



ASX/Media Release

29 January 2009

## AVALON MINERALS LTD DECEMBER 2008 QUARTERLY REPORT

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**ASX Code:** AVI  
65.1 million shares  
11.8 million unlisted options

### **Directors**

David McSweeney (Executive  
Chairman)  
Tan Sri Abu Sahid Mohamed  
(Director)  
Stephen Stone (Director)  
Gary Steinepreis (Director)

## HIGHLIGHTS

### Swedish Copper Projects

- Total JORC code-compliant Mineral Resources of 514,400 tonnes of contained copper within four mineralised zones at the Viscaria Copper Project, Northern Sweden
- High-priority new Electro Magnetic (EM) target generated along strike from the Viscaria 'A' Zone at Bahpagobba
- Exploration drilling planned to target high-priority high-grade copper targets at Viscaria

### Corporate

- Shareholders approve \$2m placement comprising 20 million shares at 10 cents per share
  - First stage (\$1.3m) of the \$2m placement now complete with the placement of 13m shares to strategic cornerstone investor Mr Tan Sri Abu Sahid Mohamed
  - Funds to be used to progress drilling and Feasibility Studies at Viscaria Copper Project
- Mr Tan Sri Abu Sahid Mohamed appointed as Non-Executive Director



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## **SUMMARY**

During the December 2008 Quarter, Avalon received approval from its Shareholders (at an EGM held on 10 December 2008) to raise \$2m via the placement of 20 million shares at 10 cents per share.

The funds raised will be utilised to progress drilling and Feasibility Studies at the Viscaria Copper Project, Northern Sweden – Avalon's primary focus moving forward, where last year the Company delineated a JORC-compliant Indicated Resource of **39.9Mt @ 1.3% Cu**.

Pursuant to the Shareholder approval, the Company recently placed 13 million shares with a new cornerstone investor, Mr Tan Sri Abu Sahid Mohamed. The placement was made on the 12<sup>th</sup> of January 2009 and raised \$1.3 million.

Furthermore Mr Tan Sri Abu Sahid Mohamed has been appointed to the Avalon Board in the capacity of Non-Executive Director. He brings with him a wealth of corporate expertise, contacts and skills and is a welcome addition to the Company.

## **SWEDISH PROJECTS**

### **Viscaria Copper Project**

The Viscaria Copper Project is the Company's main focus and forms the basis for Avalon's development and production aspirations. Since acquiring the project on 4 March 2008, Avalon moved quickly to capture the extensive historical data and appointed a team of geological consultants lead by CSA Global Pty Ltd to model the remaining copper resources at Viscaria.

This work was successful in identifying over 39 million tonnes of Inferred copper resources (JORC) at Viscaria. In addition, Avalon has applied for the strike extensions of the Viscaria copper deposits and now has over 212km of exploration ground at Viscaria, covering over 30km of the prospective Viscaria unit.

Simultaneously, Avalon commenced a review of the economics of re-opening the Viscaria copper mine with this work identifying the benefits of a smaller-scale (300,000tpa) start-up operation targeting higher-grade zones of copper. The next phase of work planned at Viscaria will be to drill test the high-priority targets with the aim of defining high grade (>3%) copper zones.

#### ***Overview & Location***

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 and 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 price of approximately US\$1.50/lb today and importantly, only minimal exploration has been conducted at Viscaria since the mine closed.

The 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 mine, the Aitik copper mine (18mt/annum @ 0.3% Cu) which is owned by Boliden and currently being expanded to 35mt/annum @ 0.3% Cu.

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

### ***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.**

**For a total of 39.9Mt @ 1.3% Cu and 515,400 tonnes of copper metal**

### ***Viscaria Development Plans – Scoping Studies***

The current Viscaria Scoping Studies will investigate the potential to identify unmined areas within the Viscaria deposit which may be accessed by the existing decline. The study will also 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 programme towards high-priority areas for additional high-grade underground copper ore with proximity to the existing near-surface development drives.

### ***High Priority EM Target Generated at Viscaria - Bahpagobba***

Avalon's geophysical consultants, Southern Geoscience Consulting (SGC), have completed the re-processing of geophysical airborne EM data acquired by Avalon from Mirab, This EM survey was flown by Billiton in the search for Iron Oxide Copper-Gold (IOCG) targets in 1998, one year after the Viscaria mine was closed by Outokumpu.

The airborne EM data base was purchased by Avalon during 2008 for \$10,000 which is a significant discount to the original cost to fly this program, which would have been several hundred thousand dollars. The purpose of the review by SGC was to identify potential conductor targets for extensions of the known Viscaria copper deposit.

This exercise has been successful in identifying several new high-priority EM conductivity features with a similar response to that at Viscaria. The most prospective of the targets generated lies immediately to the North and East of the Viscaria 'A' Zone where the conductor appears to be over 700m in strike and centred



on a hill known as **Bahpagobba**. A review by Avalon of historical drilling at Bahpagobba indicates that Outokumpu had not drill-targeted this area for extensions of the Viscaria copper lodes.

Two shallow holes were drilled in this area by the Geological survey of Sweden (SGU) prior to Outokumpu acquiring its interests in the Viscaria mine. Both SGU holes intersected copper mineralisation at relatively shallow depths (0.5m @ 5% Cu from 61m and 0.5m @ 2.1% Cu from 33m). The fact that the Billiton airborne EM survey was carried out after the Viscaria mine was decommissioned suggests that at the time, the previous operators were unaware of the Bahpagobba conductor anomaly.

The Bahpagobba target now represents the Company's highest priority target for exploration drill testing for extensions to the high-grade 'A' Zone – which was the most prospective and highest grade of the three known copper zones at Viscaria.

During January 2009 the Company acquired additional ground EM data over the Bahpagobba target to assist in the design of an exploration drilling program.

In addition to the high priority Bahpagobba exploration target several other prominent conductors have been identified along strike and to the east of Viscaria.

#### ***Viscaria Tailings Dam – Re-treatment Studies***

Given the decline in copper prices and the low recoveries of copper from the initial test work conducted on material collected from the Viscaria tailings dam, the Company has decided not to proceed further with testing on the Viscaria tailings dam.

## **Adak Copper Project**

### ***Overview and Location***

The Adak copper project contains four historical mines – **Adak, Lindskold, Brannmyran and Rудtjebacken** – covering an area of 26.71km<sup>2</sup>, 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.

With the Company's focus shifting to Viscaria, Avalon plans to attract a joint venture partner to farm into the Adak project to earn a majority interest.

## **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**

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

The decision by the Avalon Board to sell 100% of the Company's interest in 11 Exploration Licence Applications (ELA's) in proven uranium districts in the Yilgarn region of Western Australia and two uranium prospects in the Kimberley region to proposed new IPO, Haliburn Resources Ltd, has been terminated due to adverse market conditions.

The Company is now examining other options for the disposal of its Western Australian uranium portfolio.

### ***Marloo Project – Avalon 100%***

The agreement to sell 100% of the Marloo project to Haliburn Resources Ltd for \$150,000 subject to the listing of Haliburn Resources Ltd has also been terminated due to adverse market conditions.

## **CORPORATE**

During the Quarter, Avalon received Shareholder approval for the placement of 20 million shares at 10 cents per share to raise \$2m. Subsequent to the end of the Quarter, the Company placed the first tranche of the placement with a cornerstone investor, Mr Tan Sri Abu Sahid Mohamed. Avalon has three months from 12 December to complete the placement.

Mr Tan Sri Abu Sahid Mohamed has been appointed as a Non-Executive Director of the Company and Mr Ahmad Hisham Kamaruddin was appointed as the Alternate Director for Tan Sri Abu Sahid Mohamed.

5 million 40 cent options issued to David McSweeney prior to the listing of Avalon with a 2 year term are due to expire on the 10<sup>th</sup> of February 2009.



**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 Consultant. 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:**  
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**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**

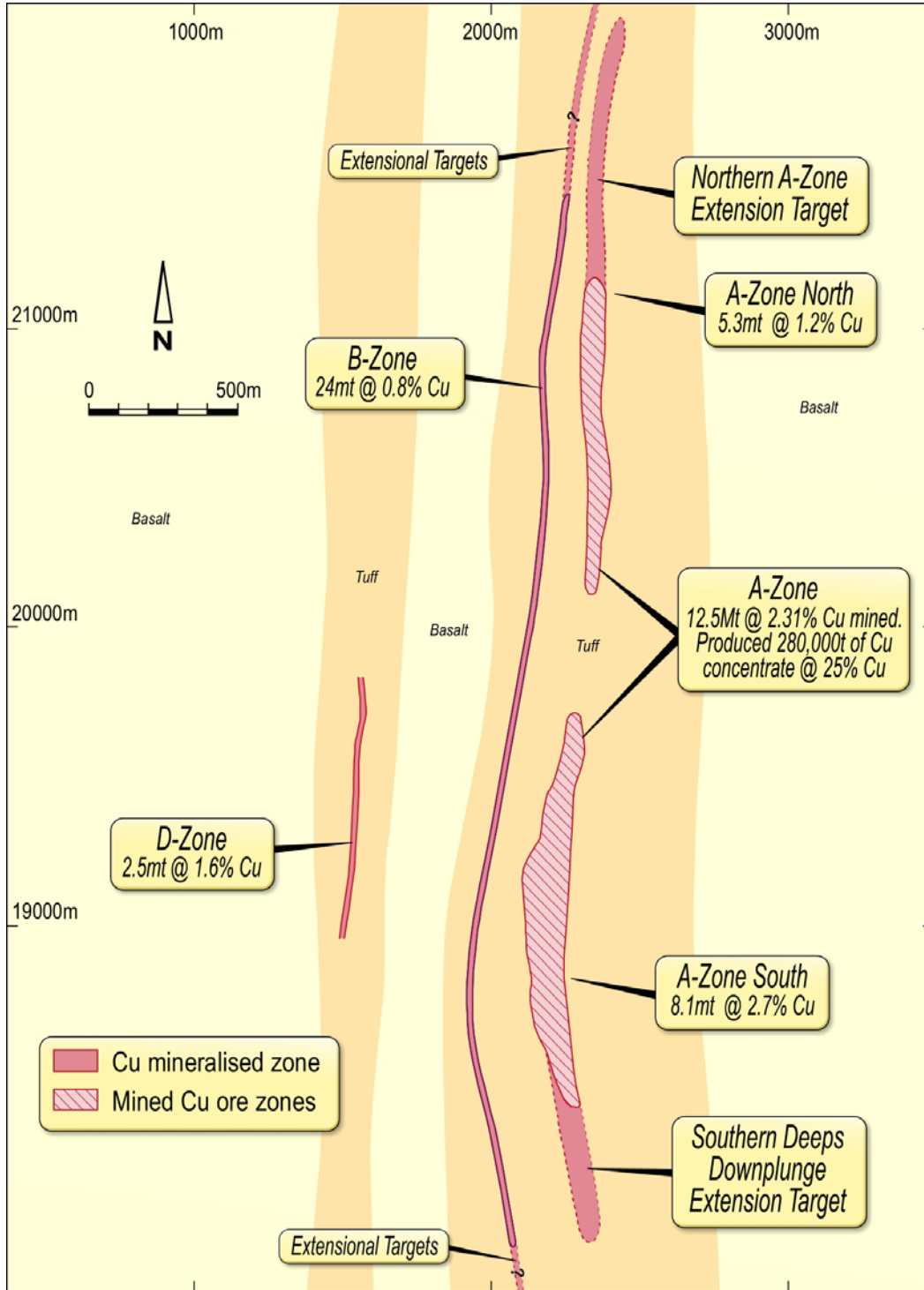




Figure 3 - Cross Sections of A, B & D Zones

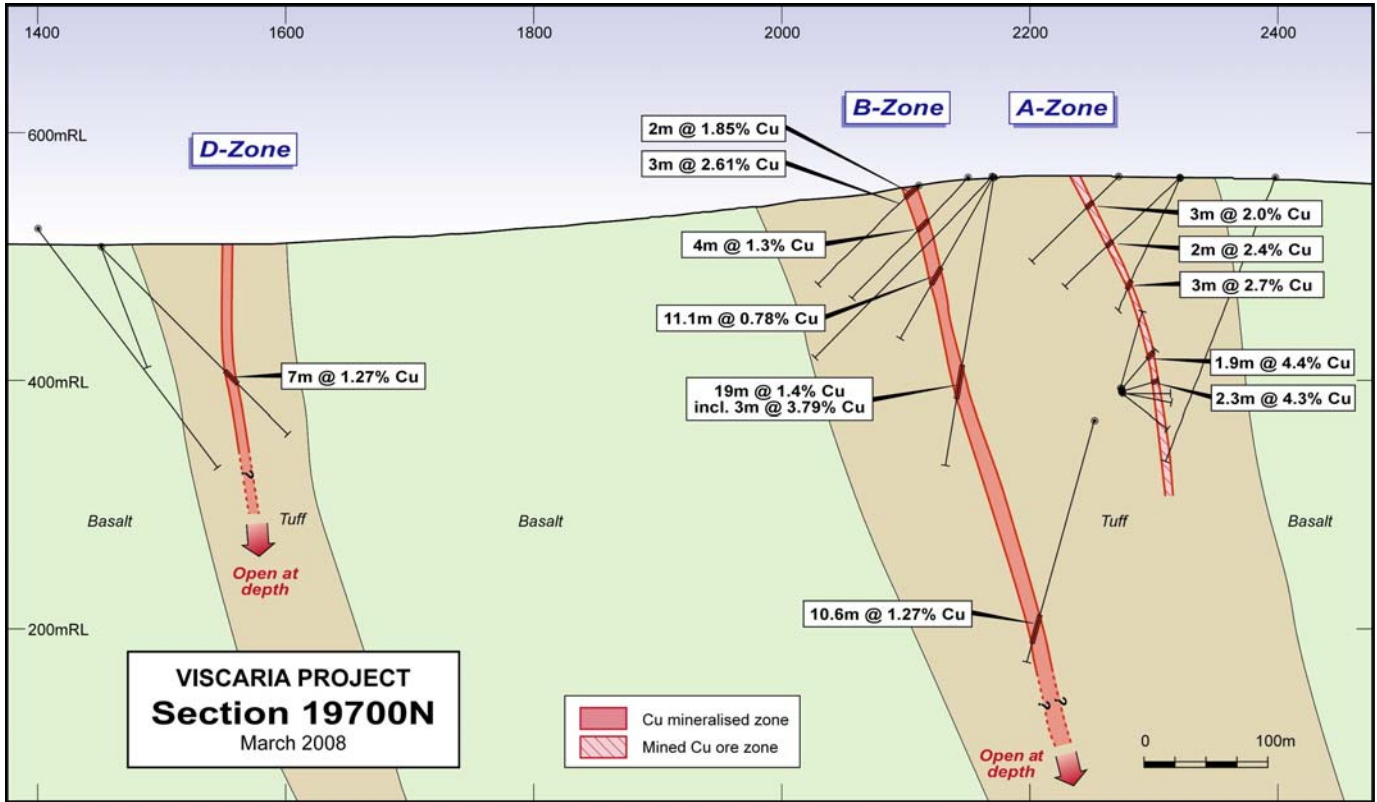
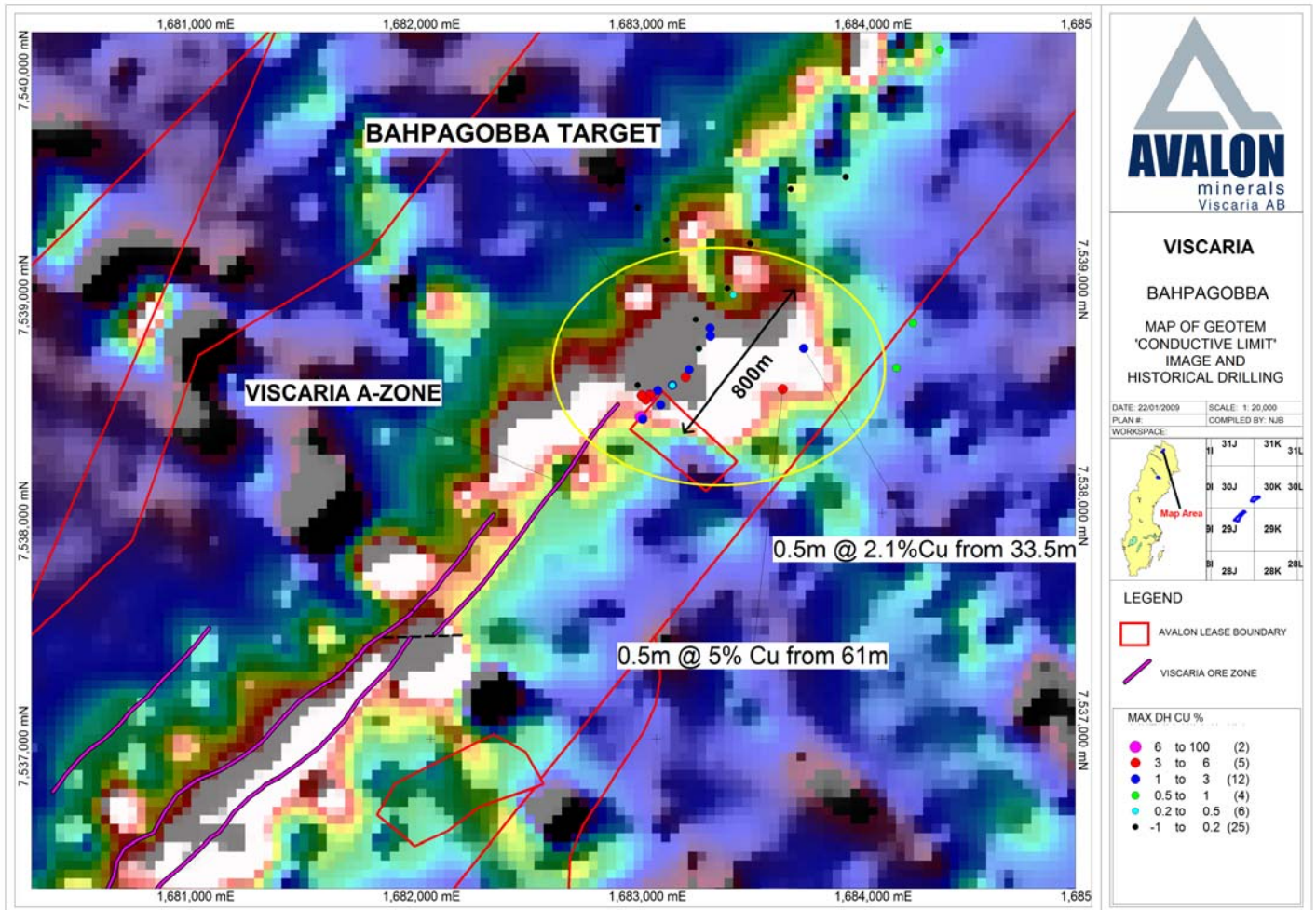


Figure 4 – EM Data - Bahpagobba



# 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")

31 December 2008

### 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	(375)	(1,001)
(b) development	-	-
(c) production	-	-
(d) administration	(206)	(472)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	6	25
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	-	50
<b>Net Operating Cash Flows</b>	<b>(575)</b>	<b>(1,398)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects investments		
(b)equity		
(c) other fixed assets	-	(1)
1.9 Proceeds from sale of: (a)prospects investments		
(b)equity		
(c)other fixed assets		
1.10 Loans to other entities	-	(36)
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>-</b>	<b>(37)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(575)</b>	<b>(1,435)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(575)	(1,435)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	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		
	<b>Net financing cash flows</b>	-	300
<b>Net increase (decrease) in cash held</b>			
		(575)	(1,135)
1.20	Cash at beginning of quarter/year to date	898	1,458
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	323	323

**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	57
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		

+ See chapter 19 for defined terms.

3.2 Credit standby arrangements		
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### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	260
4.2	Development	
<b>Total</b>		<b>260</b>

### 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	323	898
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)		323	898

### 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	E63/1183	Surrendered	100%	0%
	E63/1184	Surrendered	100%	0%
	E63/1185	Surrendered	100%	0%
	E59/1321	Surrendered	100%	0%
	E29/665	Surrendered	100%	0%
	E04/1714	Surrendered	100%	0%
	E57/691	Surrendered	100%	0%
	E59/1318	Surrendered	100%	0%
	E59/1320	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 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	52,100,000	42,038,750		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	3,900,000 5,600,000 800,000 1,075,000 125,000 300,000		<b>Exercise Price</b> 20 cents 40 cents 20 cents 40 cents 25 cents 30 cents	<b>Expiry Date</b> 10/02/2010 10/02/2009 31/01/2010 31/01/2010 31/01/2010 31/07/2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> ( <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 give a true and fair view of the matters disclosed.

Sign here: ..... Date: .. 29/01/09  
 (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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+ See chapter 19 for defined terms.