



## **Annual General Meeting – 29 November 2011**

### **Chairman's Address**

Welcome to the Avalon Minerals 2011 AGM. Firstly I would like to update you on our activities over the past 12 months and then I would like to discuss some matters of strategic direction going forward.

The Viscaria project has been the Company's main focus over the last 2 years. During that time the Company has delivered:

- The discovery of the D Zone magnetite and copper mineralisation;
- Drilled 203 RC and diamond holes at the D Zone and B Zone;
- Defined Mineral Resources to Measured, Indicated and Inferred status;
- Re-estimated the A Zone Mineral Resource;
- Completed the reconstruction of over 3500 drill holes and 30km of underground mining tunnels;
- Completed the Environmental Impact Assessment of the projects development on the city of Kiruna and the surrounding environment;
- Assessed the likely concentrate and product qualities available from the project; and
- Estimated the Capital and Operating cost of construction of the project to a Pre-Feasibility level of confidence.

I am very pleased to say that this morning's Mineral Resource update has delivered an increase in tonnage at D Zone from approximately 9 million tonnes of Inferred Resource to 12 million tonnes of Measured, Indicated and Inferred Resource. It also includes the first reliable estimate of concentrate quality for iron ore concentrate available for this deposit.

The progress made this year provides the basis for the completion of the remaining work at Viscaria including the mine design and financial analysis stages. The final BFS drilling programs and BFS level engineering activities are on hold in the interim. Negotiations and discussions regarding sales and marketing arrangements with customers will also be progressed during this period.

In the meantime, the company intends to shift its focus to conducting its maiden regional exploration program in 2012.

The Company's exploration strategy is based on the geological prospectivity of the area to host world class Iron Oxide-Copper-Gold (IOCG) style deposits.

The Company intends to focus its efforts on testing the priority exploration targets over the 2012 field season with the aim of identifying new deposits capable of being incorporated into the Viscaria development plans or delineating larger deposits capable of supporting operations which do not involve treatment at Viscaria.

The exploration program has several goals:

- The discovery of new Viscaria A Zone type VMS deposits;
- The discovery of large Magnetite-Copper deposits in similar style to D Zone; and
- The testing of new, large IOCG styled targets.

Several targets for these styles of mineralisation have previously been highlighted. Additional historical drilling results and further target evaluation using modern reprocessing techniques on the existing geophysics have focused the Company on a number of priority targets, two of which will be highlighted in a presentation later in the AGM.

The Company's strategy is to leverage off its central location at Viscaria, which is well serviced by enabling infrastructure including the town of Kiruna, rail, power and nearby port facilities to develop a central processing facility with an area of influence of up to 100km.

This approach is a proven development model and is directly applicable to this underexplored region of Northern Sweden. The Avalon landholding is core to this strategy as it holds excellent potential for additional satellite VMS deposits and for large scale IOCG styled mineralisation.

The aim of the 2012 exploration program is to identify new deposits capable of being incorporated into the Viscaria development plans.

This strategy has been enhanced by the high level of understanding of the styles and controls of mineralisation observed at Viscaria. The Company's geologists are now in a position to apply that understanding in the field as we commence the regional exploration phase of the Company's strategy.

I am looking forward to the commencement of the Company's regional exploration program and the commencement of exploration at the Karkejaure and Gordon Kitchener prospects, which Andrew Munckton will discuss in his presentation. Preparations are being made to test the first targets from February 2012.

The Company's rate of expenditure has been significantly reduced by the above strategy and by the reduction in overheads and administration. In addition, the Company continues to investigate further options for reduction in expenditure obligations including joint participation in the exploration programs by way of a farm-in joint venture from established mining and exploration groups in Scandinavia and the sale and or joint venture of non-core assets. We will continue to assess these opportunities as they develop.

Your company owns an advanced copper/iron project and is lead by a committed and dedicated management team. The company is rebuilding and looks forward to a positive year of growth.

David McSweeney  
Chairman  
Avalon Minerals Ltd