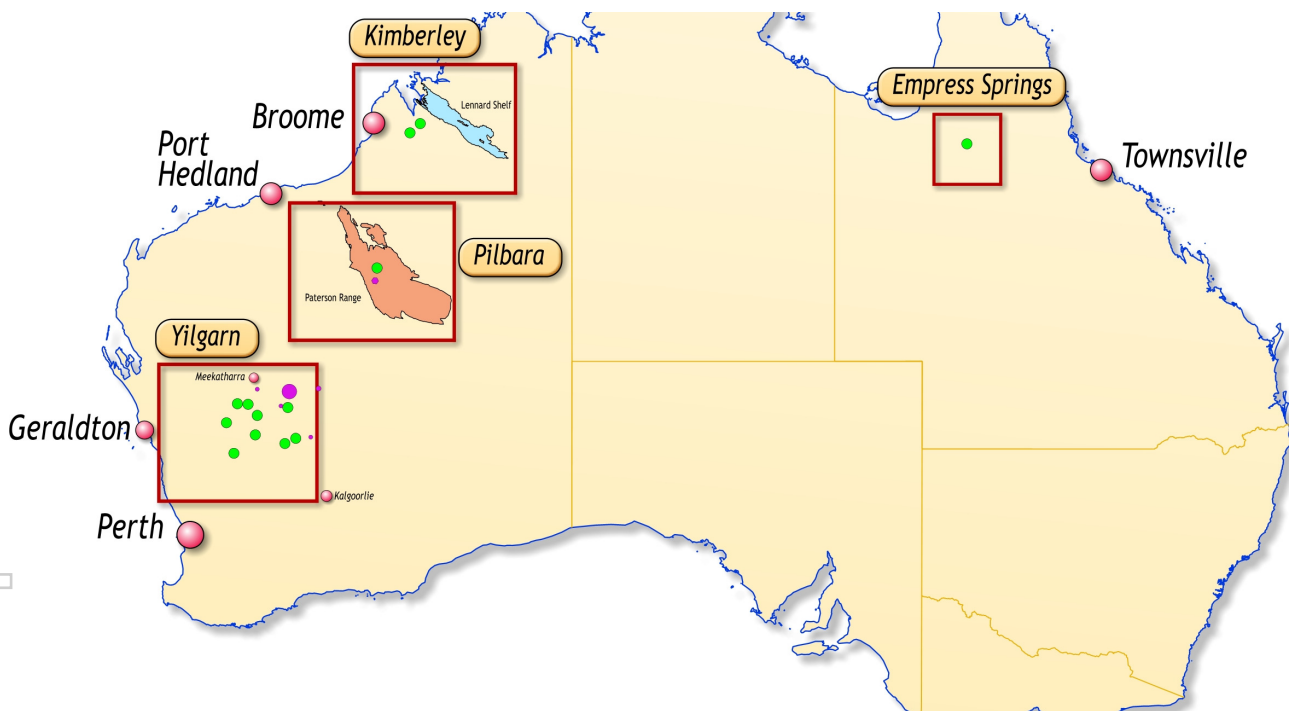


Fig 1 - Avalon Minerals Project Locations



WESTERN AUSTRALIA

Lennard Shelf Zinc-Lead Project – Rox Resources Earning 60%

Avalon's 2,594km² Lennard Shelf Project - located in the acclaimed Lennard Shelf zinc province in the East Kimberley region of Western Australia - encompasses a number of advanced zinc exploration targets, including the Oscar Range, Barramundi and Lawford Projects.

The Company's Joint Venture partner, Rox Resources, is managing the next phase of exploration and can earn a 60% interest in the project after an initial 12-month option during which it will be required to spend \$500,000 on exploration. Rox can then earn the 60% interest in the project by issuing \$300,000 worth of Rox shares to Avalon and spending a further \$1.5 million on exploration over three years.

Native Title heritage clearances are currently being finalised prior to a planned NITON soil sampling program over 12 priority targets, scheduled to commence in the current Quarter.

Resource Properties Pty Ltd (RPPL) ELA's – Uranium

Avalon holds a total of 13 applications for exploration licences comprising 11 ELA's in proven uranium districts in the Yilgarn region of Western Australia – which are considered prospective for calcrete-hosted uranium mineralisation – and two uranium prospects in the Kimberley region which are considered prospective for roll-front styled uranium deposits. During the Quarter, the Company reported that the first one of these applications, Lake Barlee (E29/665), had been granted.

Exploration planning has commenced at Lake Barlee, where uranium channel anomalies are located within the Raeside paleoachannel part of the tenement. The geology comprises gypsiferous playa and other sediments of Quaternary age located on the edge of the lake which have an anomalous uranium channel radiometric response. Outcropping and partially covered Tertiary age sedimentary calcrete deposits are the target for uranium exploration.

The work program includes:

- imaging of government airborne radiometric data; and
- a regolith study of satellite imagery to define outcropping and shallowly buried calcrete.

Field work will include:

- outcrop sampling and deeper testing of buried calcrete; and
- auger and shallow aircore drilling to define areas of uranium mineralisation.

Where mineralised areas are defined, they will be the subject of follow-up and resource definition drilling. This work will utilize a scintillometer and the Company's NITON analyser, with samples to be analysed at a commercial laboratory.

Work programs for the remaining portfolio are pending subject to the grant of the tenements, with Heritage Agreements now completed for most of the outstanding exploration applications. Subsequent to the end of the year, the Company was informed that objections to EL's E29/665, E58/347, E59/348, E59/1318, E59/1320 and E59/1321 had been removed, paving the way for the grant of these tenements in the next few months.

In order to maintain maximum efficiency in the upcoming work programs, an experienced consultant geologist with a recent background in uranium exploration has been recruited to manage the Company's projects and a radiation management plan is currently being developed to ensure that its activities are implemented in a sustainable manner.

Marloo Uranium Project – Avalon 100%

The Marloo Project, covering seven exploration application licences over an area of some 900km², forms part of Avalon's three Paterson Projects in Western Australia's mineral-rich Pilbara region. The project area is located 30km south of the 180 million tonne Nifty Copper Mine and 40km west of Rio Tinto's unconformity-styled Kintyre uranium deposit (25,000 tonnes @ 4% U₃O₈).

During the Quarter, Avalon conducted a site visit to targets at Marloo including the previously generated Quest EM targets Plutarch, Zeno and Plato to take grab samples and to prepare plans for field work scheduled to commence in May 2008, once the results from the sampling are received.

Avalon's consultant geologist, Walter Witt, is continuing a program of ongoing refinement of the exploration targets and synthesis of the geology using the Company's extensive data with this work including:

- alteration mapping using ASTER and Quikbird high resolution imagery;
- thematic mapping and imaging of historic drilling; and
- surface geochemistry and geological interpretation.

Heritage Clearance Agreements have been signed for the Marloo group of tenements and all objections have been withdrawn, paving the way for the grant of these tenements in March 2008. Once these EL's are granted, the Company plans to conduct Native Title heritage clearance surveys and to rehabilitate access tracks into the project area, prior to commencing a preliminary geological and geochemical appraisal of the target areas.

The Company plans to drill test some of the better EM anomalies and favourable structural and geochemical targets in May or June this year.

QUEENSLAND

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

Last year, Avalon 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 one granted EPM (15416) and one application EPM (15414) which together cover 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.

Four target zones defined within EL15416 are scheduled for drill testing from April – May 2008. These are conceptual targets in an area defined as prospective for large-scale epigenetic copper-gold, polymetallic or gold mineralisation in basement rocks. Targeting is mainly based on structural interpretation of processed aeromagnetic and gravity data, together with synthesis of historical exploration data. Avalon's interpretation indicates that the project has hallmarks of an area which has suffered a history of intense structural deformation, shearing, and multiple granitoid intrusion, all of which is considered very prospective for discovering mineralisation.

During the Quarter, Avalon conducted a field program of MMI soil and geobotanical sampling over some of the targets previously identified by SRK within EPM 15416 to assist in defining drill targets. The samples were delivered to laboratories in Perth and the Company expects the results to be available within the next few weeks.

In addition to this field work, the Federal Government agency Geoscience Australia recently completed a north east trending seismic traverse line extending over 300km from the eastern edge of the Mt Isa area to Georgetown and beyond. This traverse passed right over the Company's Empress Springs project and it is hoped that processing of the data recovered from early time data and from the shallower parts of the profile will assist in refining the geological framework for the Empress Springs project.

During the Quarter, Avalon Minerals made a submission for funds made available by the Queensland Department of Minerals and Energy under the Collaborative Drilling Initiative and will advise on the outcome of this application once a response is received.

PROJECT GENERATION ACTIVITIES

During the Quarter, Avalon continued to assess additional mineral project opportunities both in Australia and internationally.

CORPORATE

As at 31 December 2007;

- Avalon has 435 shareholders with the Top 20 holding 63.47% of the Company.
- The company has \$2.05 million cash on hand.



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 who is the Company's Exploration Manager. Mr Hewlett has over 30 years of exploration experience in a variety of mineral deposit styles including uranium, base metals and gold 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 -

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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")

December 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6... months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(419)	(663)
(b) development		
(c) production		
(d) administration	(125)	(374)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	38	82
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	(506)	(955)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects		(100)
(b)equity investments		
(c) other fixed assets	(13)	(74)
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)	50	39
Net investing cash flows	37	(135)
1.13 Total operating and investing cash flows (carried forward)	(469)	(1,090)

+ See chapter 19 for defined terms.

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(469)	(1,090)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
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 (provide details if material)		
Net financing cash flows			
Net increase (decrease) in cash held		(469)	(1,090)
1.20	Cash at beginning of quarter/year to date	2,523	3,144
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,054	2,054

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	99
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors fees and superannuation

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

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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

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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		

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3.2 Credit standby arrangements		
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Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	284
4.2	Development	
Total		284

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	2,054	3,144
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		2,054	3,144

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			
6.2	Interests in mining tenements acquired or increased	E36/636 Application granted		100%

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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	44,000,000	25,032,500		
7.4 Changes during quarter (a) Increases through end of restriction period (b) Decreases through returns of capital, buy-backs		807,500		
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 5,600,000 800,000 950,000		Exercise Price 20 cents 40 cents 20 cents 40 cents	Expiry Date 31/01/2010 31/01/2009 31/01/2010 31/01/2010
7.8 Issued during quarter			20 cents 40 cents	31/01/2010 31/01/2010
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

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7.12	Unsecured notes (<i>totals only</i>)		
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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 4).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: Date: .. 30/01/08
(Director/Company secretary)

Print name: Desmond Kelly

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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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