



AVALON ANNOUNCES A\$1M UNDERWRITTEN RIGHTS ISSUE TO FUND SIGNIFICANT NEW DRILLING PROGRAM

DRILLING PLANNED TARGETING NORTHERN EXTENSIONS OF VISCARIA COPPER MINE, SWEDEN

KEY POINTS:

- **1-for-3 non-renounceable rights issue at 5 cents per share to raise up to A\$1.093M**
- **Fully underwritten up to \$1.093M**
- **Funds to underpin significant new drilling program at Viscaria Copper Project, Sweden**
- **3,500M of RC and Diamond Drilling planned to target highly prospective areas at Viscaria**

Australian-based minerals company Avalon Minerals Ltd (ASX: **AVI**; "Avalon") is pleased to announce a **(1) for (3) Pro Rata Non-Renounceable Rights Issue** ("issue") at an issue price of **5 cents per share** to raise up to **A\$1 million**.

Under the terms of the issue, the Company proposes to issue up to 21,873,333 shares based on current shareholdings.

Avalon's new major shareholder, **Tan Sri Abu Sahid Mohamed**, has agreed to underwrite up to A\$606,443 (12.13 million shares) of any issue shortfall, with the balance of the underwriting to be provided by a number of existing and new shareholders.

The Company's Managing Director, David McSweeney, and Non-Executive Directors, Gary Steinepreis and Stephen Stone, have also entered into underwriting agreements to support the capital raising. In addition, all Avalon Directors propose to take up their entitlements.

Use of Funds

Avalon intends to use the funds raised to underpin a significant new drilling campaign comprising 3,500 metres of Reverse Circulation (RC) and Diamond drilling at the Company's **Viscaria Copper Project** in Northern Sweden.

The drilling, which is planned to commence in May, will follow up interpreted plunge extensions of the '**A**' **Zone South** deposit (current Inferred Resource of **8.2Mt @ 2.7% Cu**) and the new **Bahpagobba** Electro Magnetic (EM) target, located immediately north of the Viscaria Mine. Results from the drilling will be available progressively during Q3 2009.

Avalon's primary objective is to become a significant copper producer within three years based on existing resources at Viscaria. In addition, the Company plans to extend the known high-grade resources at Viscaria through extensional drilling, and to expand the resource base and future potential production profile.

Avalon Minerals Ltd
ACN 123 184 412

PO Box 165
West Perth WA 6872

Telephone:
+61 8 9322 2752
Mobile:
0439 399 318

Email:
david@avalonminerals.com.au
Web:
www.avalonminerals.com.au

ASX Code: AVI

Directors

David McSweeney
(Managing Director &
CEO)
Tan Sri Abu Sahid
Mohamed (Director)

Stephen Stone
(Director)

Gary Steinepreis
(Director)

Viscaria Overview

The Viscaria Copper Mine is located in the Norrbotten area of Northern Sweden (see Figure 1 below), 4km from the Kiruna Iron Ore mine – Sweden’s largest iron ore mine and the world’s second largest underground mine. Viscaria is 80km 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 Project – which was acquired from Phelps Dodge in March 2008 for US\$200,000 – is well located in terms of access to high quality infrastructure including the benefits of being able to utilise low-cost hydro power, rail and proximity to the large regional mining centre at Kiruna, with a population of 20,000.

Figure 1 – Viscaria Project Plan View



Resource Validation work by Avalon in 2008 delivered impressive remaining resources at Viscaria of:

| | |
|---------------|------------------------------|
| A Zone South: | 8.2Mt @ 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. |

The total Inferred Resource is **39.9Mt @ 1.3% Cu and 515,400 tonnes of copper metal.**

Viscaria Exploration and Resource Drilling

A detailed review of the Viscaria deposits has resulted in the identification of two promising zones which offer the potential for extensions and additions to the known copper mineralisation at Viscaria, namely the 'A' Zone South Plunge zone and the new Bahpagobba target, located immediately north of Viscaria.

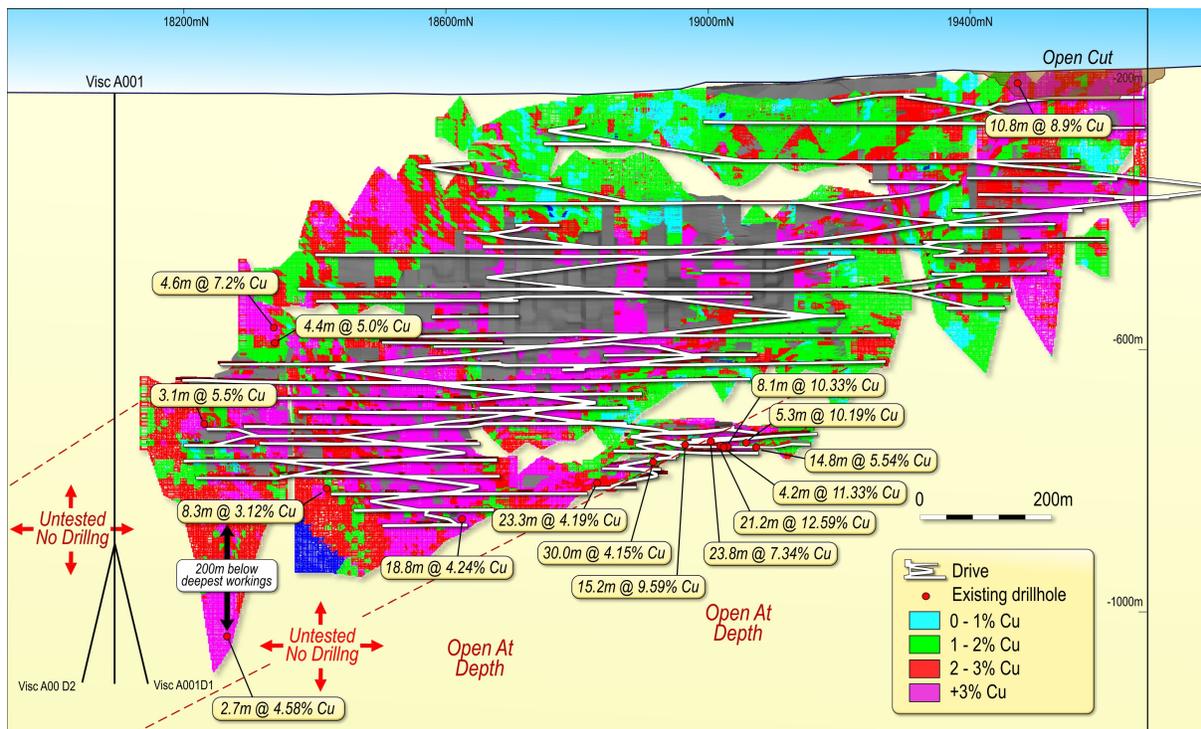
The Company is well advanced in its plans to commence the drilling program, which is designed to test for higher-grade zones of new copper mineralisation to support the re-opening of the Viscaria copper mine and be included in a Bankable Feasibility Study (BFS).

Drilling approval has been obtained from the Swedish Mines Department and site visits have been completed by drilling contractors which have provided costing and logistic advice for the initial 5,000m of drilling.

Drilling Target No 1 – 'A' Zone

The Viscaria 'A' Zone is geologically continuous over a defined strike length of 4,000m with a central zone (200m) of low grade mineralisation separating the 'A' Zone North (2,100m) from that in the South (1,700m) (see Figure 2 below).

Figure 2 – A Zone South



The 'A' Zone South mineralisation is tabular, dips steeply towards the east and appears to be affected by two shallow south-plunging offsets. The drill hole data and grade modelling show two distinct breaks or offsets in the south-western part of the 'A' zone with mineralisation appearing to overlap in some locations. The down-dip and lateral termination of mineralisation appears limited by lack of drilling rather than un-mineralised holes.

From viewing the extensive 3,000 hole drill data base and the resource block model, it is apparent that, within the Viscaria 'A' South deposit, there is a high-grade zone within the middle of the historic mining operation that plunges to the south.

The historical drilling did not test depth extensions to the south, a sign that mine stoppage was planned well ahead of the actual cessation of mining date.

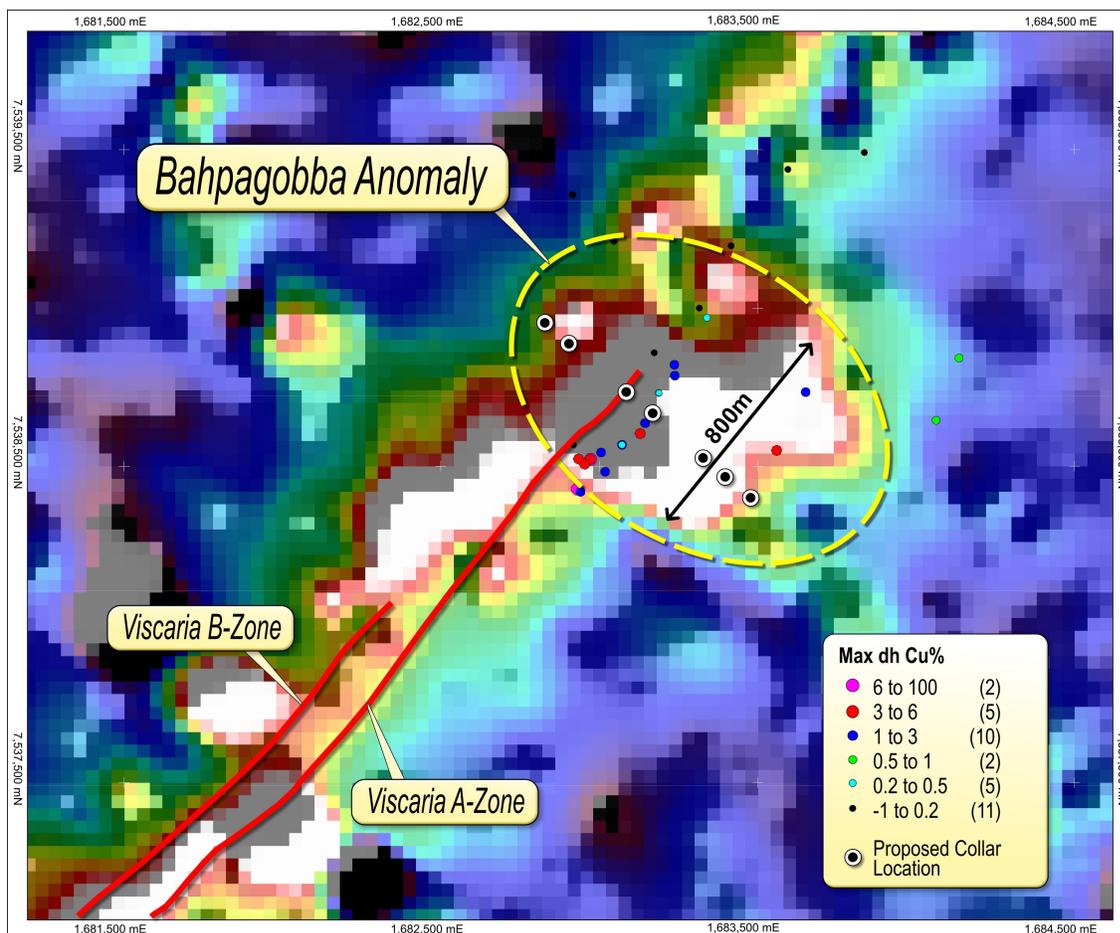
This central core of the earlier 'A' Zone South orebody mined by Outokumpu exceeded 1Mt at grades of better than 5% copper. Avalon considers that the best location for new copper resources at the A Zone South is the direct down-plunge position of the high grade core.

Avalon has planned for one mother hole (950m) and four daughter holes for a total of 1,890m located 100m from the last workings. The drilling plans to intersect the mineralised zone between 850m and 900m downhole. The daughter holes are planned to be 50m from this point north and south as well as up and down dip.

Drilling Target No 2 – Bahpagobba

The EM conductors at Bahpagobba (up to five) start at 50m below the surface and can therefore be drilled using Reverse Circulation (RC) drilling, without requiring the more costly diamond coring.

Figure 3 – 'A' Zone North Target - Bahpagobba





Avalon has planned a single traverse across the centre of the main off shale conductor comprising seven holes to test three conductor positions in total. Holes 1 – 3 are designed to test the ground EM position of the conductor. Hole 1 should intersect the centre of this modelled conductor at about 100m vertical depth.

The modelled conductor is expected to commence 60m below the surface, dipping 70 degrees to the northwest. This is the starting point for all the Bahpagobba holes in the file.

A total of seven planned holes for 1,565m are planned at Bahpagobba which can be drilled concurrently with the diamond drilling.

Other Targets

In addition to the two targets set out above, Avalon has identified a number of other brownfields exploration targets at Viscaria including:

- **'D' Zone – (2.5mt @ 1.6% Cu)**

The 'D' Zone is 400m east of the A Zone and has not been drilled below 100m. The 'D' Zone is also open to the south and the north.

- **'B' Zone - (24.1mt @ 0.8% Cu)**

The 'B' Zone, although lower in grade than the other zones at Viscaria, is 200 metres east of the 'A' Zone. A decline was extended from the A Zone to the B Zone by the previous operators and, within the overall 'B' Zone resource, there are large zones of +1% and +1.5% Cu which may become economic once mining resumes in the A Zone.

- **'A' Zone**

In addition to the down plunge potential in the 'A' Zone South, the Company has identified a number of other highly prospective zones for extensions of existing copper resources and for new resources below the existing 'A' Zone South resource model.

- **Regional**

Avalon controls over 200km² of tenements at Viscaria and has identified a number of highly prospective EM Conductor highs in this land package which it believes warrants further investigation.

Summary

Avalon has elected to adopt a proactive approach to the exploration and development of the Viscaria Project and the next phase of drilling, to be undertaken over the next 3 – 6 months, which represents an important step in further defining the extent of mineralisation in this promising region.

Commenting on the Rights Issue and upcoming drilling programme, Avalon's Managing Director, Mr David McSweeney said: "The decision to commence this significant drilling campaign is one that we think is in the best interests of all shareholders. Based on the work we have undertaken so far, we believe that this drilling campaign will enable us to determine the in-ground value of the resources at Viscaria and, ultimately, move forward towards the development of a boutique mining operation.

"The fact that our major Shareholder, Tan Sri Abu Sahid Mohamed, together with my fellow Directors, Mr Gary Steinepreis and Mr Stephen Stone, have agreed to underwrite a large portion of the issue is very pleasing and shows their confidence in the Company moving forward.



“With a market capitalisation of just \$6.5 million, an exploration team led by internationally recognised Geologist, Mr Peter Batten, and a high quality asset in a mining-friendly first-world county, I believe we have all the ingredients to progress the Company and generate significant value for shareholders,” he added.

The Prospectus for the Issue together with an Appendix 3B is expected to be lodged with the Australian Securities Exchange (ASX) and the Australian Securities and Investment Commission (ASIC) on 6 May, 2009, and will be open to registered Shareholders in Australia and New Zealand only.

– ENDS –

Released by:
Nicholas Read/Jason Cunningham
Read Corporate
Telephone: +61 (0)8 9388 1474

On behalf of:
Mr David McSweeney
Managing Director and 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 and Adak copper deposits in northern Sweden where a current JORC Code compliant copper resource comprising an Inferred Resource of 39.9 million tonnes grading 1.3% Cu for 515,000 tonnes of contained copper has been delineated.

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 Peter Batten 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 Batten has over 20 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”.