



ASX/Media Release

25 January 2011

AVALON MINERALS DECEMBER 2010 QUARTERLY REPORT

HIGHLIGHTS

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

- Bankable Feasibility Study (BFS) commenced based on 3.0Mtpa of production from A, B and D Zone Open Pit mines.
- RC and Diamond drilling commenced on 11 November initially targeting D Zone and D Zone South mineralisation. Three Drill Rigs currently operating at site.
- Additional land package acquired north west of Viscaria.
- Discussions with potential offtake customers advanced.

Corporate

- Subsequent to the end of the Quarter, a Share Placement of 22.8M shares at \$0.18/share was completed raising \$4.1 million. Funds will be used to advance the Viscaria BFS.
- Subsequent to the end of the Quarter, a non-renounceable Entitlements Issue was announced; comprising an offer of one-for-five shares to existing shareholders at \$0.18/share to raise up to \$6.3 million. The Issue is fully underwritten by Avalon's largest shareholder, Tan Sri Abu Sahid Bin Mohamed. Funds will be used for further work associated with the BFS and regional exploration program.

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ASX Code: AVI
175.1 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)
Gary Steinepreis
(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**



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.

Drilling

During the Quarter, drilling at the Viscaria project recommenced with the aims of:

- Defining at broad spacing, the style of copper and iron mineralisation at D Zone South where Avalon has established an exploration target of 30-50 million tonnes at 0.5-0.8% Cu and 25-35% Fe;
- Confirming and expanding the resources defined at D Zone. These currently stand at 9.0Mt at 0.55% Cu and 27% Fe; and
- Confirming the resources defined within the open pit mining shell at A Zone and B Zone.

Work on the drilling program commenced on 11 November.

Heavy snowfalls over much of Europe prior to Christmas resulted in an early suspension of the drilling program for the Christmas break. Drilling during the Quarter was therefore confined to the relatively high ground at the northern end of the D Zone Resource area. This area contains a generally lower grade of copper mineralisation, and an average grade iron mineralisation.

Preliminary results were received from assay laboratories for the drilling to the end of December, with results including:

- VDD0068 16.4m @ 31.5% Fe from 46.5m
 12.5m @ 24.9% Fe from 67.2m including
 5.2m @ 0.35% Cu from 74.5m
- VDD0075 9.5m @ 31.9% Fe from 21.0m including
 2.9m @ 0.73% Cu from 27.5m

The assay results received to date are consistent with the interpretation of the ore body where the holes are located. The lower than average grade of the copper intersections in VDD0068 and VDD0075 is consistent with previous drilling results for this area. A full list of drill intersections is provided in Appendix 1.

At present, three Drill Rigs (one percussion and two diamond) are operating at site. The BFS program of works includes approximately 20,000m of drilling at D Zone (12,000m), D Zone South (4,000m), and A and B Zone Metallurgy and Geotechnical (4,000m). The program 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 is scheduled for completion in the September 2011 Quarter.
- The Engineering Study for process plant and infrastructure was awarded to MSP Engineering Pty Ltd with work commencing in December. This work will provide a detailed design and capital and operating cost estimate for the process plant and infrastructure.
- Preparation of Environmental Impact Assessment (EIA) documents progressed satisfactorily and is scheduled to be submitted to the Swedish Environmental Court for approval in the March 2011 Quarter. All field studies have been completed and reports compiled.
- Community consultations were held as part of the EIA process and were favourably received by Kiruna residents who showed support for the project.
- Metallurgical testing proceeded to further optimise BFS flow sheet in the process plant comminution circuit.
- The Mining Lease application for Viscaria is being assessed by the Bergsstaten (Mines Department) and is scheduled for approval early in 2011.
- Discussions are progressing satisfactorily with Boliden AB and LKAB for offtake agreements for copper and magnetite concentrates respectively.
- The Study remains on schedule for completion in the September Quarter 2011.

EXPLORATION – OTHER PROJECTS

Regional Copper Exploration

During the Quarter, Avalon applied for Exploration Permit “Huornas nr 1” surrounding the historical Gordon Kitchener copper mine. The Gordon Kitchener area is considered prospective for VMS style high grade copper and zinc mineralisation, and provides Avalon with access to key exploration areas in close proximity to the Company’s existing Karkejaure, Vittangijarvi, Kurravarra and Kallojankka prospects (*see Figure 1*).

Historical rock chips and boulder samples from the area show high grade copper and zinc mineralisation, up to 7% and 12.5% respectively.

The Program of Work at the Gordon Kitchener Project will be integrated with the other regional target programs, and will include detailed geophysics and geochemical surveys to target massive sulphide mineralised zones. The initial geophysical work is scheduled to commence in the March 2011 Quarter.

Regional Iron Ore Exploration

Data reviews for historical iron ore exploration over the southern Viscaria tenure were completed. Limited prospecting and geophysical programs have been completed over the area by previous owners which highlighted the Soulojoki prospect for iron ore. Isolated drilling was completed by previous owners which indicate Skarn-type, magnetite-carbonate mineralisation to be the source of the geophysical magnetic anomaly.

Assay intersections include:

- Hole 69001 9m @ 44.0% Fe from 42m
 4m @ 47.4% Fe from 55m
 12m @ 26.1% Fe from 72m

Further review work on historical exploration and drilling for iron ore, principally by LKAB within the Kurravarra and Kallojankka prospects, was also commenced in the Quarter. The review will be completed in the June 2011 Quarter, and is expected to highlight priority iron ore exploration targets for the region.

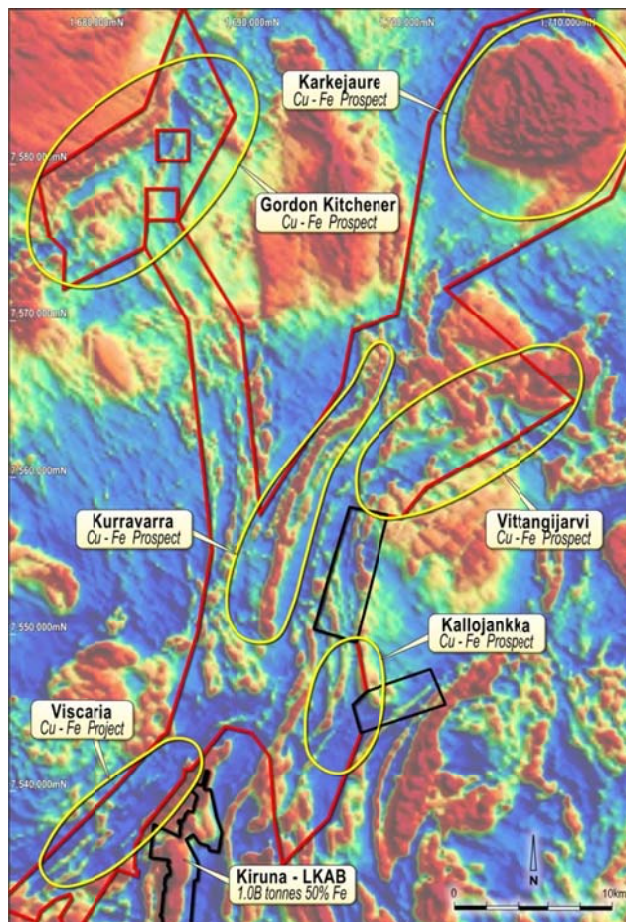


Figure 1: Granted Tenure and Applications on Magnetic Image, including the location of the Gordon Kitchener Prospect



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.

Avalon continued with the collection and digitising of historical data (exploration, drilling, mining, metallurgy) during the Quarter in preparation for commencing field based exploration programs in 2011.

CORPORATE

Capital Raising

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

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

In conjunction with the Placement, the Company is also offering existing eligible shareholders, including the Placement participant, the opportunity to participate in a Non-Renounceable Entitlements Issue, comprising the offer of one new share for every five existing shares held also at \$0.18/share to raise up to \$6.3 million. The Entitlement Issue is fully underwritten by Avalon's largest shareholder Tan Sri Abu Sahid Bin Mohamed.

The prospectus relating to the Entitlements Issue will be despatched to eligible shareholders on 27 January 2011, and the offer is scheduled to close on 11 February 2011.

Cash Resources

At 31 December 2010, the Consolidated Entity had cash reserves of \$1.74 million.

Avalon has no corporate debt.

At the completion of the Placement and Entitlement Issue outlined above, the Company's cash reserves will total approximately \$11.0 million.



Shareholder Information

At 31 December 2010, the Company had 152,276,952 shares on issue and approximately 650 shareholders. The top 20 Shareholders held approximately 62% of the Company. After completion of the Share Placement on 10 January 2011 the Company had 175,118,494 shares on issue.

At completion of the Entitlements Issue program outlined above, the Company expects to have up to 210,142,193 shares on issue.

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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Appendix 1: Significant Drilling Intercepts - Viscaria

Hole_ID	Project	Prospect	From	To	Interval	Cu %	Fe %	NAT_East	NAT_North	Local_East	Local_North
VDD0068	Viscaria	D-zone	40.35	43.08	2.73	-	21.95	1681032	7537546	1525	19798
			42.50	45.50	3.00	0.34	-				
			46.50	62.90	16.40	-	31.50				
			67.20	79.70	12.50	-	24.90				
<i>including</i>			74.50	79.70	5.20	0.35	23.10				
VDD0069	Viscaria	D-zone			NSI			1680990	7537585	1468	19801
VDD0070	Viscaria	D-zone	79.60	84.05	4.45	0.25	9.63	1680967	7537471	1524	19700
VDD0071	Viscaria	D-zone	93.00	95.00	2.00	0.30	17.00	1680910	7537515	1452	19696
			105.10	107.00	1.90	-	27.00				
VDD0075	Viscaria	D-zone	21.00	30.50	9.50	-	31.95	1681018	7537494	1548	19750
<i>including</i>			27.60	30.50	2.90	0.73	29.30				