



ASX/Media Release

29 July 2010

AVALON MINERALS JUNE 2010 QUARTERLY REPORT

HIGHLIGHTS

Viscaria VMS Copper and Iron Ore Project, Sweden (Avalon – 100%)

- Pre-Feasibility Study scope increased to 1.5Mtpa of copper and iron ore and remains on schedule for completion in September 2010
- Final results received from 4,994m diamond drilling program at 'D' Zone, including numerous intersections ranging from 5 - 10m grading 1.3 - 1.7% Cu
- Significant zone of magnetite iron ore defined in 'D' Zone, including numerous intersections ranging from 20 - 40m @ 25 - 40% Fe
- Metallurgical test work demonstrates that saleable quality copper concentrate and outstanding quality magnetite concentrate can be produced from 'D' Zone ore
- Drilling commenced at 'D' Zone Extension target

Corporate

- Appointment of Hartley's Limited as corporate advisors
- Appointment of Chief Financial Officer to bolster management
- A\$2.93M Consolidated Cash Reserves at 30 June 2010

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ASX Code: AVI
132.3 million shares
1.9 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: 5.6mt @ 1.3% Cu
'B' Zone: 24.3mt @ 0.8% Cu
'D' Zone: 2.5mt @ 1.6% Cu

**For a total of 40.6mt @ 1.3% Cu and
520,000 tonnes of copper metal**

VISCARIA COPPER-IRON PROJECT

The Viscaria Copper Project in northern Sweden is the Company's primary focus and underpins Avalon's plans to become a mid-tier copper producer. The Viscaria copper deposits are regarded as being of Volcanogenic Massive Sulphide (VMS) origin.

'D' Zone Drilling

The 2010 program of 4,994 metres of diamond core drilling was completed during the Quarter and all assays have been returned. The drill spacing is generally 100 metre lines. The results have confirmed the continuity and tenor of the copper mineralisation, which has been reported as an Inferred Resource.

During the Quarter, 30 holes for 3,045 metres were drilled to complete the program. Assays for all drill holes have been returned and a detailed list of all significant intersections is outlined in Table 2.

Significant intersections encountered in the 'D' Zone during the June Quarter included:

- **9.7m @ 1.4% Cu from 89m and 36m @ 27.7% Fe from 62m in VDD0054**
- **16.3m @ 0.9% Cu from 131m and 24m @ 36.1% Fe from 130m in VDD0055**
- **11m @ 1.5% Cu from 28m in VDD0061**

In addition to the copper mineralisation, significant intersections of massive to disseminated magnetite iron ore have been encountered surrounding the copper-rich horizons.

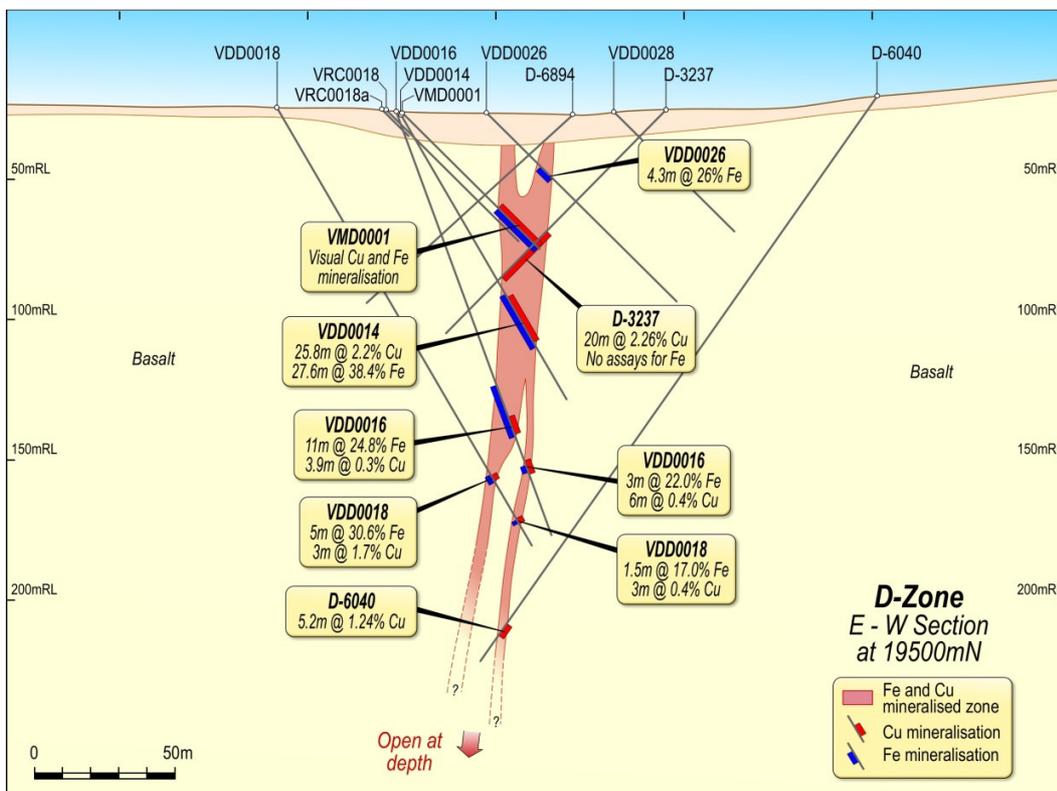


Figure 1: 19500mN Section

The magnetite-rich horizon generally sits on the western side of the copper mineralisation with some overlap present between the two tabular sheets of mineralisation (*see Figure 1*).

This Skarn type of iron ore appears to be rich in favourable elements such as calcium and magnesium carbonates and depleted in detrimental elements such as Silica, Alumina and Phosphorus.

‘D’ Zone Metallurgy

A metallurgical test work program commenced during the Quarter to assess the quality of concentrate for both copper and iron ore that may be expected from the ‘D’ Zone deposit. Preliminary results indicate that saleable quality copper concentrate and excellent quality magnetite concentrate can both be produced using conventional grinding, flotation and magnetic separation technologies.

Preliminary metallurgical results are tabulated below:

Table 1: Metallurgical Results – ‘D’ Zone Ore

Ore Type Grind Size P80	Feed			Copper Concentrate		Magnetite Concentrate from Tailings				
	Cu%	Fe%	S%	Cu%	Recovery%	Wt%	Fe%	Cu%	S%	SiO ₂ %
Oxide/Transition										
106µm	1.7	32	0.36	22	62	58	65	0.16		
45µm	1.7	34		27	63					
Sulphide										
106µm	1.1	32	1.26	28	86	52	66	0.009		
45µm	1.1	32	1.26	27	95					

Awaiting results

The metallurgical test work program is continuing to determine the optimal copper extraction, grind size and magnetite recovery rate in addition to the normal flotation chemical addition rates and plant configuration.

This metallurgical test work will feed into plant design and capital and operating cost estimates for the Viscaria Pre-Feasibility Study (PFS).

‘A’ and ‘B’ Zone Drilling

During the Quarter, metallurgical drilling was completed totalling 846.6m in 16 holes. The consolidated metallurgical samples are to be despatched to AMMTEC in Australia to complete the Viscaria testwork program.

‘D’ Zone Extended drilling

Ground and airborne magnetic surveys indicate the magnetite-rich horizon to be laterally extensive and traceable for up to five kilometres south of the ‘D’ Zone drilling location (*see Figure 2*). The ‘D’ Zone extension has an Exploration Target of **30 to 50 million tonnes grading 30 to 40% Fe**.

Following recognition of the magnetite potential of the ‘D’ Zone Extension, Avalon commenced a diamond drilling program to test the zone approximately 3km south of the recently completed ‘D’ Zone program at Viscaria. Results from this drilling will be available in the September Quarter.

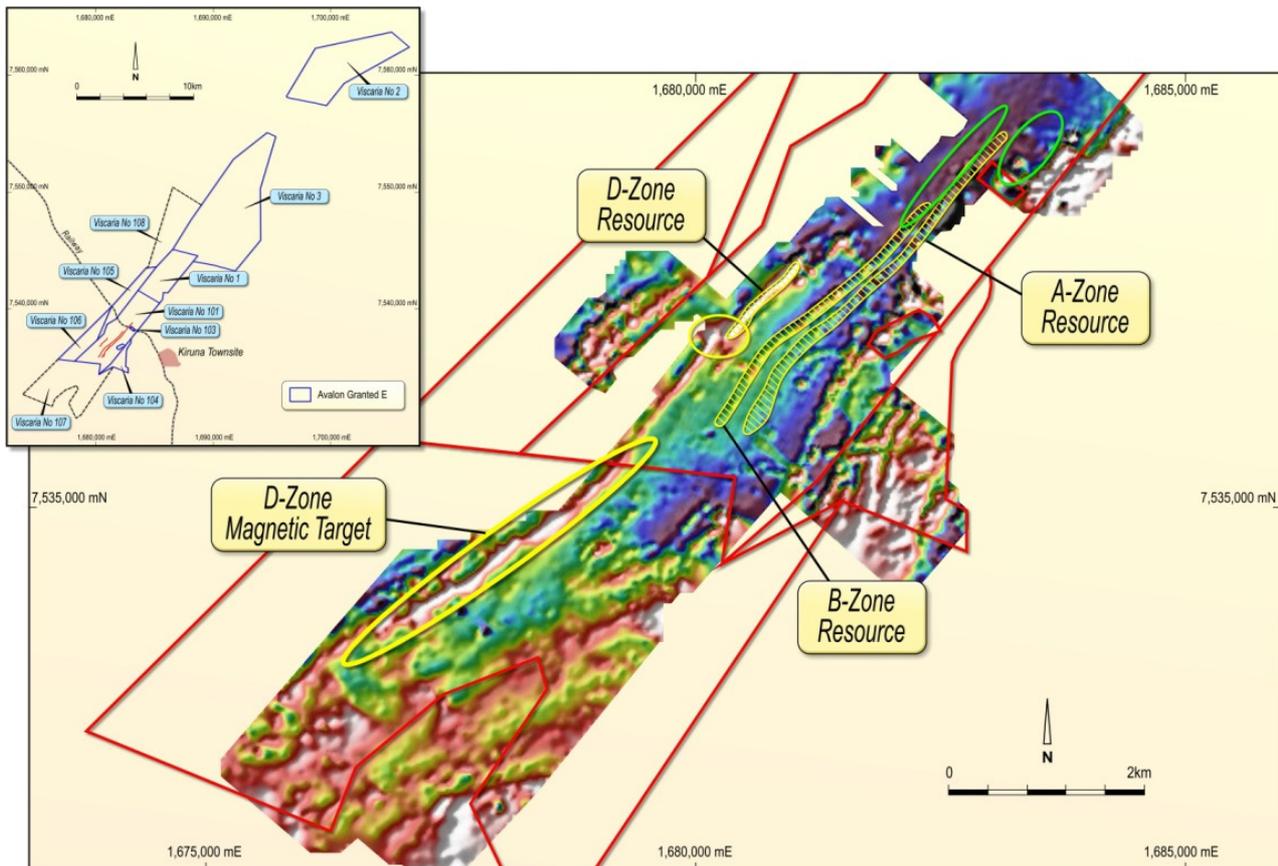


Figure 2: Magnetic image showing magnetite rich unit extending 5 kilometres south of the 'D' Zone

Viscaria Pre-Feasibility Study

During the Quarter, the Viscaria PFS was advanced on a number of fronts in addition to the drilling and metallurgical programs outlined above. Work included:

- The Application to the Bergstaten (Mines Department) for a Mining Exploitation Concession (Mining Lease) was lodged. Approval of the Concession is expected in the September Quarter.
- A number of consultative meetings were held with the following organisations: SFV (Lands Department), Trafikverket (Rail and Roads Department), Vattenfall (Power), Windmill Owners, Kiruna Kommun, County Administration Board (CAB) and LKAB. All discussions were held in a very positive environment and the other parties involved were supportive of the project.
- Work commenced on the collection of baseline environmental data to support the monitoring and reporting tasks for the Environmental Impact Assessment (EIA) document. The work is being undertaken by HIFAB, a well regarded environmental consulting firm based in Sweden. The EIA is scheduled to be submitted to regulators in the December 2010 quarter.
- The project schedule is unchanged with the estimated commencement date of construction being late 2011.



Subsequent to June quarter end the scope of the Pre Feasibility Study was amended to reflect the increased confidence in the 'D' Zone to deliver a significant upgrade to the resources available for Open Pit mining and the positive metallurgical test work results received over the quarter. The amended PFS parameters are summarised below;

- **Base Case** 1.5Mtpa ore production up from 0.5Mtpa
- **Upside Case** 3.0Mtpa ore production up from 0.75Mtpa

Adak Copper Project

The Adak copper project contains five historical mines – **Adak, Lindsfold, Brannmyran, Karlsson (the Adak Dome Mines) and Rudtjebacken** – covering an area of 26.71km², located in the world-class Skelleftea VMS mining district of Northern Sweden.

The Adak project was 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 Project was approximately 10.8Mt at 1.56% copper, including 6.3Mt at 2.02% copper from the Adak Dome and 4.74Mt at 0.92% copper and 2.96% zinc at Rudtjebacken.

Avalon continued with the collection and digitizing of all the historical data (exploration, drilling, mining, metallurgy) during the Quarter in preparation for commencing field based exploration programs in 2011.

CORPORATE

Appointment of Chief Financial Officer

On 1 July, Avalon appointed senior mining executive Paul Bridson as Chief Financial Officer.

Mr Bridson was most recently Financial Controller with the successful Australian iron ore company Gindalbie Metals from 2001 to 2010. He will provide Avalon with the necessary financial management skills as the team progresses Viscaria through the exploration and feasibility stage towards development.

Appointment of Corporate Advisors

Avalon has appointed Hartley's Limited as corporate advisors to assist the Company through the important period whereby the Company plans to transition from explorer to developer and then producer of iron ore and copper concentrates over the medium term.

Relocation of Perth Corporate Office

During the quarter, the Company relocated its Perth corporate office to Level 2, 91 Havelock Street, West Perth.

Cash Resources

At 30 June, the Consolidated Entity had cash reserves of A\$2.93 million. Avalon has no corporate debt.



Shareholder Information

As at 30 June, the Company had 132,276,952 shares on issue and 555 shareholders. The top 20 shareholders held 65.70% of the Company.

Competent Persons Statement

The information in this report relating to the Mineral Resource and Exploration Results is reviewed by Mr Andrew Munckton BSc (Mining Geology) who is a Member of the Australasian Institute of Mining and Metallurgy and is employed by Avalon Minerals Ltd as the Company's General Manager of Operations. Mr Munckton 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 Competent Persons 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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Table 2: Significant Drilling Intercepts - Viscaria

Hole_ID	Project	Prospect	From	To	Interval	Cu %	Fe %	NAT_East	NAT_North	Local_East	Local_North		
VDD0016	Viscaria	D-zone	139	141.92	2.92	0.30	21.9	1680819	7537334	1500	19500		
			143	145	2	0.57							
VDD0018	Viscaria	D-zone	99.3	99.8	0.5	0.52		1680785	7537363	1455	19500		
			149	154	5	1.08	30.6						
<i>including</i>			151.1	154	2.9	1.80	39.22						
			170	171.15	1.15	0.61							
VDD0020	Viscaria	D-zone	36.75	47.55	10.8	1.28	34.33	1680797	7537288	1514	19450		
<i>including</i>			40	45.25	5.25	1.15	49.84						
			58.8	68.9	10.1	0.82							
<i>including</i>			62.9	63.1	0.2	3.03							
VDD0022	Viscaria	D-zone	72	76.35	4.35	0.59		1680781	7537302	1492	19450		
			76.5	93	16.5	1.59	35.51						
			95.95	99.4	3.45	0.82							
VDD0024	Viscaria	D-zone	25.36	26.65	1.29		36.93	1680781	7537302	1492	19450		
			84.9	89.67	4.77	0.69							
			90.15	111	20.85	1.71	40.32						
			111.1	113.3	2.2	0.95							
VDD0026	Viscaria	D-zone	14.5	15.5	1	0.43		1680844	7537314	1533	19500		
			35.5	38.5	3	0.13	31.93						
VDD0028	Viscaria	D-zone	NSR							1680879	7537284	1577	19500
VDD0030	Viscaria	D-zone	50.37	65.32	14.95	0.57	32.98	1680353	7536746	1525	18750		
<i>including</i>			58.83	62.27	3.44	1.91	26.36						
			65.32	78.24	12.92	0.39							
VDD0031	Viscaria	D-zone	22.75	27.4	4.65		28.25	1680858	7537367	1508	19550		
			31.9	35.65	3.75		35.96						
			59.8	66.85	7.05		24.31						
			66.85	67.3	0.45	0.54							
VDD0032	Viscaria	D-zone	29.7	43.84	14.14	0.45	24.08	1680381	7536788	1520	18800		
<i>including</i>			32.69	37	4.31	1.13							
			65.09	66.8	1.71		26.92						
VDD0033	Viscaria	D-zone	37.17	61.15	23.98		30.37	1680624	7537041	1541	19150		
<i>including</i>			37.9	44	6.1	0.75	44.16						
VDD0034	Viscaria	D-zone	14	15	1	0.36		1680378	7536857	1473	18850		
			31.8	50.44	18.64		30.74						
<i>including</i>			33.97	37.5	3.53	0.67							
VDD0035	Viscaria	D-zone	52.4	68.5	16.1		33.36	1680609	7537120	1479	19200		
			57	69.1	12.1	1.45							
VDD0036	Viscaria	D-zone	10.35	11.74	1.39	0.79	27.18	1680398	7536839	1499	18850		



VDD0037	Viscaria	D-zone	NSR					1680650	7537085	1533	19200
VDD0038	Viscaria	D-zone	9.29	10	0.71	0.33		1680376	7537055	1343	19000
			85	86	1	0.81					
			138.8	139.8	1	1.54	22.1				
			152	153	1	0.56					
			162.7	166.2	3.5		23.51				
			174.4	192.05	17.65	0.52	35.61				
VDD0039	Viscaria	D-zone	40	47.75	7.75	0.24	25.83	1680653	7537147	1494	19250
			48.9	51.25	2.35	0.36					
			54.05	72.25	18.2		41.9				
<i>including</i>			<i>64.35</i>	<i>66.25</i>	<i>1.9</i>	<i>0.78</i>	<i>49.86</i>				
			75.25	81.05	5.8	0.52					
VDD0040	Viscaria	D-zone	111	134	23	0.78	27.19	1680414	7537023	1393	19000
<i>including</i>			<i>122</i>	<i>128</i>	<i>6</i>	<i>1.95</i>	<i>43.7</i>				
VDD0041	Viscaria	D-zone	NSR					1680677	7537127	1525	19250
VDD0042	Viscaria	D-zone	48	82.5	34.5	0.59	24.79	1680452	7536991	1443	19000
<i>including</i>			<i>58</i>	<i>82.5</i>	<i>24.5</i>	<i>0.71</i>	<i>29.18</i>				
VDD0043	Viscaria	D-zone	35.55	38.95	3.4	0.95		1680663	7537204	1465	19300
<i>including</i>			<i>37.65</i>	<i>38.5</i>	<i>0.85</i>	<i>1.53</i>	<i>21.4</i>				
VDD0044	Viscaria	D-zone	63	65	2	1.07	28.93	1680993	7537450	1557	19700
VDD0045	Viscaria	D-zone	47	48.35	1.35		30.2	1680688	7537184	1497	19300
			54	63.65	9.65		43.37				
			59.8	79.1	19.3	0.71					
VDD0046	Viscaria	D-zone	57.3	62.2	4.9	0.74		1680570	7537153	1427	19200
			65.5	65.7	0.2		41.6				
			125.06	132.5	7.44	0.74	32.39				
			138.95	140.25	1.3	1.09	25.7				
VDD0047	Viscaria	D-zone	NSR					1680708	7537232	1482	19350
VDD0048	Viscaria	D-zone	23.45	24.48	1.03	0.39		1680726	7537283	1462	19400
			53.78	56.2	2.42		44.89				
			95	119.78	24.78	0.50	26.23				
VDD0049	Viscaria	D-zone	17.5	19.5	2		32.15	1680709	7537232	1482	19350
			65.4	81.5	16.1	0.77					
<i>including</i>			<i>66.4</i>	<i>69.5</i>	<i>3.1</i>	<i>0.42</i>	<i>32.43</i>				
VDD0050	Viscaria	D-zone	32.08	61.55	29.47	0.61	27.34	1680726	7537283	1462	19400
<i>including</i>			<i>35.85</i>	<i>59.33</i>	<i>23.48</i>	<i>0.58</i>	<i>31.66</i>				
VDD0051	Viscaria	D-zone	NSR					1680783	7537234	1537	19400
VDD0052	Viscaria	D-zone	96	123.75	27.75	0.62	29.83	1680875	7537419	1487	19600
VDD0053	Viscaria	D-zone	74.57	76.57	2		38.72	1680631	7537232	1423	19300
<i>including</i>			<i>74.57</i>	<i>74.8</i>	<i>0.23</i>	<i>1.59</i>					
			116.57	150.5	33.93	0.63					



<i>including</i>			120.5	140.57	20.07	0.69	25.02					
VDD0054	Viscaria	D-zone	62.52	98.76	36.24	0.48	27.61	1680943	7537492	1492	19700	
<i>including</i>			89	98.76	9.76	1.36	30.1					
VDD0055	Viscaria	D-zone	122	123	1	0.30	20.4	1680848	7537442	1452	19600	
			130.75	154.45	23.7	0.68	36.15					
			160.5	179.2	18.7	0.46	26.15					
VDD0056	Viscaria	D-zone	30.12	37.09	6.97	0.81	22.53	1680663	7537204	1465	19300	
			72.6	104.87	32.27	0.38	29.3					
			107.87	113.87	6	0.70						
VDD0057	Viscaria	D-zone	NSR						1680711	7537164	1527	19300
VDD0058	Viscaria	D-zone	37.32	37.8	0.48	0.36		1681008	7537437	1577	19700	
VDD0059	Viscaria	D-zone	16	18.9	2.9		29.09	1680902	7537397	1522	19601	
			61.9	63.4	1.5	0.83	29.32					
VDD0060	Viscaria	D-zone	21	28.05	7.05	1.57	37.89	1681050	7537532	1548	19800	
VDD0061	Viscaria	D-zone	28.2	39.2	11	1.54	25.26	1680917	7537383	1542	19600	
			33.95	39.2	5.25	0.89	38.26					
VDD0062	Viscaria	D-zone	74.86	116	41.14	0.35	25.77	1681012	7537565	1497	19800	
<i>including</i>			105	111	6	1.08	31.51					
VDD0063	Viscaria	D-zone	78.9	79.05	0.15	3.14		1680482	7537096	1397	19100	
			96.23	98.65	2.42	0.79						
<i>including</i>			98.23	98.65	0.42	1.42	40.2					
			139.65	162.9	23.25	0.60	28.51					
VDD0064	Viscaria	D-zone	117.15	146	28.85	0.40	26.47	1680357	7536940	1403	18900	



Avalon Minerals – Background

Avalon Minerals Ltd listed in March 2007 with the aim of discovering and developing mineral deposits and to subsequently build a diversified resource mining group based on cash flows from producing operations.

The primary project generation strategy has been very successful with the acquisition of the advanced Viscaria copper deposit in northern Sweden where a maiden JORC Code Compliant Inferred copper resource has been defined.

This Inferred resource is comprised of:

8.2 million tonnes @ 2.7% Cu at the 'A' Zone South;
5.6 million tonnes @ 1.3% Cu at the 'A' Zone North;
24.3 million tonnes @ 0.8% Cu at the 'B' Zone; and
2.5 million tonnes @ 1.6% Cu at the 'D' Zone.

These resources combined total 520,000 tonnes of contained copper.

In addition, the cluster of five historical copper-zinc mines at Adak, 300km south of Viscaria, also provides an opportunity for Avalon to incrementally grow its base metal inventory within northern Sweden.

Overview of Mining in Sweden

Sweden has a 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.

Overview of Viscaria

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\$3.40/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).