



QUARTERLY REPORT

December 2011

ASX/Media Release

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AVALON MINERALS LTD DECEMBER 2011 QUARTERLY REPORT

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ASX Code: AVI
239 million ordinary shares
8 million unlisted options

Directors

David McSweeney
Executive Chairman
Andrew Munckton
Managing Director
Tan Sri Abu Sahid Bin Mohamed
Non-Executive Director
Amro Al-Khadra
Non-Executive Director

Mineral Resources:

A Zone: 21.6Mt @ 1.49% Cu for 322 Kt Cu
B Zone: 19.6Mt @ 0.76% Cu for 149 Kt Cu
D Zone: 12.7Mt @ 0.56% Cu for 71 Kt Cu
Total: 53.9Mt @ 1.00% Cu for 542 Kt Cu

D Zone: 12.7Mt @ 24.0% Fe and 33.9% Wt
Rec for 4.3 Mt at 69.4% Fe conc

HIGHLIGHTS

Viscaria Copper Iron Ore Project, Sweden (Avalon - 100%)

- **CSA Global estimated updated Mineral resources for A Zone, B Zone and D Zone.**
 - Mineral Resources of copper decreased 4% to **542,000 tonnes of copper metal**
 - Mineral Resources of iron increased 78% to **4.3 million tonnes of Fe concentrate at 69.4%Fe**
 - Measured and Indicated Resources increased 57% to **31.4 million tonnes representing 69% of Mineral Resources**
- **Mining Exploitation Concession granted for Viscaria**
 - Viscaria K3 and Viscaria K4 granted covering D Zone and south of A and B Zone
 - Viscaria K7 pending rezoning of windmill area
- **Interim Project Update shows mine life of 7.5 years based on 1.5 mtpa throughput.**
- **Feasibility Study remains suspended.**

Corporate

- **On 23 December Mawson West withdrew from a proposed Subscription Agreement of up to 19.9% of the company's shares which would have raised \$3.8 million.**
- **9.7% shareholder Mr Siew Mun Chuang requested a shareholders meeting to remove 3 Directors and replace them with 3 nominee Directors on 22 December 2011.**
 - The shareholder's meeting to consider the request is scheduled for **15 February 2012.**
 - Non Executive Director **Stephen Stone** resigned on **11 January 2012.**
- **The cash position of the company at the end of the quarter was \$1.4 million.**



VISCARIA COPPER IRON PROJECT

Resource Upgrade

Following the drilling and quality assurance work carried out at Viscaria over the late 2010 and 2011 periods, CSA Global were engaged to update the resource models for A Zone, B Zone and D Zone. The work has been completed and reported by CSA Global.

The updating of the resource models is the foundation of further optimisation, mine design and evaluation work to be undertaken as part of the Bankable Feasibility Study (BFS) of the Viscaria project.

A Zone

The A Zone ore body consists of copper sulphide mineralisation in a VMS style where significant historical underground mining has occurred.

The 2011 Mineral Resource completed by CSA Global is derived from over 3,200 drill holes which were predominantly drilled from surface and underground positions developed at the time of underground mining between 1982 and 1995. The estimate accounts for ore previously removed from the extensive underground mining openings.

The 2011 estimate totals **21.6 million tonnes at 1.49% Cu** for 322,000 tonnes of contained copper. Approximately 92% of the copper metal is contained in the Measured and Indicated category.

CSA Global have rewireframed the previously defined mineralisation into zones of massive and disseminated sulphide to estimate the resource in contrast to the previous practise of treating all mineralisation styles together. This has resulted in an increase in tonnage at a lower average grade than previous estimates.

A comparison of the 2011 estimate with the 2010 estimate is provided in Table 1 below

Table 1

Category	2011 CSA Mineral Resources			2010 Avalon Mineral Resources			Comparison		
	Tonnes	Grade (Cu%)	Copper Metal (T)	Tonnes	Grade (Cu%)	Copper Metal (T)	Tonnes	Grade (Cu%)	Copper Metal (T)
Measured	14,439,000	1.66	239,000	6700000	2.47	165,000	116%	-33%	45%
Indicated	4,690,000	1.22	57,000	4,100,000	1.76	72,000	14%	-31%	-21%
Meas + Ind	19,128,000	1.55	296,000	10,800,000	2.20	238,000	77%	-30%	24%
Inferred	2,480,000	1.03	26,000	6500000	1.24	81,000	-62%	-17%	-68%
Total	21,609,000	1.49	322,000	17,300,000	1.84	318,000	25%	-19%	1%

Note: Rounding errors may occur. Estimate is above 0.4% Cu.

B Zone

B Zone consists of a series of disseminated copper mineralisation lodes within an overall zone of sulphide alteration. The mineralisation is generally lower in Cu grade than A Zone and has minor underground mining history at the northern end of the deposit.

Avalon completed 54 RC holes and 8 diamond holes in addition to 135 historical diamond holes to define the resource.

The Mineral Resource totals **19.6 million tonnes at 0.76% Cu** for 149,000 tonnes of copper metal. Approximately 21% of the copper metal is classified in the Measured and Indicated category.

Avalon's drilling has constrained the wireframes used from the previous estimate and limited the extent of the mineralisation estimated by CSA Global in 2010. This has resulted in a significant reduction in the tonnage of mineralisation above cut-off grade in the deposit and has confirmed the low grade tenor of the mineralisation in B Zone, while upgrading the category of the estimate.

A comparison between the 2011 estimate and the 2010 estimate is given in Table 2 below.

Table 2

Category	2011 CSA Mineral Resources			2010 CSA Mineral Resources			Comparison		
	Tonnes	Grade (Cu%)	Copper Metal (T)	Tonnes	Grade (Cu%)	Copper Metal (T)	Tonnes	Grade (Cu%)	Copper Metal (T)
Measured	123,000	1.33	2000						
Indicated	4,118,000	0.72	30,000						
Meas + Ind	4,240,000	0.74	32,000						
Inferred	15,410,000	0.77	118,000	25,388,000	0.76	192,900	-39%	2%	-38%
Total	19,650,000	0.76	149,000	25,388,000	0.76	192,900	-23%	0%	-23%

Note: Rounding errors may occur. Estimate is above 0.4% Cu.

D Zone

D Zone consists of a series of copper and iron rich lodes of mineralisation within a wider zone of carbonate and magnetite alteration. The deposit is approximately 1100 metres long, 20-30 metres wide and drilled to up to 200 metres below surface.

The Mineral Resource estimate is based on 276 diamond and 36 RC holes on an approximate 50m x 30m drilling pattern with wider patterns at depth.

The estimate is based on 15% mass recovery of magnetite and 0.3% copper head grade.

The Mineral Resource is summarised in Table 3 below.

Table 3

2011 Mineral Resources Grade Tonnage Reported above Cut off Grades of 15% Mass_Rec and 0.0% Cu								
Deposit	Category	Tonnes	Cu (%)	Fe (%)	Mass_Rec (%)	Fe_Conc (%)	SiO2_Conc (%)	Copper Metal (T)
D Zone	Measured	1,379,000	0.48	23.13	34.28	72.86	1.10	6,660
	Indicated	6,103,000	0.60	24.82	35.43	69.96	0.97	36,740
	Meas + Ind	7,482,000	0.58	24.51	35.22	70.50	0.99	43,400
	Inferred	4,460,000	0.49	23.52	36.34	68.71	0.95	21,990
	Total	11,942,000	0.55	24.14	35.64	69.83	0.97	65,390

2011 Mineral Resources Grade Tonnage Reported below a Cut off Grades of 15% Mass_Rec and above a Cut off of 0.3% Cu								
Deposit	Category	Tonnes	Cu (%)	Fe (%)	Mass_Rec (%)	Fe_Conc (%)	SiO2_Conc (%)	Copper Metal (T)
D Zone	Measured	32,000	0.58	14.74	9.19	49.47	3.20	190
	Indicated	489,000	0.65	10.84	9.16	43.60	2.89	3,160
	Meas + Ind	521,000	0.64	11.08	9.16	43.96	2.91	3,340
	Inferred	274,000	0.89	22.12	4.39	16.01	1.12	2,420
	Total	795,000	0.73	14.88	7.52	34.33	2.29	5,770



The magnetite-rich portion of the D Zone mineralisation totals **11.9 million tonnes at 0.55% Cu and 24.1% Fe** and contains 4.25 million tonnes of magnetite concentrate at 69.8% Fe and 65,390 tonnes of copper metal.

In addition, the magnetite-poor section contains **0.8 million tonnes at 0.73% Cu and 14.9% Fe** and contains 0.06 million tonnes of magnetite concentrate at 34.3% Fe and 5,800 tonnes of Cu metal. Approximately 65% of the metal is classified as Measured and Indicated.

The estimate is in line with previous guidance of a 12-14 million tonne resource for D Zone.

Forward Program

While additional drilling programs will be required at B Zone and D Zone to increase the confidence in the resources and convert more of the Inferred Resources to a Measured and Indicated category as part of the on-going work of the project, the financial position of the company precludes this work being completed until further funds are available. The drilling programs have been designed and planned but remain inactive.

Bankable Feasibility Study

The BFS of the Viscaria Copper Iron Project commenced in October 2010 and was suspended in mid-August 2011. The suspension of the BFS was required to conserve funds following the withdrawal of the Underwriter from the June 2011 placement.

However, resource estimates, initial mine design and optimisation work and project approval activities continued during the quarter to provide an interim update to the BFS.

Mining

Mineral Resource wireframe models were provided to CSA Global engineers to commence preliminary work on optimisation of open pit designs during the quarter. Updated geotechnical parameters and cost estimates were also provided to the engineers to allow the preliminary work to proceed and provide guidance on the future direction of the BFS.

The optimisation and mine design of each open pit development incorporated the following assumptions.

- Copper price of US\$ 6614 / t, US 3.00 / lb.
- Iron Ore price of US\$ 95.1 / t US\$ 1.38 / dmtu.
- Net Smelter Return of 89.7% after TC/RC and payability charges.
- Processing cost varies between US\$ 13 and 18 per tonne dependent upon material type.
- Mining Cost based on PFS contractor estimates.
- Geotechnical design parameters based on recommendations of the geotechnical consultants.
- CSA 2011 Resource Models.
- 2011 Estimate of ore loss, dilution and metallurgical recovery based on test work summaries.

Results of the optimisation are summarised in Table 4 below

Table 4

Zone	Tonnes	Grade		Recovery		Product		
		Cu%	Fe%	Cu%	Fe%	Iron Concentrate (t)	Fe%	Copper Metal (t)
A	2,783,000	1.13		88.5				27834
B	1,318,000	0.76		90.0				9013
D	7,559,000	0.61	22.6	91.4	92.8	2,383,000	69.5	42167
Subtotal	11,660,000	0.75		90.3		2,383,000	69.5	79014

The optimisation outputs are backed by mine design and sensitivity analysis on each pit design and utilize cost estimates based on the Viscaria Pre Feasibility Study and updated cost and technical data based on 2011 investigations and estimates.

The optimisation outputs use Measured, Indicated and Inferred blocks with appropriate estimates for ore loss and dilution at each deposit. As such they constitute a reasonable estimate of the production scenarios to be expected from the project. However, further technical work is required to bring all elements of the estimate of production to a Bankable Feasibility Study Standard. In particular further work on the metallurgical recovery, geotechnical estimate and mining and processing cost estimate is warranted.

The results indicate that at either a 3.0mtpa or 1.5 mtpa throughput rate as contemplated in the 2010 Pre Feasibility Study that the A Zone, B Zone and D Zone combination provides a mine life of approximately 3.8 or 7.5 years respectively.

This mine life is considered insufficient at the current time to commence operations based solely on the Viscaria project.

Further resources, in addition to those already defined would be required to extend the projected life of the operations to 10 years which is considered the minimum requirement for an operation of this type.

The BFS remains suspended pending further review and analysis of the project economics.

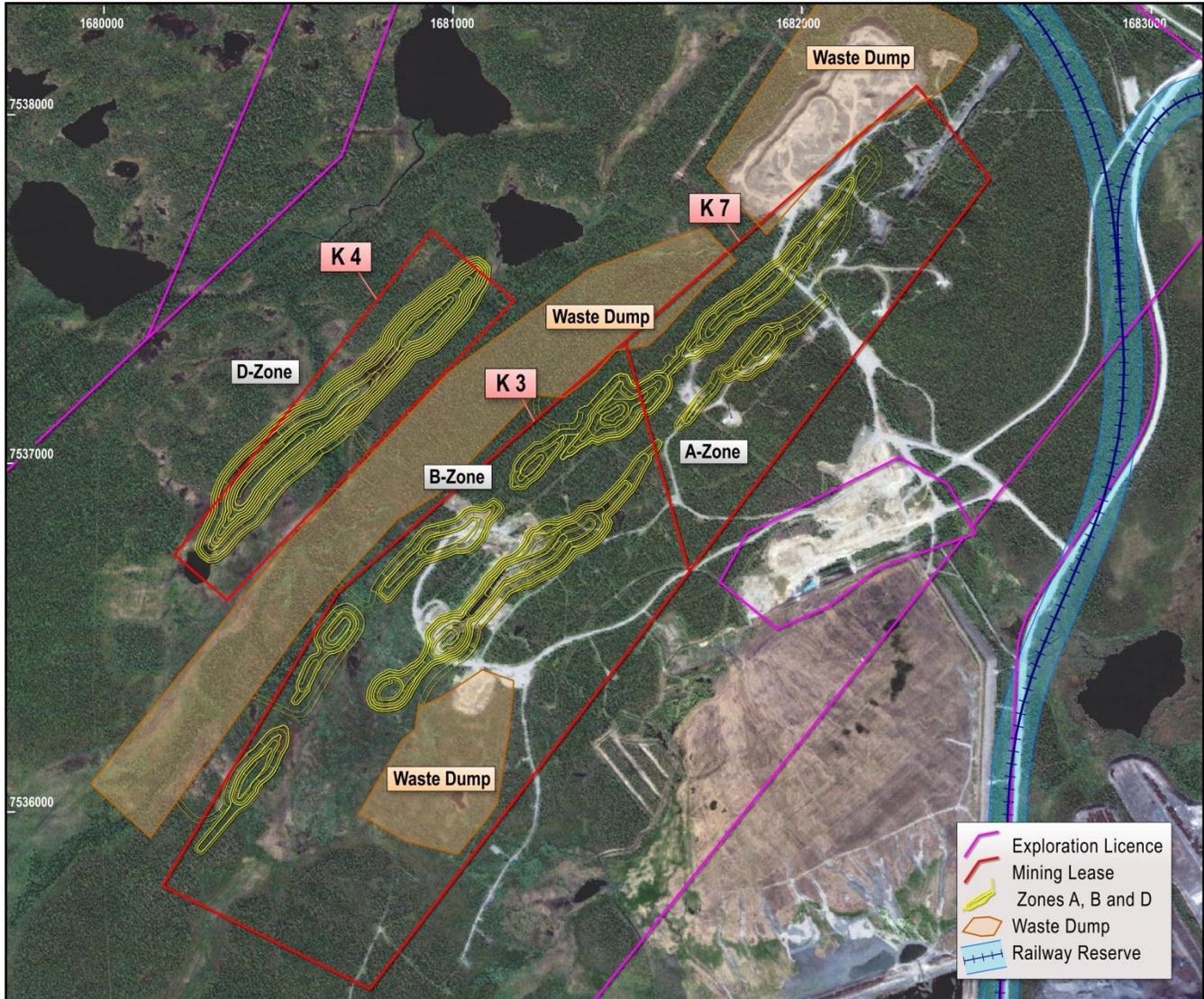
Approvals

a) MEC

The Mining Exploitation Concession (MEC) for the Viscaria project was submitted to the Bergsstaten (Mines Department) in April 2010 and was significantly amended in early 2011 following submissions from the city of Kiruna.

Subsequent to quarter end the Bergsstaten advised it has approved the MEC for Viscaria in two licences; Viscaria K3 and Viscaria K4. The two MEC's granted cover the D zone and the southern area of A Zone and B Zone mining areas. See figure 1 below.

Figure 1



A third MEC application (Viscaria K7) remains under consideration by Bergsstaten pending an amendment to the Kiruna town planning act to allow for the grant of a mining lease which includes the power generation windmills affected by the northern parts of A Zone and B Zone.

The granting of the MEC is a precursor to consideration by the regulator of the Environmental Impact Assessment and permits access to the historical underground mining openings to check present day geotechnical conditions and groundwater levels.

b) Environment Impact Assessment

The Environment Impact Assessment (EIA) was submitted to the Environmental Court of Sweden (ECS) in April 2011.

Following the suspension of the BFS the company sought suspension of consideration of the EIA by the ECS for up to 12 months to reduce expenditure.

By the end of the quarter a response from the ECS had not been received to the request.

Customers

Discussions and negotiations with potential customers for the copper and iron ore concentrate have been placed on hold following suspension of the BFS.

EXPLORATION

Regional Exploration

Applications covering the planned 2012 exploration programs were submitted to the regulator and consultations with affected parties, principally Sameby reindeer herders have been conducted.

The ground based elements of the 2012 Exploration program has been suspended pending sufficient funding to undertake the works.

Adak Copper-Zinc Project

The Adak Copper Project contains five historical mines – Adak, Lindskold, 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 is currently for sale or Joint Venture.

CORPORATE

Capital Raising

On 12 December the company announced that Mawson West, an African focused copper producer had agreed to provide approximately \$3.8 million in funding to the company via a Subscription Agreement for 59.6 million shares at 6.5c per share in two tranches.

The agreement would have provided Mawson West up to 19.9% of the shareholding of the company.

Tranche 1 was to be completed from within the company's 15% placement capacity with the remainder subject to shareholder approval.



The Subscription Agreement was subject to due diligence on the company to the satisfaction of Mawson West by 31 December 2011.

On December 23, Maswon West advised they would not be proceeding with the transaction and withdrew.

Shareholder Requisition Notice

On 22 December the Directors of the Company received a request pursuant to the section 249D of the Corporations Act, from Mr Siew Mun Chuang, who holds approximately 9.7% of the shares in the company.

Mr Siew is seeking to remove three of the Directors of the company and replace them with three Directors nominated by the Requisitioning Shareholders.

The Shareholders meeting is scheduled to be held at 10.00am on 15 February at 185 St Georges Terrace Perth to consider the notice.

Please refer to the shareholders notice sent to all shareholders for further details.

Resignation of Director

On 11 January 2012 Mr Stephen Stone a Non Executive Director tendered his resignation from the Board of the company.

Cash Resources

As at 31 December 2011 the Consolidated Entity has cash reserves of \$1.4 million.

Avalon has no corporated debt and minimal long term commitments.



Shareholder Information

At 31 December 2011, the company has 239,064,335 fully paid ordinary shares on issue and approximately 565 shareholders.

Competent Person's 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.

JORC – Exploration Targets

It is common practice for a company to comment on and discuss its 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. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient work completed to define them beyond exploration targets and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

- ENDS -

Released on behalf of:
Mr Andrew Munckton
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