



ASX/Media Release

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AVALON MINERALS LTD SEPTEMBER 2009 QUARTERLY REPORT

Avalon Minerals Ltd
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ASX Code: AVI
100.5 million shares
6.3 million unlisted options

Directors

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

Inferred Mineral Resources:

'A' Zone South: 8.2mt @ 2.7%Cu
'A' Zone North: 5.1mt @ 1.2% Cu
'B' Zone: 24.1mt @ 0.8% Cu
'D' Zone: 2.5mt @ 1.6% Cu

**For a total of 39.9mt @ 1.3% Cu and
514,400 tonnes of copper metal**

HIGHLIGHTS

Viscaria VMS Copper Project – Sweden (Avalon – 100%)

- Two drilling rigs on site at Viscaria
- Over 6,000 metres of drilling planned – designed to test four targets including depth extensions of the 'A' Zone South orebody
- Drilling expected to be completed within two months with results released to the market as they are received
- Drilling to underpin Avalon's aggressive exploration campaign aimed at unlocking the vast potential of the Viscaria mineralised system

Corporate

- A\$1.3 million raised via placement to sophisticated investors

SWEDISH PROJECTS

Viscaria VMS Copper Project

The Viscaria Copper Project in northern Sweden is the Company's primary focus and forms the basis for Avalon's plans to become a mid-tier copper producer. The Viscaria copper deposits are regarded as being of Volcanogenic Massive Sulphide (VMS) origin. Examples of VMS deposits in Western Australia include the Golden Grove and Jaguar deposits and the more recent discoveries in the Doolgunna region, located near Meekatharra.

Two drilling rigs are currently on site and drilling at Viscaria as part of an initial program of over 6,000 metres of drilling designed to test four separate targets in and around the 'A' Zone – which was the subject of the previous mining operations.

During the Quarter Avalon completed the first 1,500 metres of Reverse Circulation (RC) drilling which commenced in June 2009. Results from that program were released in August 2009 and confirmed the extension of copper mineralisation 500 metres to the north of the 'A' Zone.

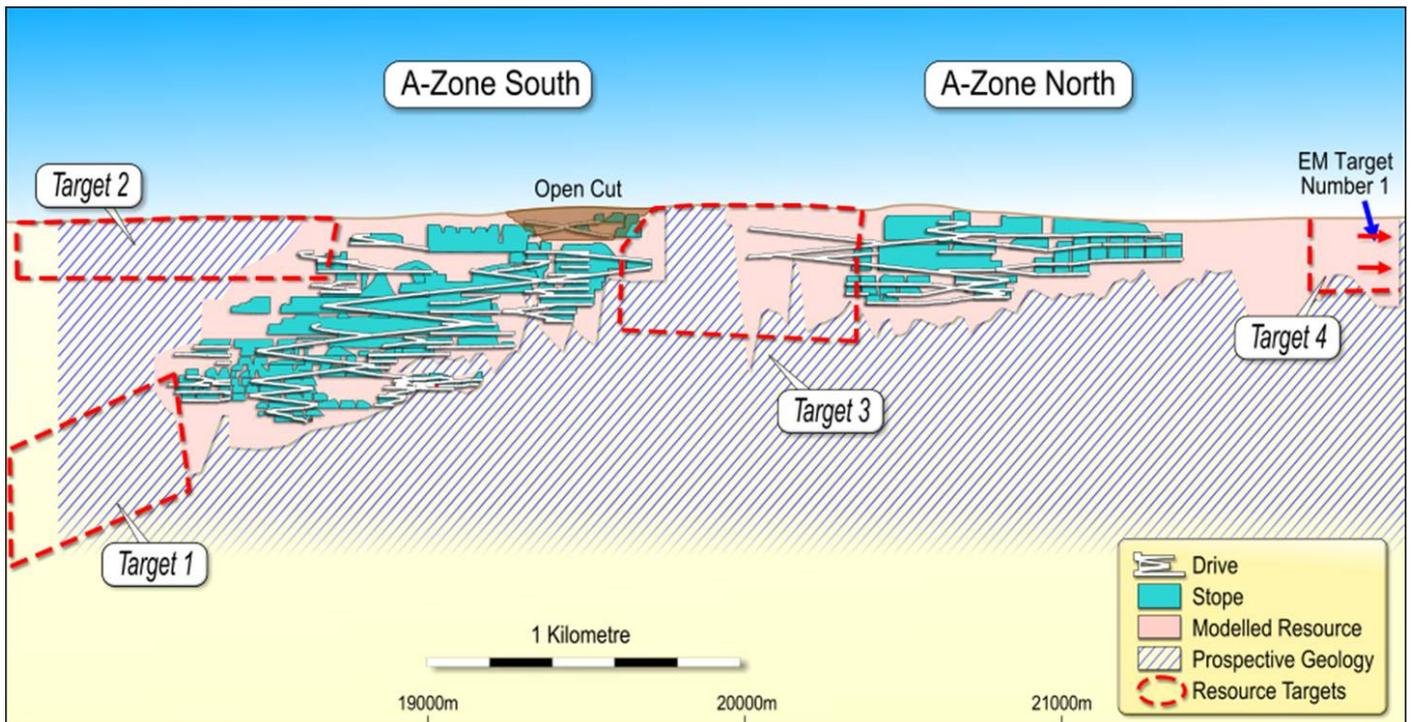


Figure 1: Schematic diagram of identified target areas

The current drilling program is designed to:

- intersect the projected down plunge component of the 'A' Zone South ore body approximately 100 metres south of the historical mining (Target 1 in Figure 1);
- provide a parent hole for a series of planned *daughter holes in the vicinity of the parent hole. (Target 1 in Figure 1)
** Two daughter holes 50 metres apart are planned as part of this program, however the number of daughter holes can be expanded to up to 12;*
- test the shallower extensions of the 'A' Zone to the immediate south and in between the 'A' Zone South and 'A' Zone North (Targets 2 and 3 in Figure 1).

The current drilling programs are expected to be completed by December 2009

Due to ongoing issues with the performance of the RC drilling equipment, a second diamond drilling rig has been mobilised to site whilst the RC drilling equipment undergoes modifications.

The benefits of the Viscaria Project's proximity to the nearby regional mining centre of Kiruna have been clearly demonstrated, with all drilling equipment, drillers, offsidors and the majority of suppliers being sourced locally and cost-effectively.

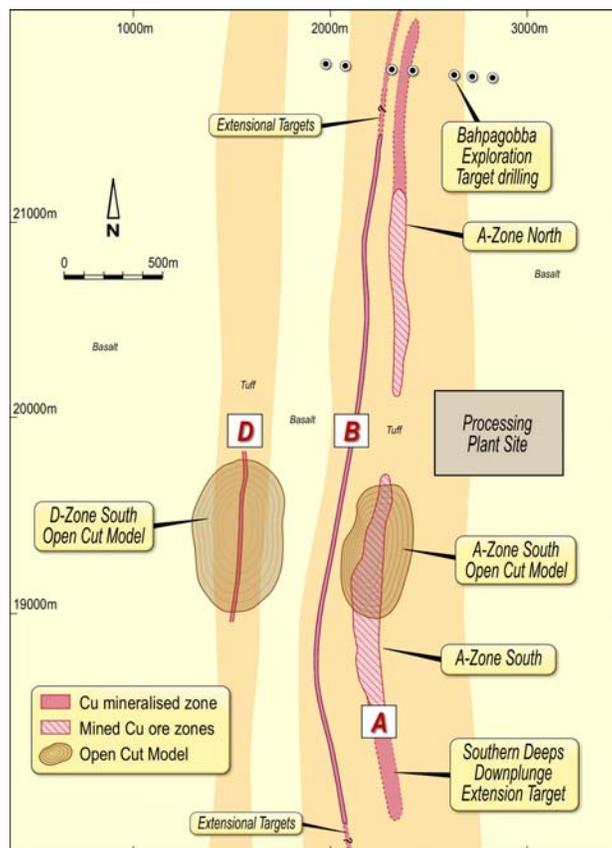


Figure: 2 'D' Zone and 'A' Zone South Potential Open Cuts

The 'A' Zone South Drilling Program

Historical production from the 'A' Zone South accounted for approximately 8 million tonnes of copper ore produced by the previous operators, LKAB and Outokumpu, between 1982 and 1997. Copper grades within the 'A' Zone South are frequently greater than 3% Cu, with widths greater than 8 metres and over considerable strike lengths.

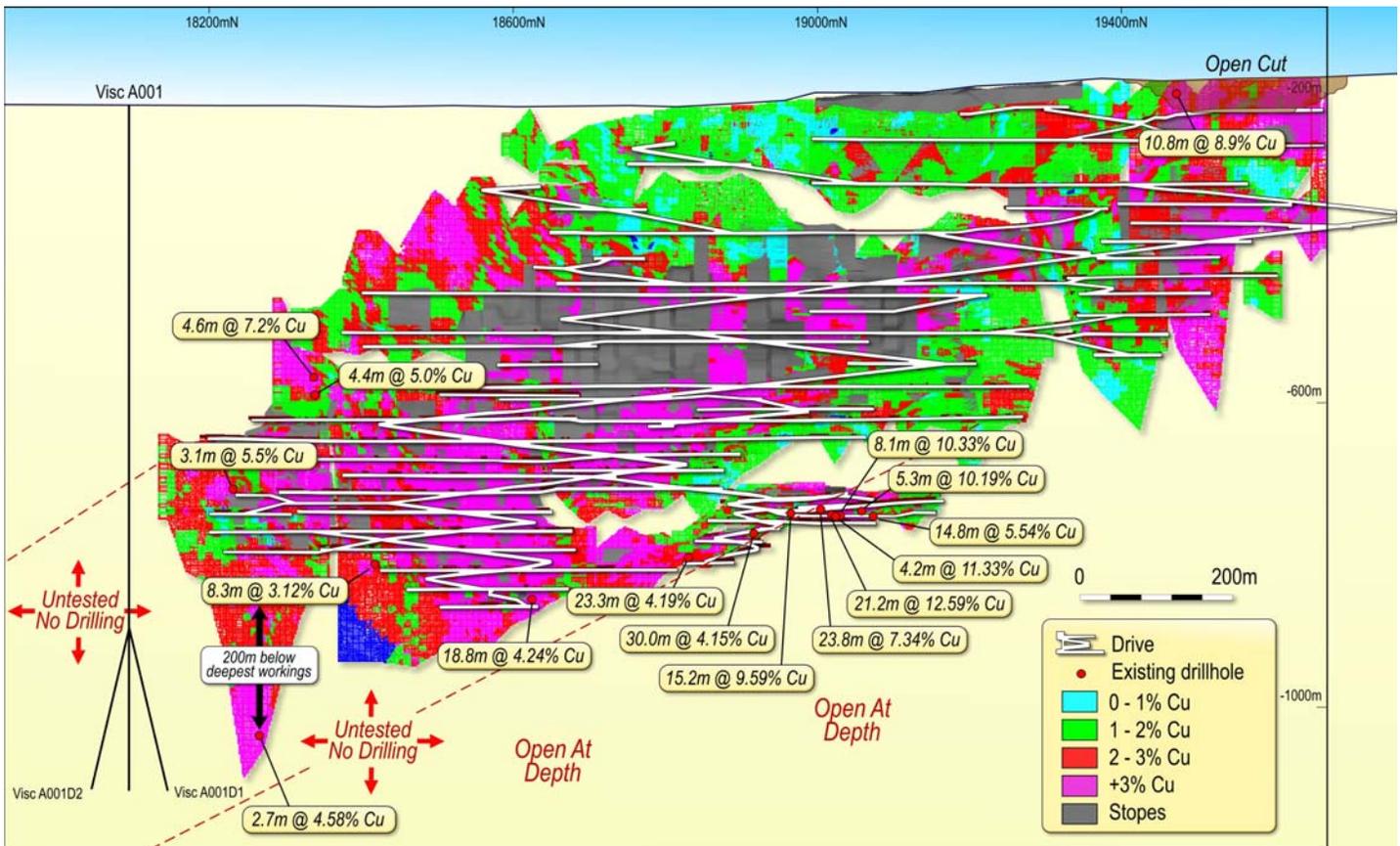


Figure 3 – 'A' Zone South - Planned Diamond Drilling Program

The southerly plunge component of the interpreted 'A' Zone South high-grade zone represents an attractive target for additional high-grade (+3% Cu) mineralisation. One historical hole approximately 200 metres below the deepest of the historical mining reporting an intercept of 2.7m at 4.59% Cu, confirming that the mineralisation continued beyond the limits of the historical mining.

The mother hole (VDD0001 - 950m) was at a depth of 600 metres at the time of writing this report and is on schedule to reach the target zone by the end of October 2009. Two initial daughter holes (VDD0001D1 and VDD0001D2) will be drilled from this parent hole.



The parent hole is 100 metres south of the nearest underground workings and is aiming to intercept the mineralised zone between 700 and 800 metres down-hole. The additional drilling (daughter holes) will be drilled 50 metres from this point (north and south and up and down-dip).

The aim of the 'A' Zone South drilling programme is to establish the continuation of the 'A' Zone South resource down-plunge to the south. It is expected that results from this programme will support a base case development scenario which was previously outlined late last year.

Drilling is due to be completed by December 2009 with results to follow early in the New Year.

The second diamond drilling rig is positioned in the link zone between the 'A' Zone South resource and the 'A' Zone North resource, and is targeting shallower extensions of the 'A' Zone.

Other Exploration Targets at Viscaria

In addition to the three (3) targets set out above, Avalon has identified a number of other brownfields exploration targets at Viscaria including:

'B' Zone - (24.1mt at 0.8% Cu)

The 3km long 'B' Zone, although lower in grade than the other zones at Viscaria, is parallel to the 'A' Zone and is just 200 metres east of the 'A' Zone. A decline was extended from the 'A' Zone North underground development to the 'B' Zone by the previous operators. 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 and along strike north and south from 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 that warrant further exploration following the priority exploration targets currently being evaluated.

A number of these regional targets were inspected by the Company's geologists on a site visit undertaken during the Quarter.



Overview & Location

Global mining company, Outokumpu, closed the Viscaria mine in 1997 after approximately **12.54 million tonnes of ore at 2.29% copper** had been produced, mainly from the 'A' Zone over a period of 15 years.

The Viscaria copper concentrate specifications averaged:

- Cu 25%
- Fe 20%
- Zn 3.3%
- Ag 40g/t
- Au 0.5g/t

At the time of its closure, the spot copper price was approximately US\$1.00/lb compared to a price of approximately US\$3.00/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 at 0.3% Cu) which is owned by Boliden and currently being expanded to 35mt/annum at 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).

Adak Copper Project

The Adak copper project contains five historical mines – **Adak, Lindskold, Brannmyran, Karlsson and Rudtjebacken** – covering an area of 26.71km², located in the world-class Skelleftea VMS mining district of Northern Sweden. Rudtjebacken was treated separately as it is a zinc-rich ore body.

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 from the Adak dome was approximately 11.1mt at 1.5% Cu including 6.3mt at 2.02% Cu from the Adak field and 4.75mt at 0.87% Cu and 3.0% Zn at Rudtjebacken.

Avalon's attraction to Adak is 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.



CORPORATE

During the Quarter Avalon Minerals Ltd successfully completed a 15% placement to sophisticated investors of Indian Ocean Capital Ltd by the issue of 13 million shares at 10 cents to raise a total of A\$1.3 million.

Competent Persons Statement

The information in this report relating to Exploration Results is reviewed by Ms Louise Lindskog BSc Hons (Geol) who is a Member of the Australasian Institute of Mining and Metallurgy and is the company's Exploration Manager who is a full-time employee. Ms Lindskog has over 7 years of exploration experience in a variety of mineral deposit styles including uranium, diamonds, base metals and gold mineralisation and she consents to inclusion of the information in this report in the form and context in which it appears. She 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 -

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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.

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.

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")

30 September 2009

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (...3...months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(607)	(607)
(b) development	-	-
(c) production	-	-
(d) administration	(231)	(231)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	10	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(828)	(828)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(10)	(10)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(10)	(10)
1.13 Total operating and investing cash flows (carried forward)	(838)	(838)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(838)	(838)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,300	1,300
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	(5)	(5)
	Net financing cash flows	1,295	1,295
	Net increase (decrease) in cash held	457	457
1.20	Cash at beginning of quarter/year to date	1,919	1,919
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,376	2,376

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	56
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

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

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

Financing facilities available

Add notes as necessary for an understanding of the position.

Amount available \$A'000	Amount used \$A'000

+ See chapter 19 for defined terms.

3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	815
4.2	Development	
Total		

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	2,376	1,919
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		2,376	1,919

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	Viscaria 107 Viscaria 108	Granted Granted	0% 0%	100% 100%
	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 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	100,493,333	100,493,333		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	13,000,000	13,000,000	10 cents	10 cents
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	3,900,000 800,000 1,075,000 125,000 300,000 100,000		<i>Exercise price</i> 20 cents 20 cents 40 cents 25 cents 30 cents 20 cents	<i>Expiry date</i> 10/02/2010 31/01/2010 31/01/2010 31/01/2010 31/07/2011 31/07/2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<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: 28 October 2009
(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.