



Viscaria Copper – Iron Ore Project

February 2011

Disclaimer



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Competent Persons 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.

Exploration Targets

This presentation comments on and discusses Avalon's 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. The potential quantity and quality of material discussed as Exploration Targets is conceptual in nature since there has been insufficient work completed to define them as Resources or Reserves. It is uncertain if further exploration work will result in the determination if a Mineral Resource or Ore Reserve

Corporate Snapshot



Capital Structure

Shares on issue	209.2m
Unlisted options	2.6m
Market Capitalisation (26cps)	\$54.4m
Cash (28 Feb 2011)	~\$9.0m
Debt	nil
Enterprise Value	\$45.4m

Major Shareholders

Directors and Management	29.3%
Peakville Investments Ltd	13.6%
Galena Special Situations Fund	7.4%
Top 20	66.3%



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Avalon Snap Shot



- **Advanced Viscaria Cu-Fe Project in Northern Sweden**
- **Resources**
 - 44.7Mt , 1.2% Cu - A&B Zone
 - 9.0Mt, 0.6% Cu and 27% Fe - D Zone
- **Pre-Feasibility Study completed**
 - 5 or 10 year LOM @ 3.0Mtpa
 - Fast payback
 - Solid returns
- **Production from 2013**
 - Cu 19,000tpa Cu metal, 41.8Mlb pa in concentrate
 - Fe 725,000tpa of 69.5% Fe concentrate
- **Comprehensive Exploration Program**
 - Expansion of Resources
 - New Projects



Viscaria, Kiruna and LKAB



- **Discovered in 70's – 4km from Kiruna (pop 20,000)**
 - 15 years historical production to 1997
 - 100ktpa @ 26% Cu Concentrate
 - 26,000tpa, 57M lbpa Cu metal

- **Purchased 100% by Avalon**

- Phelps Dodge, 1% NSR
- All historical data
- Zero Liabilities

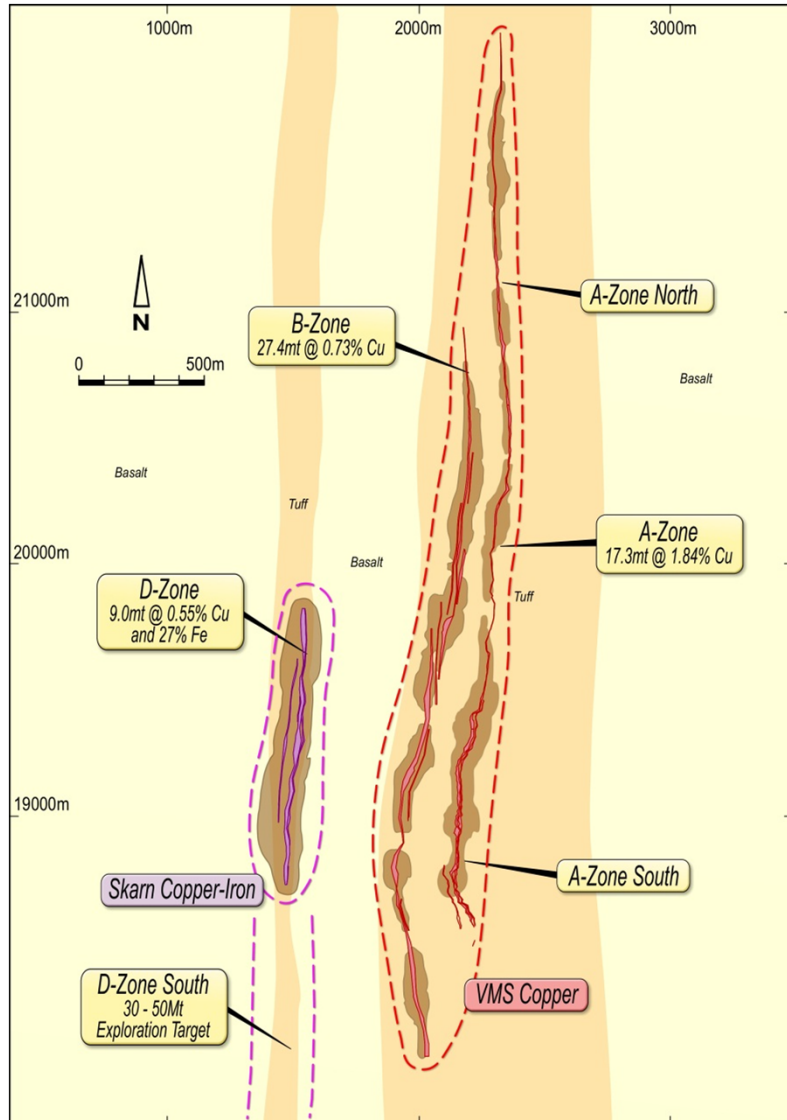
- **Infrastructure**

- Rail - heavy haul
- Ports - Narvic (Ice free), Luleu
- Power
- Facilities
 - Contractors
 - Constructors
 - Mining
- Smelters,
- Concentrators, Pellet Plants



- **In the shadow of LKAB – 20mtpa Fe Iron concentrate and pellets**

Viscaria Copper Resource



VMS Copper

Resource Classification	MT	Cu %	Cu Metal ('000t)
Measured	6.7	2.47	165
Indicated	4.1	1.76	73
Inferred	33.9	0.33	280
TOTAL	44.7	1.16	518

Skarn Copper-Iron

Resource Classification	MT	Cu%	Fe%	Cu Metal ('000t)	Fe Metal ('000t)
Inferred	9.0	0.55	26.9	49	2,415

Tailings Copper-Zinc

Resource Classification	MT	Cu%	Zn%	Cu Metal ('000t)	Zn Metal ('000t)
Inferred	12.5	0.27	0.22	34	27

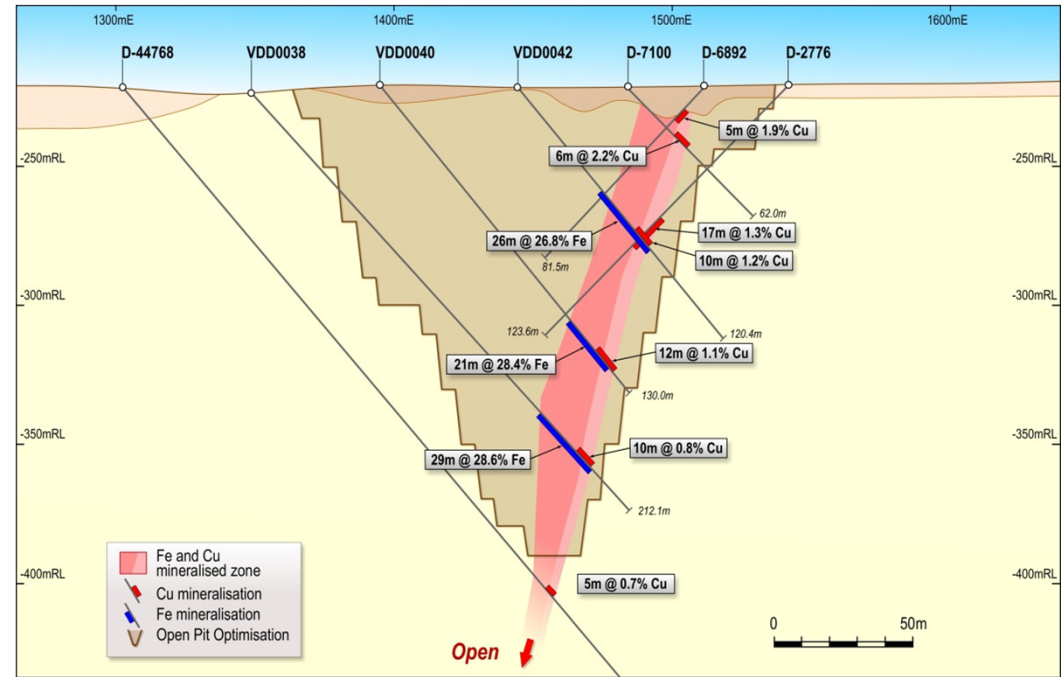
DFS Drilling in progress:

- D Zone – Resource Upgrade
- D Zone – Target 30-50Mt @ 0.6% Cu and 30% Fe
- B Zone – Geotechnical and Mining
- A Zone – Geotechnical and Mining

D Zone Copper and Iron Ore Products

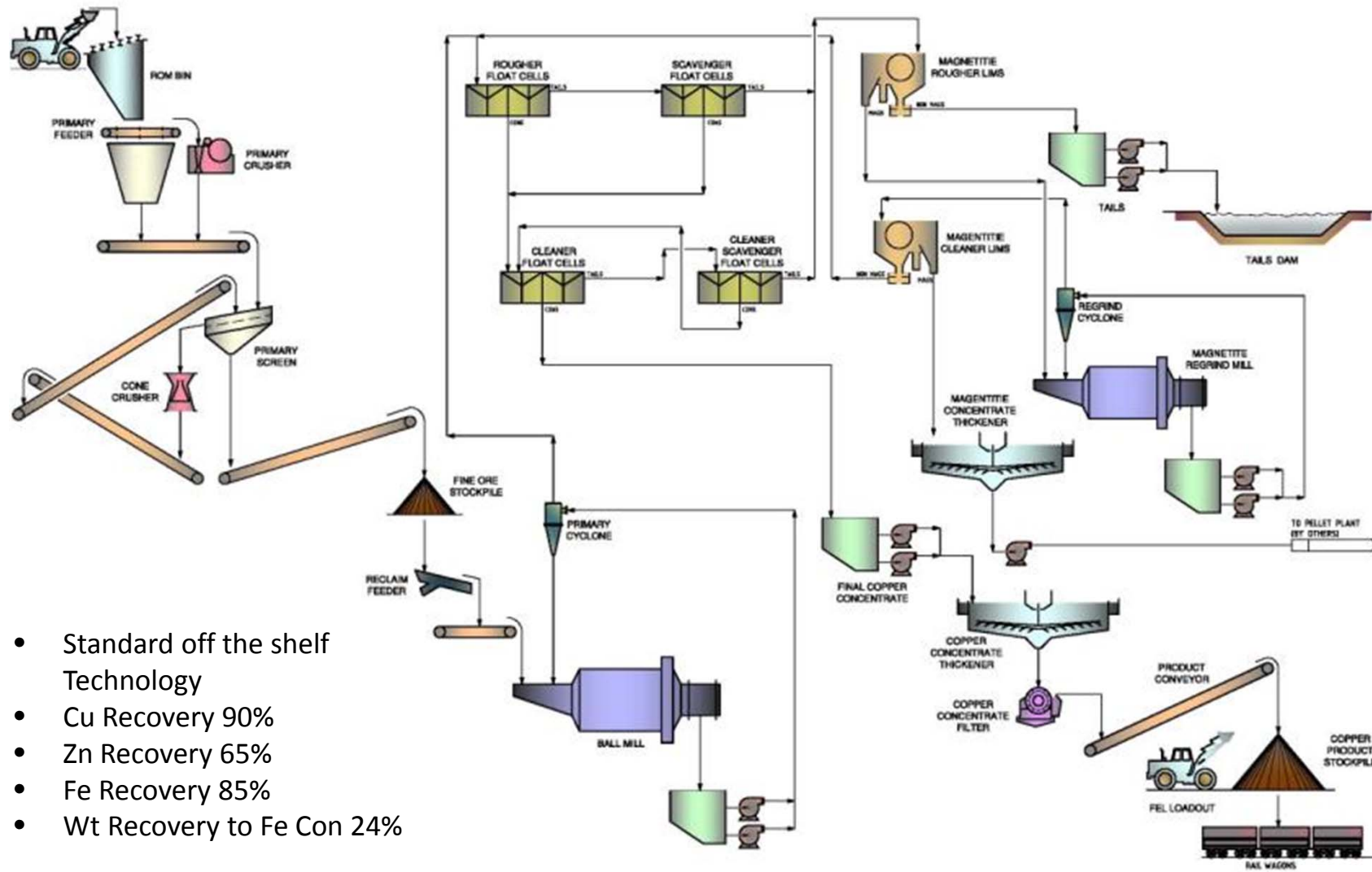


- **Open Pit – Stage 1**
 - Open pit design @ US\$2.50/lb Cu
 - Cu rich and Fe rich lodes
 - UG drilling assessment in 2011
- **Iron Ore Concentrate**
 - BF and DR quality. 1.5% SiO₂
 - Low Alumina and Phos
 - High MgO, CaO
 - Compatible with Kiruna
 - Pellet Testing underway
- **Copper Concentrates**
 - 25-27% Cu
 - 2gpt Au, 30gpt Ag, 2% Zn
 - Low contaminants



Concentrate Product	Fe %	SiO ₂ %	P %	Al ₂ O ₃ %	CaO+MgO %	CaO+MgO/SiO ₂ +Al ₂ O ₃ %
Kiruna SWE/ KAB	70.5	1.5	0.022	0.4	0.5	0.26
Samarco BRA/BHP,Vale	67.2	1.8	0.033	0.7	0.1	0.06
Marcona PER/Shougang	69.8	1.6	0.015	0.4	1.0	0.50
Viscaria SWE/Avalon	69.5	1.5	0.012	0.1	0.9	0.56

Processing Cu and Fe



- Standard off the shelf Technology
- Cu Recovery 90%
- Zn Recovery 65%
- Fe Recovery 85%
- Wt Recovery to Fe Con 24%

Viscacia PFS Results



	Base Case	*Development Case
Mine	A, B, D Open Pit	A, B, D, D Extn Pits
Process rate	3.0Mtpa	3.0Mtpa
Annual Saleable Products	75,700tpa @ 25% Cu, 18,925tpa Cu 725,000tpa @ 69.5% Fe	63,300tpa @ 25% Cu, 15,825tpa Cu 735,000tpa @ 69.5% Fe
Delivered Grade	0.7% Cu 20% Fe	0.6% Cu 23% Fe
Recovery	90% Cu 24% wt rec Fe	90% Cu 24% wt rec Fe
Mine Life	5 Years	10 Years
CAPEX (US\$M)	145	160
Revenues (US\$M)	893	1,613
OPEX (US\$M) (US\$/t ore)	554 35.72	967 32.24
CI Cash Cost (after credits)	US \$1,851/t Cu US \$0.84/lb Cu	US \$1,345/t, US \$0.61/lb Cu
NPV @ 10% (US\$M)	46	126
IRR %	24.8	33.4
Pay Back Years	2.9	2.9
Expenditures, Revenues and Costs Over Life of Mine		

Figures above are indicative averages over the life of mine

*D Zone Extension has not been defined and is classified as an exploration target

*D Zone Extension material included in the Development Case

Viscacia Copper – Underground



■ A Zone Open Pit

- Above historical Viscacia Cu mine
- 3-15m wide at 1.6% Cu
- Quality concentrate
 - 28% Cu, 3% Zn, 45gpt Ag, 3gpt Au
 - A low level of contaminants

■ 300 km from Boliden’s Ronnskar Smelter

- Adjacent to rail

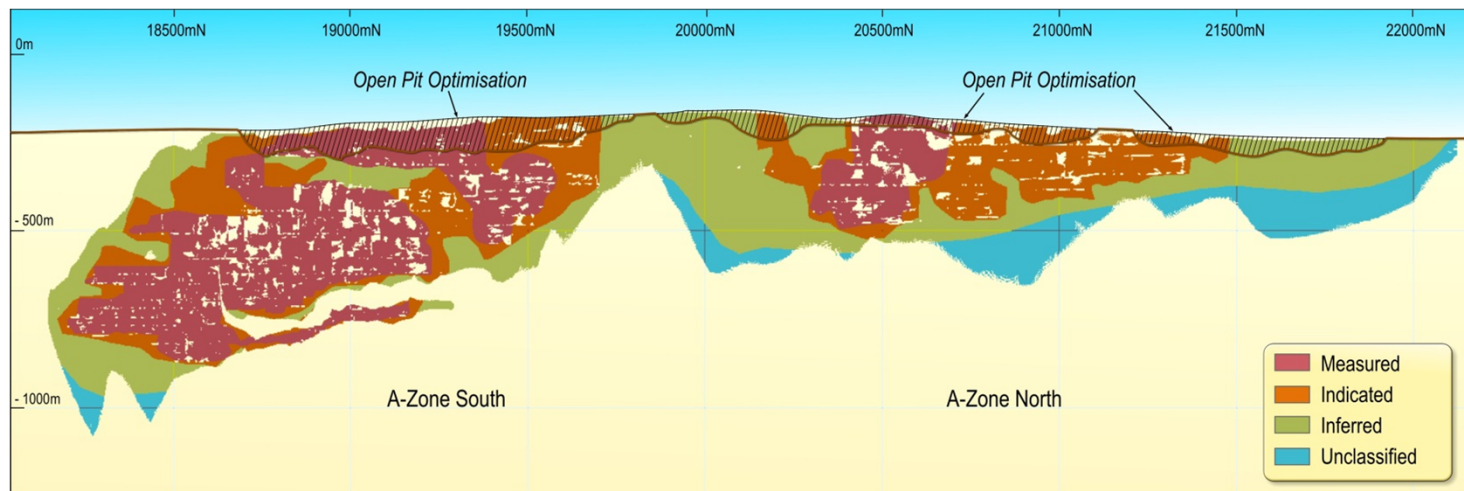
■ A Zone Deeps

- 15mt @ 1.8% Cu remains
- Drilled to 600m below surface
- Extraction of high grade parts
- Remnants and lower grade (<2% Cu) zones remain

■ 30km of development and decline

- 12.5mt @ 2.7% Cu historical production

■ VMS style – 5-15m wide + 0.8% Cu



Viscaria D Zone Long Section

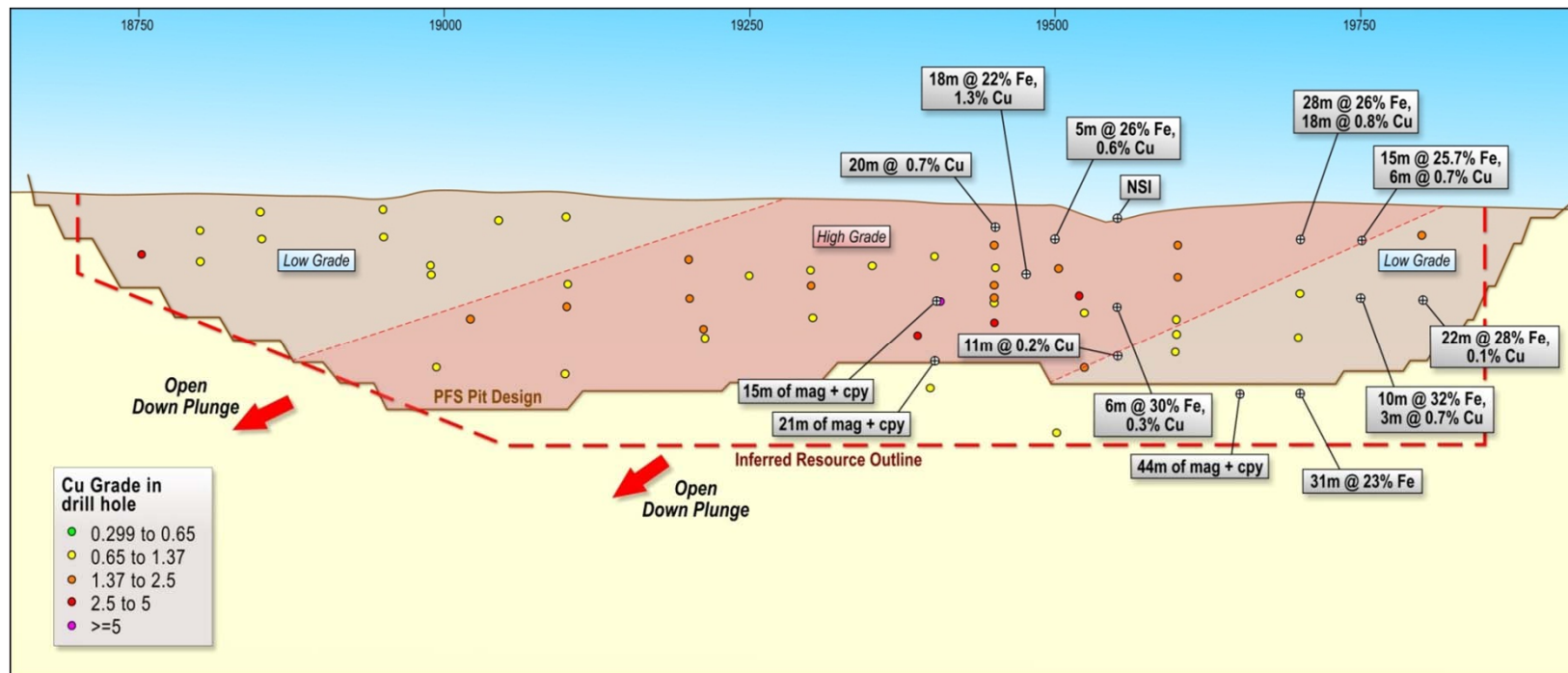


2010

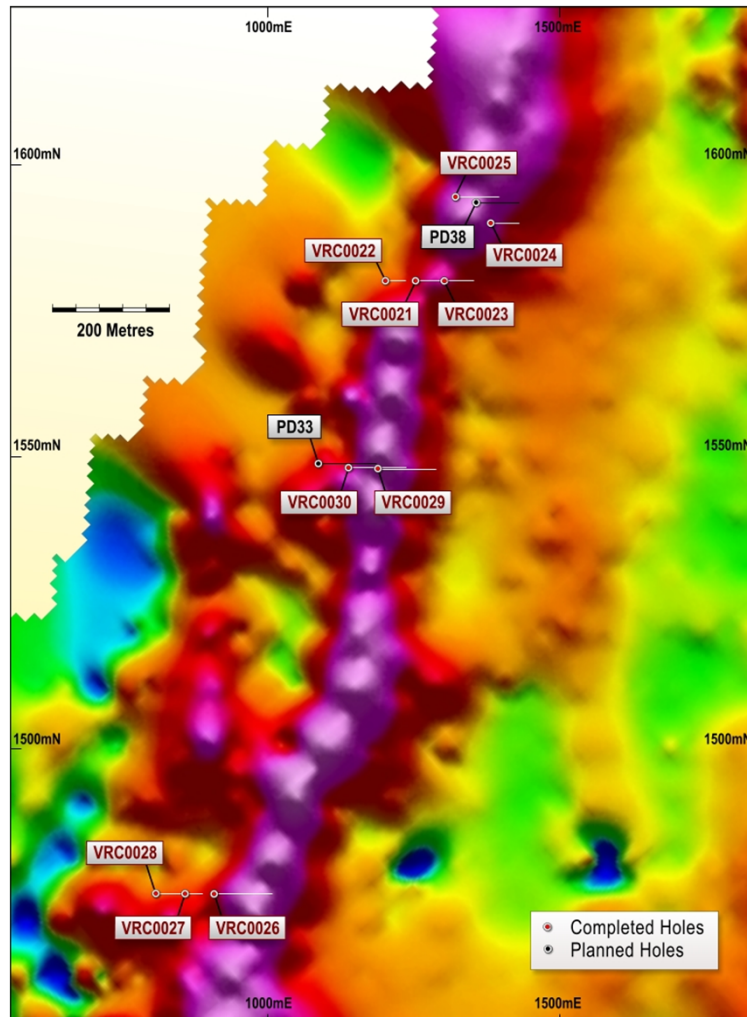
- 9Mt Inferred Resource @ 0.55% Cu and 27% Fe
- Pit design near base of Resource
- Higher grade Cu lode in centre that plunges south
- Similar geometry to A Zone

2011 Drilling Program

- 90 holes planned, 19 Completed
- Commenced at “high” north end
- Results as expected
 - 18m @ 22% Fe 1.3% Cu
 - 28m @ 26% Fe
 - 18m @ 0.8% Cu
- Drilling progressing Satisfactorily
- Deeper holes planned to assess “Down Plunge”

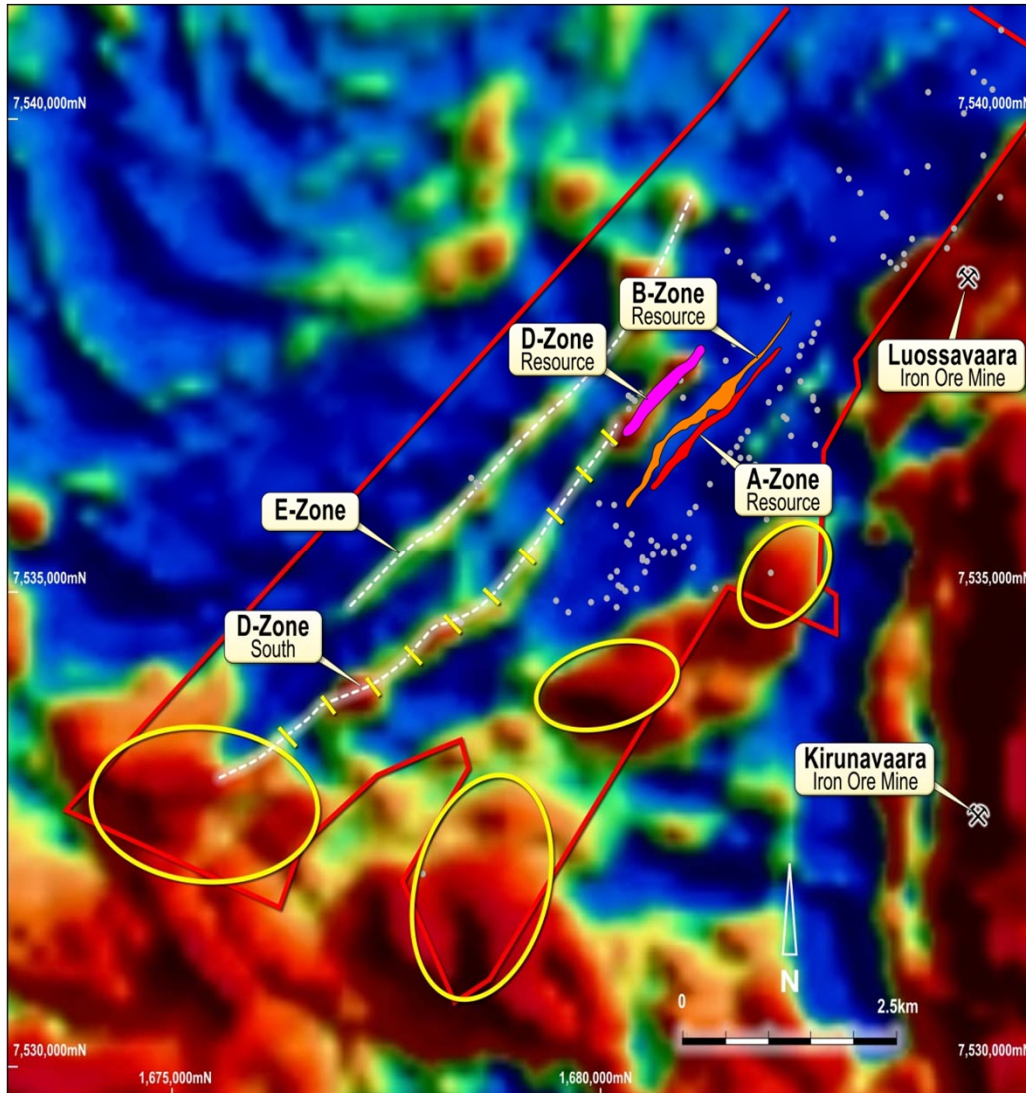


Viscaria Exploration Drilling



- Initial 13 holes completed
 - 4 lines of RC holes
 - Best 10m @ 0.2% Cu
 - 3 km South of D Zone
- Failed to intersect stratigraphic position of D Zone
 - Basalt only
 - Little or no dolomite and magnetite
 - Magnetics remain unexplained
- Reassess
- Drill from D Zone heading south

Viscaria Exploration



■ Viscaria Copper

- D Zone North extensions
- Bahpagobba
- Ltjarn and other lodes to east of A Zone

■ Viscaria Iron Ore

- South and Eastern Magnetite targets
- Historical drill data
 - 40m @ 28% Fe
 - 6m @ 55% Fe
- Lumps, fines, chips feeding Kirunavaara
- Drilling planned as follow up when rig available

Regional Exploration

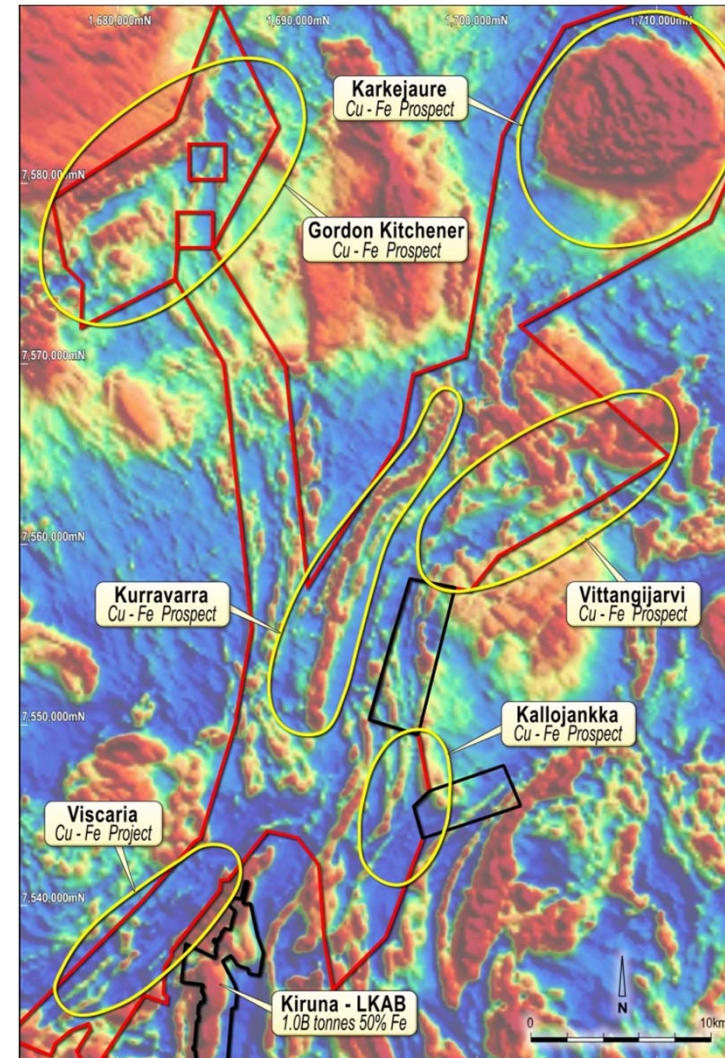


■ Outstanding exploration ground

- 625km² tenure, 100km of strike
- Gordon Kitchener
 - High grade Cu and Zn
 - 10km of strike
- Kurravarra
 - Anomalous Cu and Fe
 - 20km Long target
 - Geologically similar to Viscaria D Zone
- Vittangijarvi
 - Numerous old Cu mines and workings
 - Large - 10km by 6km
 - Consistent Cu geochemical anomaly in Till
- Karkejaure
 - 50km north of Viscaria
 - Large 8km by 7km granite intrusion
 - Magnetic and gravity anomaly
 - Wide alteration halo of magnetite iron
- Kallojankka
 - Anomalous Cu geochemistry
 - 5km by 2km
 - Targeted for VMS style copper and base metals

■ Focus

- + 20mt 2% Cu VMS
- + 100mt Fe Skarn +/- Cu
- + 200mt IOCG
- Close to enabling infrastructure



Adak Copper / Zinc Project



- **Discovered in 40's in Skelleftea Base Metals Belt**

- Over 80 VMS Cu, Zn, Pb + Au/Ag

- **Historical production**

- 6.3mt @ 2.0% Cu,
- 4.7mt @ 0.9% Cu and 3.0% Zn

- **Historical data being assembled**

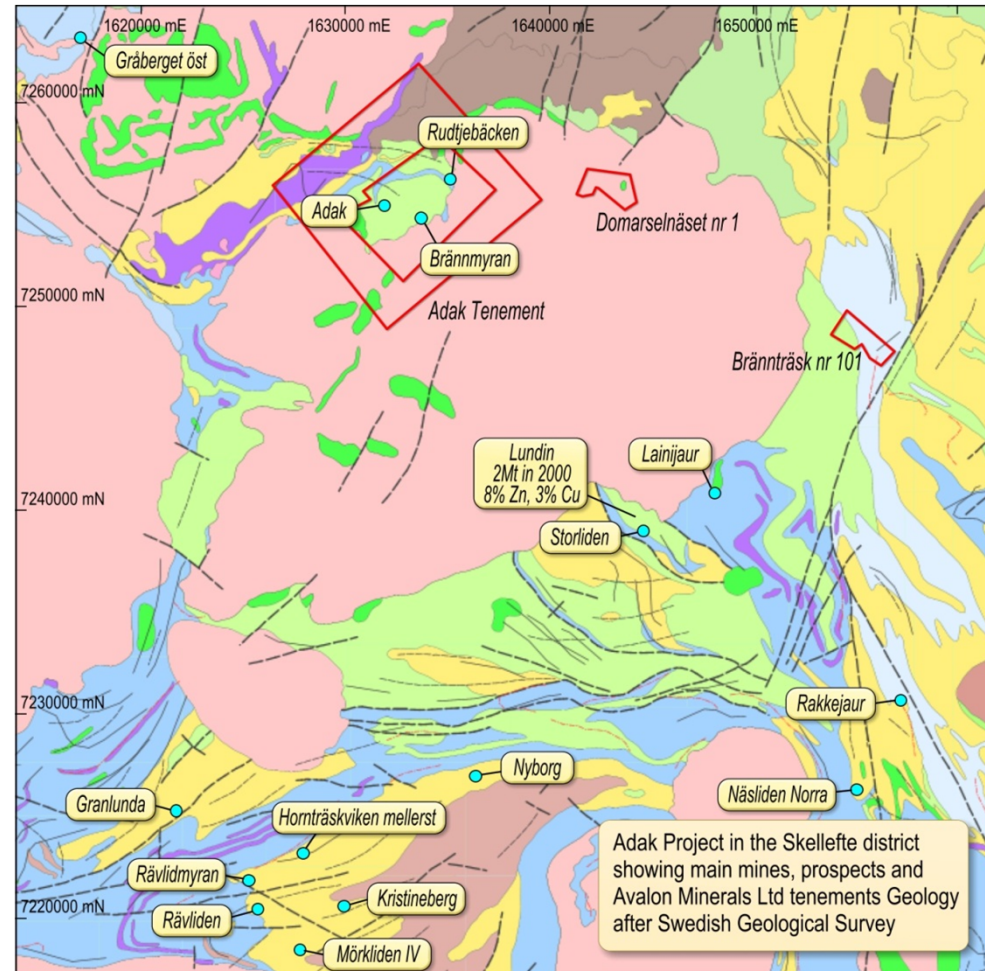
- Paper and sepiä
- Old core
- Historical drilling and production
- 18 months work

- **Attractive exploration address**

- Dome structure with draped VMS deposits
- Recent high grade discoveries (Storliden) 8% Zn and 3% Cu

- **Concentrators and smelters within transport distance**

- Kristeneberg
- Boliden

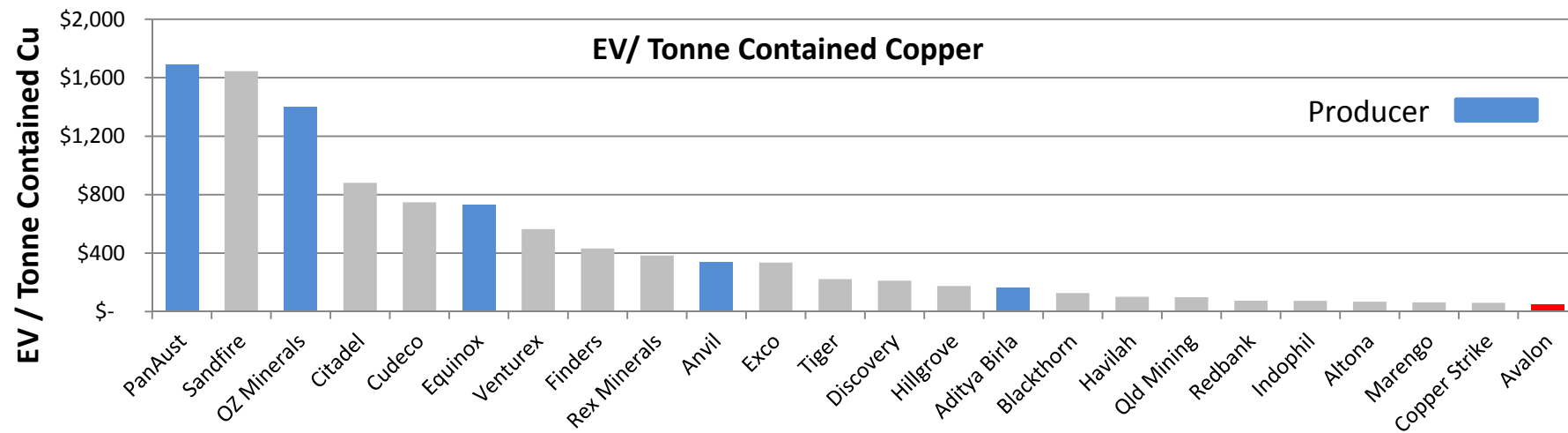
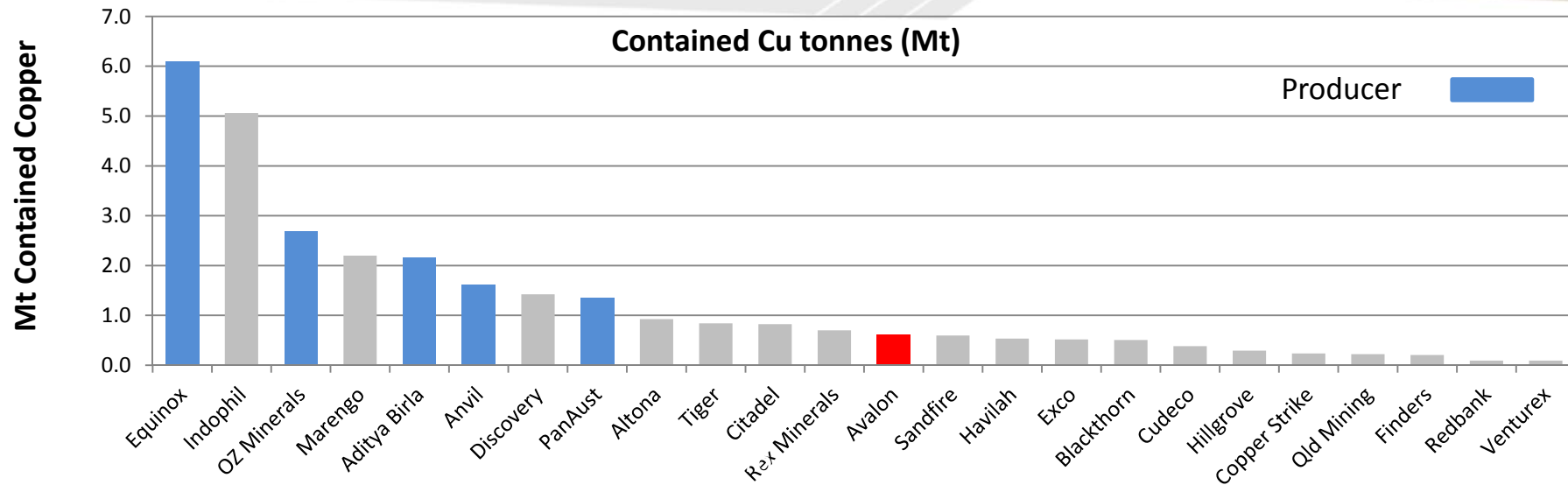


Viscaria Project Work Program



		2010	2011				2012				2013	
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Pre-feasibility	Plant Design	■										
	Resource Update	■										
Metallurgy	D Zone	■										
	A and B Zone	■										
Permitting and Approvals	Mining Lease	■	■									
	EIA & E Court	■	■	■								
DFS Drilling	A,B,D Zone		■	■	■							
	D Zone Extn		■		■	■						
Definitive Feasibility Study	Design and Cost		■	■	■	■						
	Contracts and Sales			■	■	■						
Finance	DFS Long Leads					■						
	Plant and Capital		■	■	■	■	■					
Mining, Construction & Development	Plant						■	■	■	■		
	Mine								■	■		
Concentrate Production	Commission										■	■
	Design capacity											■

Peer Comparison



Resource position only considers the copper mineralisation

Source: Company Reports, IRESS

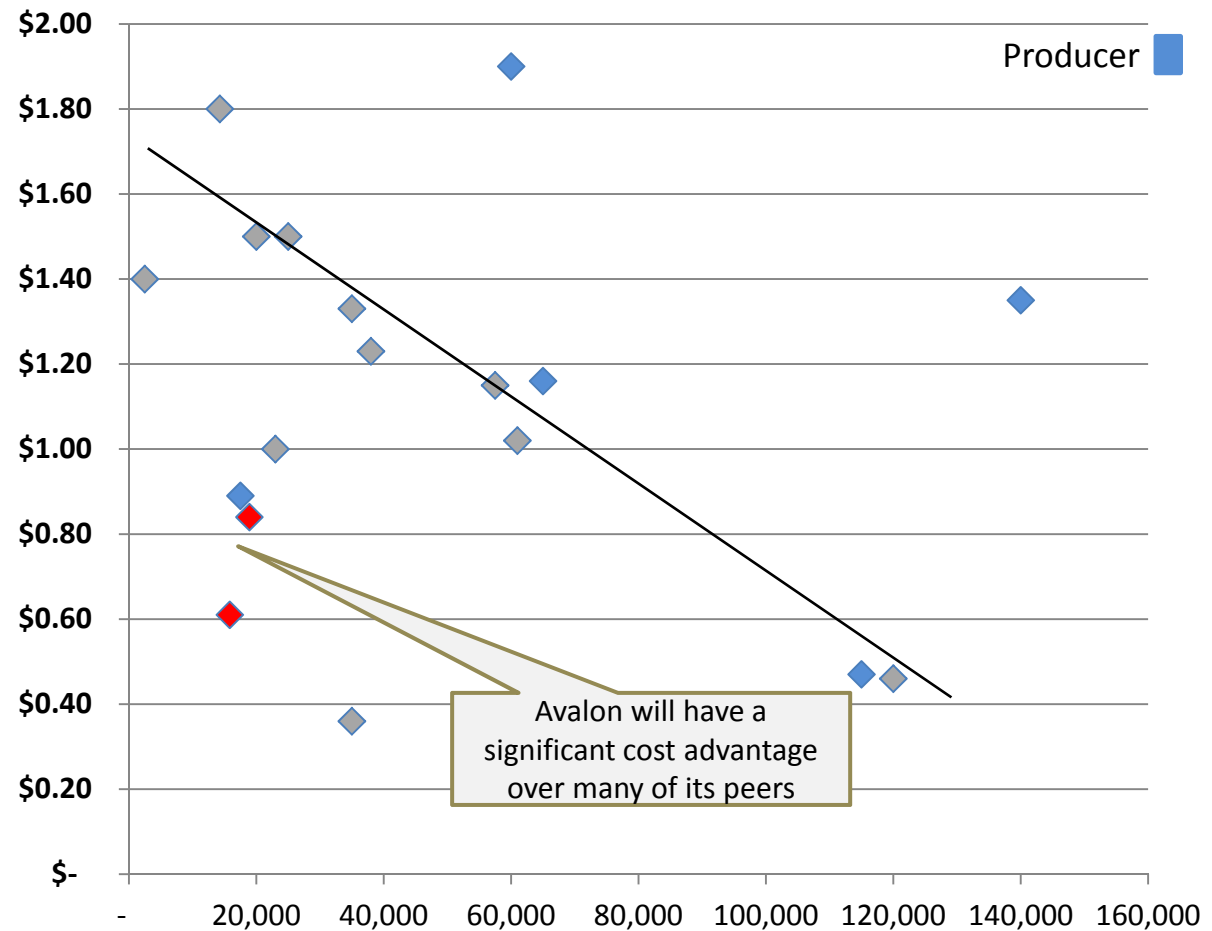
Peer Comparison



- **Avalon offers**
 - Cash Cost advantage
 - Potential for improvement as output or grade increases

- **Upside potential**
 - D Zone South Exploration
 - Higher grade underground opportunities
 - Viscaria area exploration targets

Estimated Cash Cost * (US\$/lb)



*Cash Cost is C1 Cash Cost net of by product credits

Source: Company Reports, IRESS

Next 18 Months



NEXT SIX MONTHS

- **Aggressive Exploration and Drilling Program**
 - Viscaria
 - D Zone South, D Zone, B Zone Copper
 - Target 30-50Mt additional Resources
 - Regional Copper and Iron Ore
 - New mining camp
- **Off take Partners (Q2 2011)**
 - Negotiations commenced
 - Copper and Iron Ore separately
 - Synergies and complimentary aims
- **DFS (Complete Q3 2011)**
 - Engineering, design and construct
 - Mining Lease approval, EIA submission
 - Build Team
 - Contracts with Suppliers/Providers

12 MONTHS AFTER THAT

- **Continued Exploration Program**
 - Viscaria
 - D Zone South infill
 - Iron Ore
 - Regional Copper and Iron Ore
 - Target 1,2,3 and Adak
- **Project Finance (Complete Q4 2011)**
 - Debt
 - Equity
 - Customers
- **Construction (Complete Q4 2012)**
 - Plant
 - Infrastructure
 - Build Team

- Sweden – A Mining Country
- Directors and Management
- PFS Sensitivities
- Copper Demand
- Copper Supply
- Iron Ore Demand
- Project Comparison
- Peer Comparison

Sweden – A Mining Country



- Government
 - Supports mining
 - 26.3% company tax, 0.2 % royalties
 - Approvals process transparent
- Iron Ore
 - 28mtpa - LKAB
 - Markets - W Europe, M East, Asia
 - Pellets, Concentrates and Fines
- Copper
 - 3rd in Europe
 - Mines and smelters - Boliden
 - Imports 60% of smelter feed (S America)
 - Markets W Europe and M East
 - LME grade products
- First World
 - Infrastructure
 - Sovereign Risk
 - Recent exports to Asia and China

Sweden has an established mining and export industry



Directors and Management



David McSweeney – *Executive Chairman*

- Experienced mining company executive who has worked in the resources sector for 20 years. Direct responsibilities have ranged from exploration to project management, project finance, commercial and legal structuring and corporate development.
- Founder of Gindalbie Metals Ltd and the Managing Director from 1998 until December 2006. During his time at Gindalbie, he oversaw the discovery and commissioning of two successful gold production centres and the repositioning of the company as an emerging diversified Australian iron ore producer with a market capitalisation of ~A\$340 million.
- Chairman of Aspire Mining Ltd and MSP Engineering Services Pty Ltd.

Andrew Munckton – *Managing Director CEO*

- Most recently General Manager of Operations with the successful Australian iron ore company Gindalbie Metals Limited from 2004 to 2009. Responsible for leading the team that discovered, defined and commenced development of the world-class Karara Magnetite Project as well as over 40 Direct Shipping Ore (DSO) grade iron ore deposits.
- Over 25 years experience in the mining industry, holding a wide range of senior positions including at various stages as General Manager of the Paddington, Kundana and Kanowna Belle Gold Operations in Western Australia for Goldfields Ltd, Aurion Gold and Placer Dome before joining Gindalbie.

Tan Sri Abu Sahid Mohamed – *Non Executive Director*

- Group Executive Chairman of successful Malaysian conglomerate, the Maju Group of Companies, has over 30 years of experience in the Malaysian construction and steel industries. Business interests have diversified well into Property Development & Management, Engineering, Services as well as Highway Concessions.
- Executive Chairman of Perwaja Holdings Berhad, Malaysia's leading steel producer, and Ipmuda Berhad, a building materials specialist. Both companies are listed on the Malaysian Stock Exchange.

Mr Stephen Stone – *Non Executive Director*

- Mining geologist with more than 28 years' experience in operational, management and corporate roles in the international mining and exploration industry.
- Professional experience includes 20 years as chief executive of a number of Australian publicly listed exploration companies. He initiated ASX-listings for two of these companies, including Apex Minerals NL, from which he recently retired as Executive Chairman.
- Non-executive chairman of ASX-listed West African gold explorer Azumah Resources Ltd and a director of Encore Metals NL.

Directors and Management



Mr Gary Steinepreis – *Non-Executive Director*

- Holds a Bachelor of Commerce degree from the University of Western Australia and is a Chartered Account. Provides corporate, management and accounting advice to a number of companies involved in the resource, technology and leisure industries. Managing Director of Ascent Capital Holdings Pty Ltd.

Paul Bridson – *Chief Financial Officer and Company Secretary*

- Chartered Accountant with 21 years accounting and finance experience including 17 years within the resources industry.
- Previously employed as Financial Controller with Gindalbie Metals Ltd from 2001 until 2010 and prior to that appointment held finance positions with Centaur Mining Ltd and National Mine Management Pty Ltd.

Grant Brock – *Project Manager*

- Mining Engineer with 37 years experience in mining with a record of acquiring and successfully developing new mining projects in base metals and gold sectors in Australia and internationally.
- Extensive experience managing mining operations including the following:
Chief Operating Officer of Apex Minerals NL, Executive Director and Chief Operating Officer of Allied Gold Limited, General Manager – Wodgina Operations, WA, Southern Cross Gold Operations, WA and Kemerton Silica Sand, WA for Sons of Gwalia Ltd and at various times General Manager of the Hellyer, Que River and Cleveland Mines in Tasmania for Aberfoyle Limited.

Louise Lindskog – *Exploration Manager*

- Geologist with 9 years combined exploration and mining experience in a variety of mineral deposit styles including uranium, diamonds, base metals and gold mineralisation. Previously employed as a Senior Geologist by Bannerman Resources and has also held full time geological positions with Nifty Copper Operations, Newmont Tanami Operations and Elkedra Diamonds as well as part time positions with Pasminco Century Mines, WMC Fertilisers and Charters Towers Gold Mines while studying at James Cook University.
- Completed her honours project on a Magnetite Apatite IOCG project (Gruvberget) located in the Kiruna region in Northern Sweden.

Nicholas Bryce – *Principal Geologist*

- Geologist with 30 years experience in the mining/general exploration industry, two thirds of which has been working in green-field exploration and resource evaluation, of that 10 years in iron-ore and more than a decade in mineral exploration and evaluations.
- Previously employed with BHP Billiton Iron Ore in Liberia as an Exploration Project Manager and Principal Geologist.

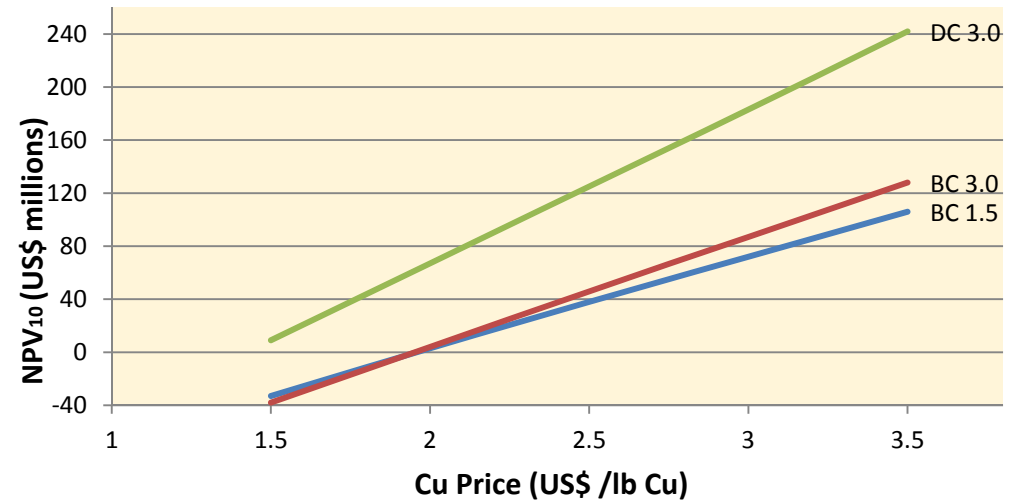
PFS Sensitivities



■ Leverage to Copper

- Base Case robust at US\$2.20/lb Cu long term
- Development Case robust at US\$1.80/lb Cu long term
- Project NPV most sensitive to
 - Commodity prices
 - Exchange rates
 - Operating Cost
 - Cu production

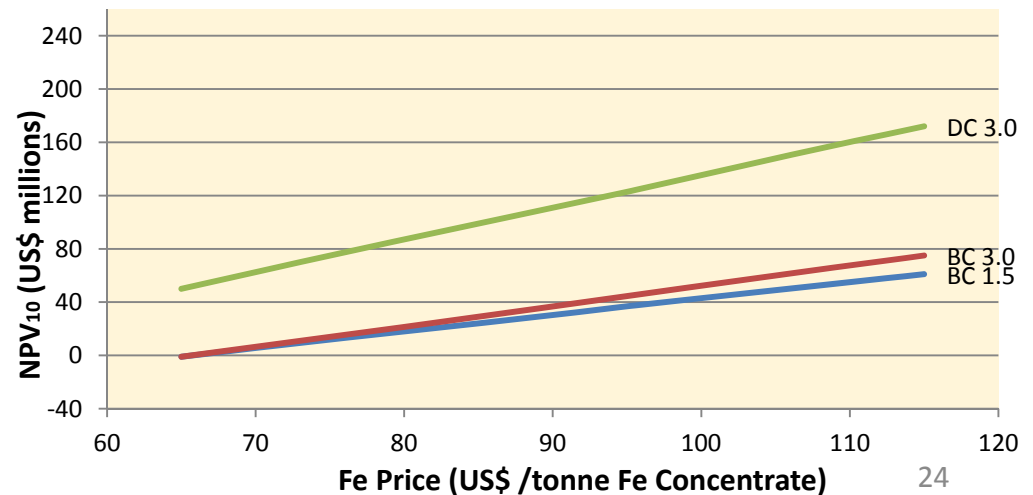
Leverage to Cu Prices



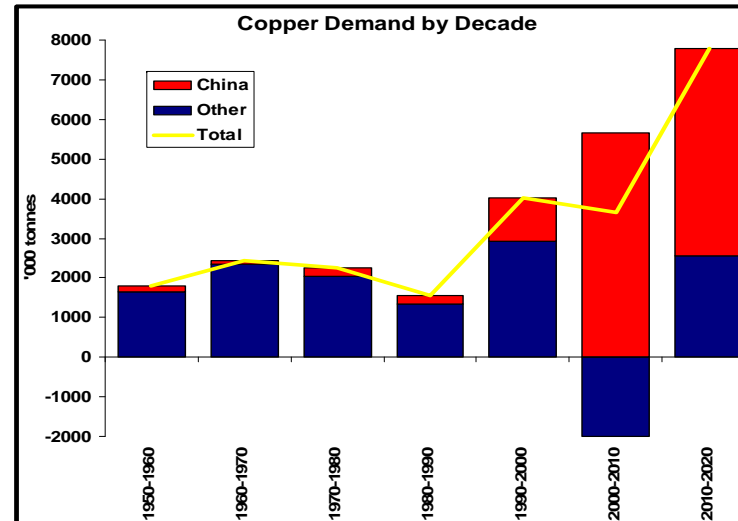
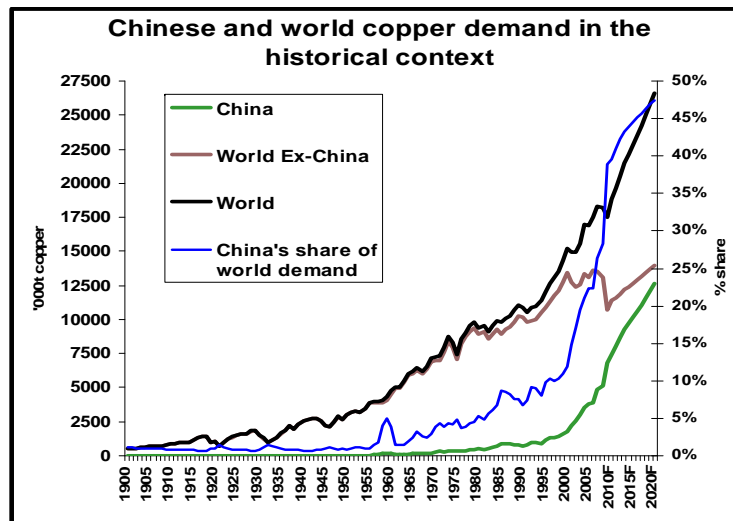
■ Leverage to Iron Ore

- Base Case robust at US\$80/tonne of concentrate
- Development Case robust at US\$50/tonne of concentrate
- Premium quality
 - Premium price
 - More demand than supply
 - Additional sources

Leverage to Fe Prices



Copper Demand



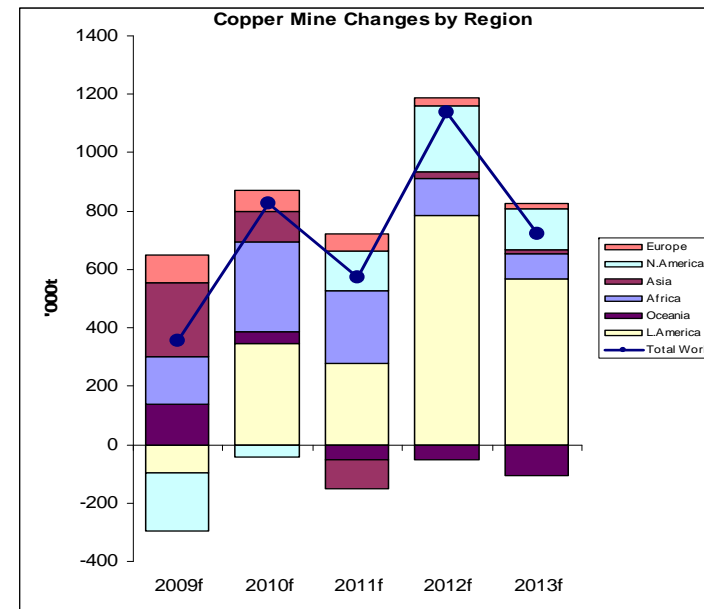
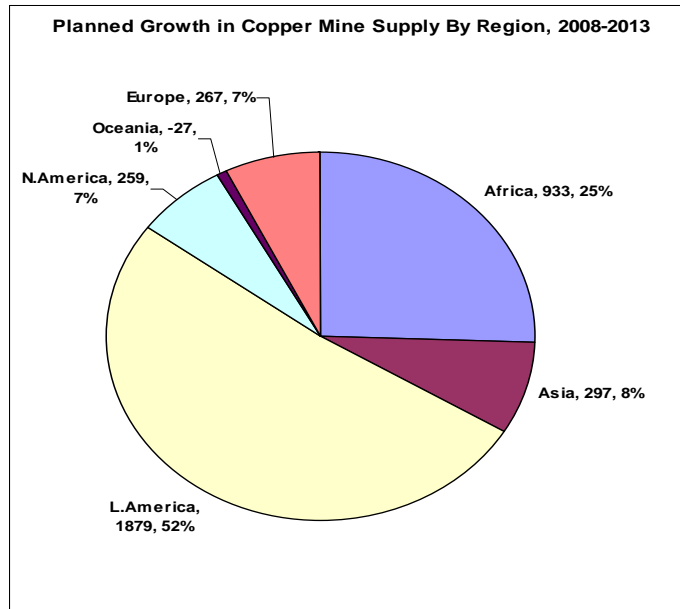
Source Macquarie Commodities

- Demand strong, supporting prices, supply response limited
 - South American supply diminishing due to
 - Mine maturity,
 - Discovery rate lower than extraction rate

- 2010-2020 Rest of World demand returns and Chinese growth limited by supply
 - CAGR in China assumed 5-6% but might be 8-10% with sufficient supply
 - CAGR Europe 1-2%

Demand forecast to grow by 8 million tonnes over next 10 years

Copper supply



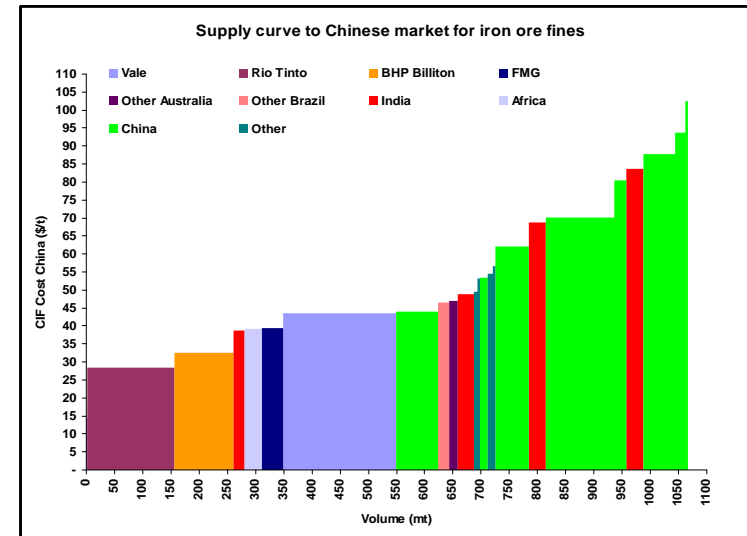
Source Macquarie Commodities

- Latin American mines high grading over extended period when prices are high
- Discovery rate has crashed despite increasing expenditures...no new super giants
- African sovereign risk
- Australian investment curtailed by Govt tax uncertainty

Iron Ore Demand



Iron Ore Demand million tonnes	2007	2008	2009E	2010F	2011f	2012f	2013f	2014f	2015f
Demand									
Europe	140	134	97	111	117	123	125	125	126
Asia	585	655	790	848	932	993	1066	1143	1221
of which:									
Japan	139	144	106	133	144	135	135	135	135
Korea	46	50	42	48	53	56	57	57	58
Taiwan	16	16	12	16	17	18	18	18	19
China	377	438	623	643	709	774	847	922	1000
Rest of World	56	57	45	56	65	75	77	79	82
Total Seaborne Demand	781	846	932	1015	1114	1191	1269	1347	1429
Yoy change (mt)	68	64	87	83	99	77	77	78	82
% Change y-o-y	9.5%	8.3%	10.2%	8.9%	9.8%	6.9%	6.5%	6.2%	6.1%
Total Ex-China	404	408	309	372	405	417	421	425	429
% Change y-o-y	2.5%	0.9%	-24.2%	20.5%	8.9%	2.9%	1.1%	0.8%	1.0%
Supply									
Australia	282	327	385	419	471	533	603	667	729
Brazil	265	273	266	312	336	369	400	436	477
Canada	20	20	27	33	36	40	44	47	50
India	94	105	119	125	125	125	120	100	90
S.Africa	32	33	44	46	50	52	0	61	61
Sweden	19	18	17	22	23	23	25	22	22
Others (inc disruption)	73	81	87	63	66	55	55	52	60
Total Seaborne Supply	786	856	945	1020	1107	1197	1247	1385	1489
Implied balance	5	11	13	5	-7	6	-22	38	60



Source Macquarie Commodities

- Benchmark pricing is history...Quarterly Index and Spot pricing predominates
- Demand in Europe recovering, China surging
- Supply dominated by 'BIG 3' - balanced by high cost Chinese domestic production
- European producers with scale can compete into the Asian and Middle East markets
- Freight advantage into Europe and niche market with worlds best quality products

Project Comparison



- Projects with similar ore processing

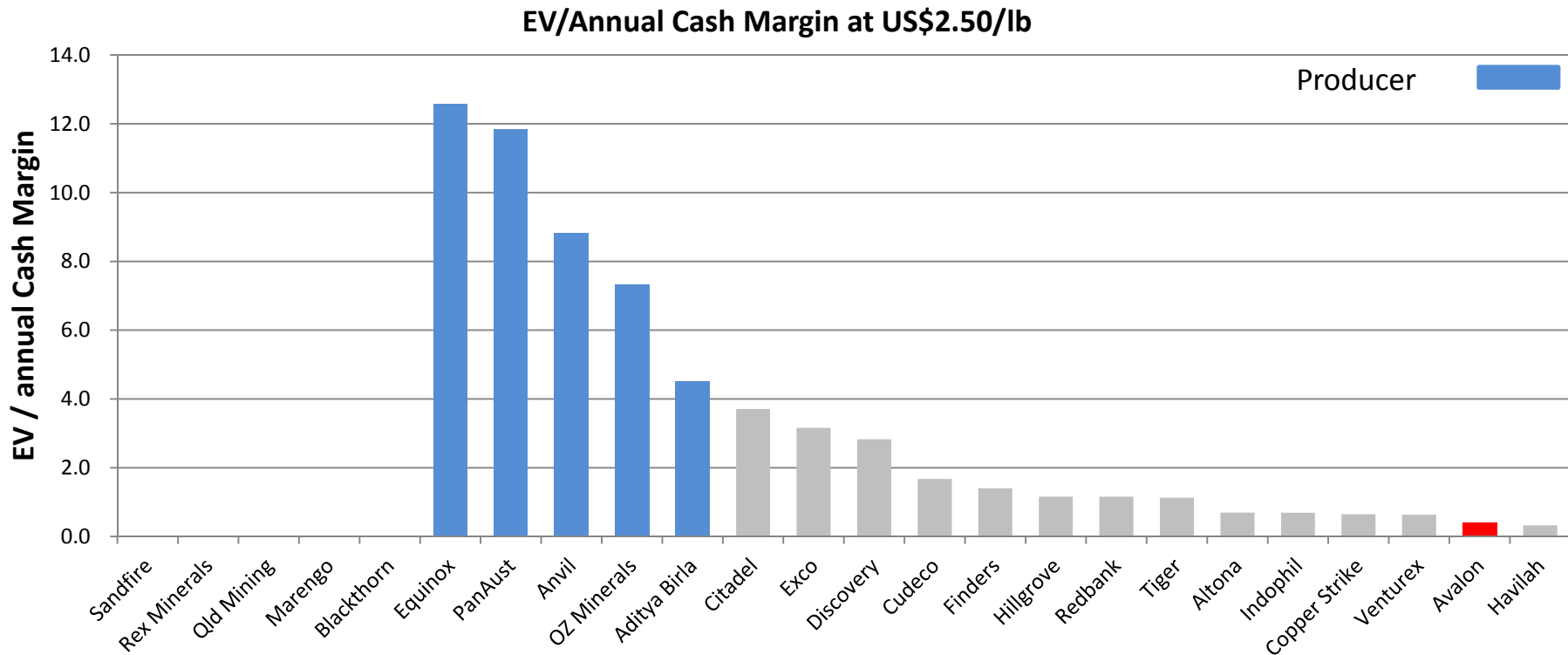
Project, Location, Owner	Copper	Iron Ore
Ernest Henry - Australia <i>(Xstrata)</i> (A\$500M Investment)	72Mt @ 1.0% Cu 50ktpa Cu metal output	22% mag Fe 1.2mtpa @ 67% Fe Concentrate
Palabora – South Africa (Rio Tinto, Anglo American) (40 Years)	80Mt @ 0.6%Cu 81ktpa Cu metal output	20% Fe 2.8Mt @ 66% Fe Other by-products
Marcona - Peru <i>(Shougang Hierro)</i> (5 Years)	780Mt @ 0.1% Cu removed but not concentrated	55% Fe 8.2mtpa @ 68% Fe DR pellets, BF pellets Concentrate, Fines, Chips
Pampa del Pongo- Peru <i>(Cardero after Rio Tinto)</i>	953Mt @ 0.1% Cu DFS	42% Fe DFS
Mina Justa – Peru <i>(Chariot Resources)</i>	350 Mt @ 0.7% Cu Flotation and leaching	35% Fe 63% Fe con-mag sep
Viscaria – Sweden (Avalon)	66Mt @ 0.9% Cu Proposed 19,000tpa Cu metal	Exp Target 30-50 Mt @ 30% Fe Proposed 725,000tpa @ 69.5%Fe

Generally applies to IOCG deposits.... Cloncurry, Gawler Craton, Andean Copper Belt.

Peer Comparison



- **Avalon undervalued**
 - Producers ranked highly...Cash flow , Earnings, Certainty.
 - Immediate impact of commodity price change
 - Developers next
 - Explorers Lowest..... Risk and uncertainty



Resource position only considers the copper mineralisation

Source: Company Reports, IRESS