



ASX/Media Release

28 October 2008

AVALON MINERALS LTD SEPTEMBER 2008 QUARTERLY REPORT

HIGHLIGHTS

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 93222752
Facsimile: +61 8 93222827

Email:
david@avalonminerals.com.au

Web:
www.avalonminerals.com.au

ASX Code: AVI
50.6 million shares
11 million unlisted options

Directors

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

Swedish Copper Projects

- Total JORC code-compliant Mineral Resources of 514,400t of contained copper within four mineralised zones.
- 39.9Mt JORC-compliant Inferred Resources announced for Viscaria Project 'A', 'B' and 'D' zones comprising:
 - 'A' Zone South - 8.2Mt @ 2.7% Cu for 221,400t of contained copper;
 - 'A' Zone North - 5.1Mt @ 1.2% Cu for 61,000t of contained copper;
 - 'B' Zone - 24.1Mt @ 0.8% Cu for 192,000t of contained copper; and
 - 'D' Zone - 2.5Mt @ 1.6%Cu for 40,000t of contained copper.
- Initial preliminary open cut Whittle optimisation studies identify approximately 1.5mt @ 1.5% Cu down to 70 metres below surface in the 'D', 'A' North and 'A' South zones.
- Mine Scoping Studies underway at Viscaria targeting a low-capital early cash flow, start-up project



SUMMARY

During the September Quarter, Avalon finalised the last of its initial JORC code-reported Inferred resources at the **Viscaria** copper project in northern Sweden (*see figure 1*), with the announcement of a JORC code-compliant **Inferred Resource of 8.2 million tonnes at a grading of 2.7% copper in the 'A' Zone South**.

In addition to planning exploration programs, Avalon has now moved into mine design and mine optimisation studies as part of its feasibility planning, which aims to fast track the Viscaria project towards an early cash flow from production.

During the Quarter, Avalon moved to reduce its exposure to its Australian exploration projects to allow the Company's funds and resources to be focussed solely on developing the Viscaria copper project.

SWEDISH PROJECTS

Viscaria Copper Project

Overview & Location

The historical Viscaria Copper mine is located in the Norrbotten area of Northern Sweden, four kilometres from the Kiruna Iron Ore mine, Sweden's largest iron ore mine and the world's second largest underground mine. Viscaria is 80 kilometres north of Europe's largest open cut (18mt/annum @ 0.3% Cu) Aitik copper mine which is owned by Boliden (currently being expanded to 35mt/annum @ 0.3% Cu).

The Viscaria project is located adjacent to road, rail and hydro power infrastructure and a short distance from the regional mining centre of Kiruna (population 20,000).

The Ronnskar copper smelter, owned by Boliden, is located 300 kilometres south of Viscaria and is linked by the rail network which crosses Avalon's tenements.

Mining company Outokumpu closed the Viscaria mine in 1997, after approximately **12.54 million tonnes of ore grading 2.29% copper**, had been produced, mainly from the 'A' Zone over a period of 15 years. At the time of its closure, the spot copper price was approximately US\$1.00/lb compared to a spot price of over US\$1.90/lb today. Only minimal exploration has been conducted at Viscaria since the mine closed.

Resource Estimates

The Company now has a JORC code-reported mineral resource inventory of 39.9 million tonnes of copper mineralisation in the 'D', 'B', 'A' North and 'A' South zones for a total of 514,400 tonnes of contained copper.

Inferred Mineral Resources at Viscaria are currently::

'A' Zone South - 8.2 mt @ @ 2.7% Cu;

'A' Zone North – 5.1mt @ 1.2% Cu;

'B' Zone – 24.1mt @ 0.8% Cu and

'D' Zone – 2.5mt @ 1.6% Cu.



Viscaria Development Plans – Scoping Studies

The current Scoping Studies will investigate the potential to convert sufficient existing resources in potentially mineable open cut and underground positions to support the re-opening of the Viscaria project. In addition, the Scoping Study is directing the exploration program towards high-priority areas for additional high-grade underground copper ore with proximity to the existing near-surface development drives.

Potential for Open Cut Resources at Viscaria

Preliminary results from Whittle optimisations carried out on the Inferred resources previously estimated and reported for the 'D' and 'A' zones indicate that near-surface mineralisation may be amenable to development via open pit mining.

Initial estimates show that mining of these shallow resources (<70 metres below surface) may deliver approximately 1.5 million tonnes at 1.5% copper for potential treatment via conventional flotation to produce a copper concentrate product. Historically, the resources in the 'A' Zone were mined by previous operators (with no metallurgical issues) to successfully produce a 25% copper concentrate that was in high demand by European smelters.

Copper mineralisation in the 'D' Zone has been identified as having a similar mineralogy to that at the 'A' Zone and is expected to have a similar metallurgical performance via historical and proposed mining routes.

Resource and Reserve Drilling

The Company is advanced in its plans to commence a program of infill drilling at the Viscaria project. This drilling is designed to upgrade the classification of resource estimates in preparation for inclusion in a Bankable Feasibility Study.

Drilling can be undertaken all year round at Viscaria and is not conditional on seasonal weather conditions. Drilling approval has been obtained from the Swedish mines department and site visits have been made by drillers who have provided costing and logistic advice.

An initial infill drilling program of 5,000 metres of diamond drilling has been approved.

Infrastructure Studies Have Commenced

Power - The Viscaria deposit benefits from access to hydro electric power on grid at the equivalent of A\$0.05 cents per kilowatt hour.

Rail - The Viscaria project is well located - easy access to a modern high-tonnage iron ore transport railway.

Plant and Equipment - A review of available pre-used plant and equipment capable of supporting a new flotation plant has commenced.

De-watering - A Feasibility Study into the cost and time to de-water the 'A' Zone has commenced. An initial study indicates that the water is pH neutral and was previously discharged into the local drainage system over the 15 year operating life of the mine.



Accommodation - Viscaria is adjacent to the town of Kiruna with a population of 20,000 people.

Skilled Workforce - Sweden is a mining country with a highly experienced workforce where labour rates have not experienced the massive inflation which has occurred in Australia over the past 3 years.

Offtake

The Company has commenced marketing studies and has visited the Ronnskar Smelter owned by Boliden AB of Sweden 300 kilometres south of Viscaria by rail. Historically, the 25% copper concentrate produced by Outokumpu from Viscaria was eagerly sought by European concentrators as a source of local clean concentrate.

Additional Tenement Applications – Viscaria

Avalon has applied for additional ground surrounding both the Adak and Viscaria mines including an application for new tenements to the north of Viscaria. This ground covers conductive target zones identified from historic airborne EM data carried out by Billiton in 1998 in the search for IOCG (Olympic Dam) type targets within the prospective volcanic stratigraphy. Avalon now holds 111km² of prospective ground along this rock unit.

Avalon's geophysical consultants, Southern Geoscience Consulting (SGC), are re-processing this data to identify conductivity features with a similar response to that at Viscaria to target with drilling in 2009.

The Company's aim is to delineate sufficient resources at Viscaria to sustain a return to copper mining operations by 2011.

Viscaria Tailings Dam – Re-treatment Studies

Results from the 60 kilogram bulk sample are pending and will be released to the market once received.

Adak Copper Project

Overview and Location

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

The Adak mines were operated by the Government of Sweden between 1940 and 1977 when the last mine was closed by Swedish mining giant Boliden. The total material mined at Adak was approximately **8.3mt @ 2.02% Cu plus 4.75mt @ 0.87% Cu and 3.0% Zn**.

Avalon's attraction to Adak is due to the exploration potential surrounding the existing mines and at depth, and its strategic location within trucking distance of existing concentration facilities.



VTEM Survey

The Company conducted a 684 line km airborne electromagnetic (VTEM) geophysical survey at Adak during the June Quarter. The interpretation of this data is being conducted by Southern Geoscience Consultants and targets for further exploration are being prepared.

Overview of Mining in Sweden

Sweden has a very rich mining history which has been of great economic importance to the country. Mining and metal production are still important Swedish industries, and Sweden is one of the leading ore and metal-producing countries in the European Union.

The many benefits of operating in Sweden include well developed infrastructure, a highly skilled mining and exploration workforce, extremely low sovereign risk and a very strong mining culture built up over many decades.

AUSTRALIAN PROJECTS

Western Australia

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

During the Quarter Rox Resources Ltd and Avalon reached agreement to jointly terminate the Rox Joint Venture arrangement. Subsequent to the agreement to terminate the Joint Venture and as a result of the Company's focus on the Viscaria copper projects, the Company has elected to surrender the Lennard Shelf tenements.

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

During the Quarter the Company announced that it had entered into an agreement to sell 100% of its interest in the exploration licences comprising 11 ELA's in proven uranium districts in the Yilgarn region of Western Australia - considered prospective for calcrete-hosted uranium mineralisation – and two uranium prospects in the Kimberley region - considered prospective for roll-front styled uranium deposits. They will be sold to a proposed new IPO- Caliburn Resources Ltd. (subsequently changed its name to Haliburn Resources Ltd). The lodgement of the Haliburn prospectus has been delayed pending changes to the prospectus as a result of the decision to sell the Company's Marloo project to Haliburn and because of market conditions.

Marloo Project – Avalon 100%

As a result of the acquisition of the Swedish copper projects, the Company has entered into an agreement to sell 100% of the Marloo project to Haliburn Resources Ltd for \$150,000 subject to the listing of Haliburn Resources Ltd.



Queensland

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

Avalon has withdrawn from this Joint Venture.

CORPORATE

Subsequent to the end of the Quarter, the Company announced a capital raising by way of a 1 for 4 entitlements issue @ 15 cents to raise \$1.9M. The Company withdrew the offer due to market conditions and is now examining alternative funding options for the development of the Viscaria Project.

David McSweeney
Executive Chairman

Competent Persons Statements

The information in this “ASX Announcement” relating to in-situ Mineral Resources at the Viscaria deposit has been based on information compiled by Paddy Reidy BSc (Hons. Geology) of CSA Global Pty Ltd. Paddy Reidy is a Member of the Australasian Institute of Mining and Metallurgy, and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’(JORC Code 2004 Edition). Paddy Reidy consents to the inclusion of such information in this “ASX Announcement” in the form and context in which they appear.

The information in this report relating to Exploration Results is reviewed by Mr Geoff Hewlett MSc DIC MAIG who is a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists and 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 -

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

Avalon Minerals – Background

Avalon Minerals Ltd listed in March 2007 with the aim of developing and discovering mineral deposits.

Avalon's corporate objective is to build a diversified resource mining group based on cash flows from producing operations. The primary project generation strategy has been successful with the acquisition of the advanced Viscaria copper deposit in northern Sweden where a maiden JORC Code compliant copper resource comprising an Inferred Resource of; 8.2 million tonnes grading 2.7% Cu for the 'A' Zone South, 5.1 million tonnes grading 1.2% Cu for the 'A' Zone North, 24.1 million tonnes grading 0.8% Cu for the 'B' Zone, and 2.5 million tonnes grading 1.6% Cu for the 'D' Zone, which combined totals 514,600 tonnes of contained copper. In addition the recently acquired cluster of six closed historical copper – zinc mines at Adak 300km south of Viscaria also provides potential for Avalon to grow its base metal inventory within northern Sweden.

Figure 1 – Location map of Viscaria and Adak copper projects, Sweden



Figure 2 – Surface plan of Viscaria showing A, B and D Zones

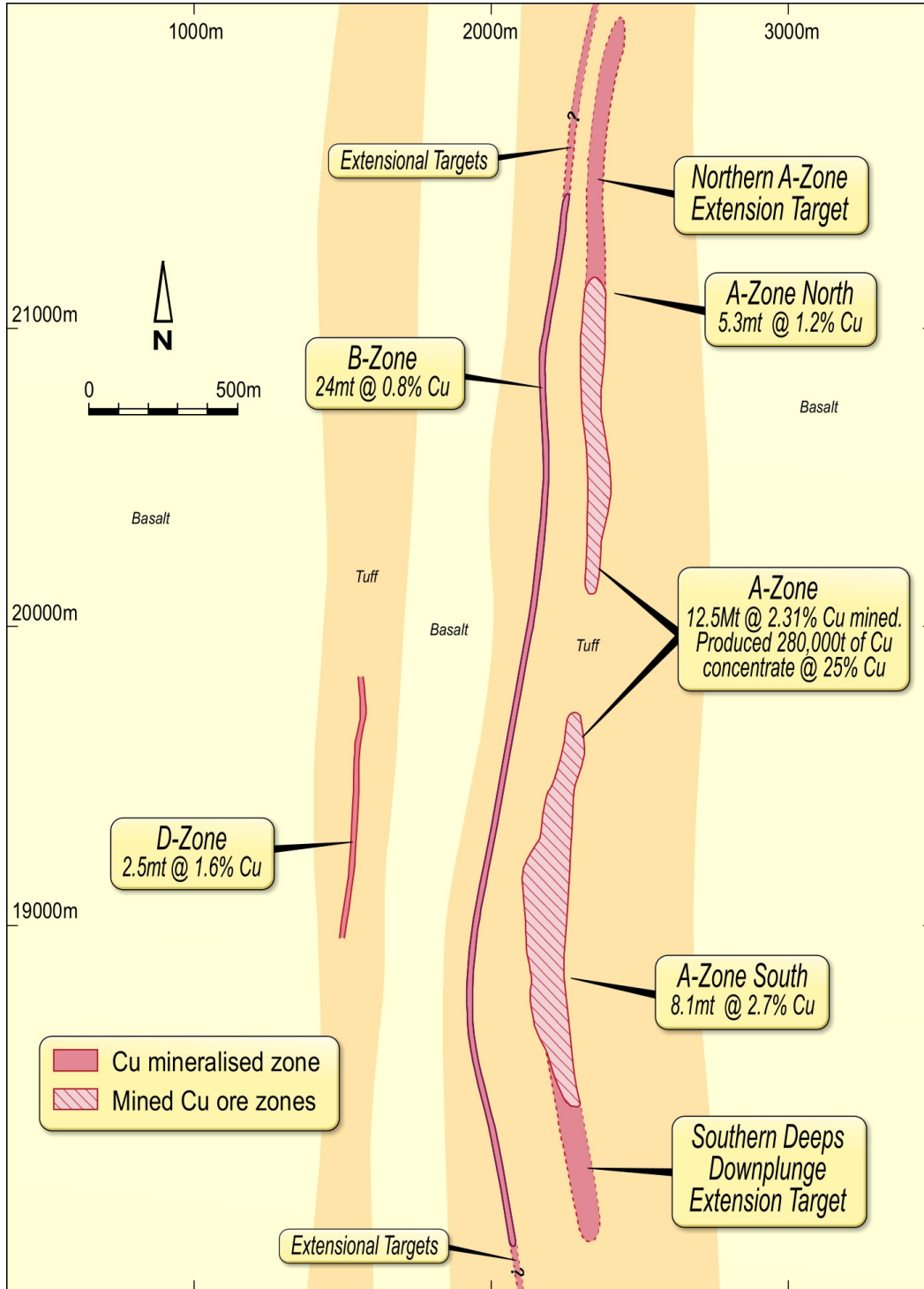
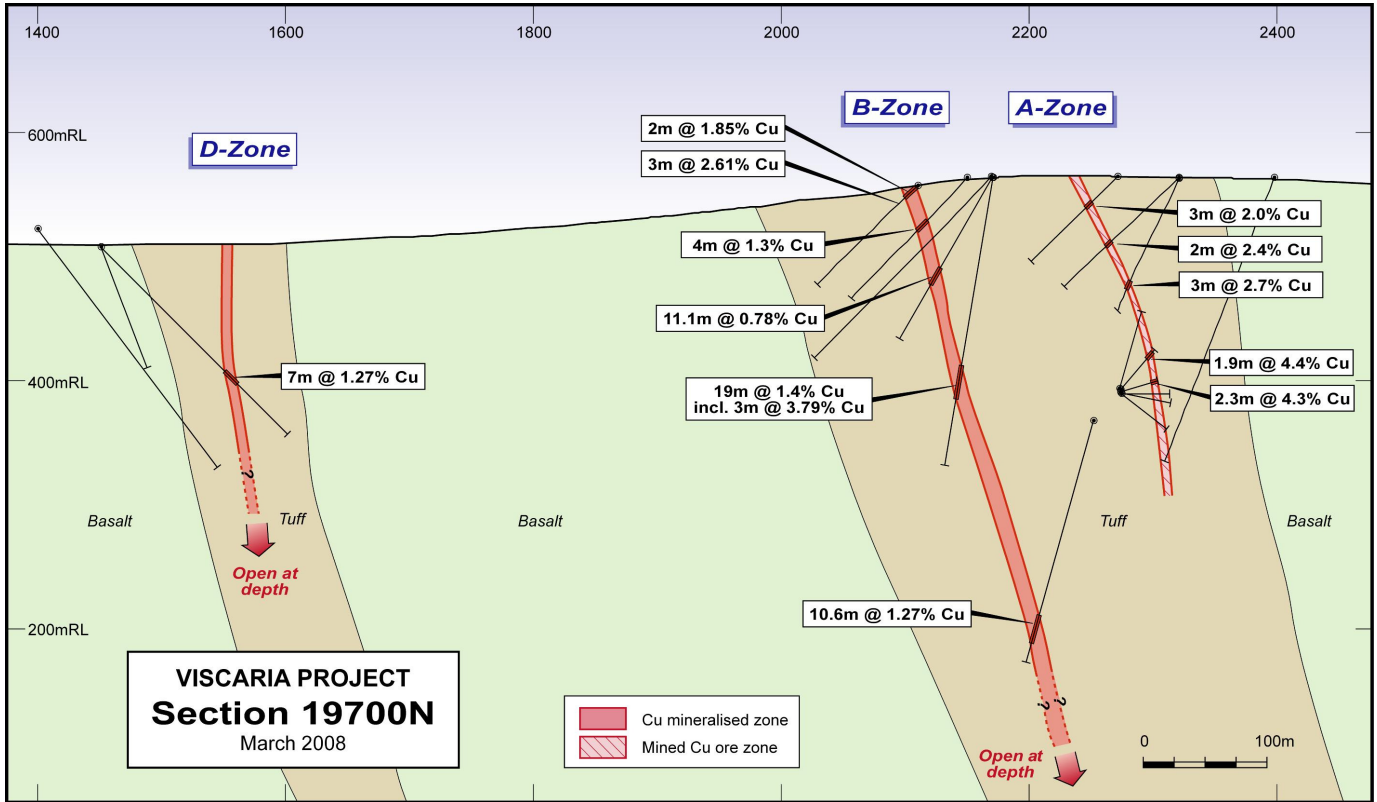


Figure 3 - Cross Sections of A, B & D Zones



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 September 2008

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (.3... months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(626)	(626)
(b) development	-	-
(c) production	-	-
(d) administration	(266)	(266)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	19	19
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	50	50
Net Operating Cash Flows	(823)	(823)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments		
(c) other fixed assets	(1)	(1)
1.9 Proceeds from sale of: (a)prospects (b)equity investments		
(c)other fixed assets	(36)	(36)
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(37)	(37)
1.13 Total operating and investing cash flows (carried forward)	(860)	(860)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(860)	(860)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	300	300
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 – capital raising expenses		
	Net financing cash flows	300	300
Net increase (decrease) in cash held			
		(560)	(560)
1.20	Cash at beginning of quarter/year to date	1,458	1,458
1.21	Exchange rate adjustments to item 1.20		
		898	898
1.22	Cash at end of quarter		

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

--

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

--

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		

+ See chapter 19 for defined terms.

3.2 Credit standby arrangements		
---------------------------------	--	--

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	260
4.2	Development	
Total		260

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	898	1,458
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		898	1,458

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	E04/1506	Surrendered	100%	0%
	E04/1508	Surrendered	100%	0%
	E04/1421	Surrendered	100%	0%
	E04/1422	Surrendered	100%	0%
	E04/1423	Surrendered	100%	0%
	E80/3627	Surrendered	100%	0%
	E80/3628	Surrendered	100%	0%
	E80/3629	Surrendered	100%	0%
	E80/3630	Surrendered	100%	0%
	E80/3631	Surrendered	100%	0%
	E80/3632	Surrendered	100%	0%
	E80/3633	Surrendered	100%	0%
	E80/3634	Surrendered	100%	0%
	E80/3635	Surrendered	100%	0%
	E45/2827	Surrendered	100%	0%
E45/2828	Surrendered	100%	0%	
E45/2829	Surrendered	100%	0%	
6.2 Interests in mining tenements acquired or increased				

+ 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	52,100,000	42,038,750		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,500,000		20 cents	
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>	3,900,000 5,600,000 800,000 1,075,000 125,000 300,000		Exercise Price 20 cents 40 cents 20 cents 40 cents 25 cents 30 cents	Expiry Date 10/02/2010 10/02/2009 31/01/2010 31/01/2010 31/01/2010 31/07/2011
7.8 Issued during quarter	300,000		30 cents	31/07/2011
7.9 Exercised during quarter	1,500,000		20 cents	10/02/2010
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
------	---	--	--

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 give a true and fair view of the matters disclosed.

Sign here: Date: .. 28/10/08
(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.

== == == == ==