



ASX/Media Release

30 April 2008

## AVALON MINERALS LTD MARCH 2008 QUARTERLY REPORT

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**ASX Code:** AVI  
As at 30 April 2008  
50.6 million shares  
11 million unlisted options

**Market Cap**  
A\$10 million

**Cash**  
A\$2 million

**Directors**  
David McSweeney (Executive  
Chairman)  
Stephen Stone (Director)  
Gary Steinepreis (Director)

### HIGHLIGHTS

#### Swedish Copper Projects

- **Acquisition of Viscaria and Adak copper mines in Sweden from Phelps Dodge for US\$420,000.**
- **Application for Viscaria copper tailings dam (13mt).**
- **Historical production from Viscaria Copper Mine of 12.54mt @ 2.29% Cu over 15 years.**
- **Historical production from Adak Copper Mine of 6.3mt @ 2.02% Cu, plus 4.75mt @ 0.87% Cu and 3.0% Zn over 45 years.**
- **High priority drill targets identified at Viscaria through data compilation and validation.**
- **Maiden JORC resource estimate planned for the Viscaria Project in the June Quarter.**
- **Applications submitted for new tenements at Viscaria and Adak adjacent to historical workings.**
- **Geologist Nigel Baker appointed as Exploration Manager for Sweden.**
- **A\$1M share placement completed to underpin resource and feasibility studies at Swedish copper projects.**



## **Summary**

During the March Quarter, Avalon took a significant step forward in its growth strategy of building a diversified resource mining group, with the acquisition of two former operating Swedish copper mines – the Viscaria Copper Mine (previously operated by Outokumpu) and the Adak Copper Mine (previously operated by the State-owned Boliden Corporation).

The Viscaria and Adak mines were both closed at periods of low copper prices, and Avalon is now evaluating the opportunity to recover the remaining copper resources and explore for additional copper and zinc mineralisation at both projects.

Both projects were acquired from Phelps Dodge – a subsidiary of the world's largest publicly traded copper company, Freeport-McMoRan Exploration Corporation – for US\$420,000 cash plus an aggregate 1% Net Smelter Royalty (NSR) on production. This represents an attractive entry for Avalon to a significant brownfields exploration and development opportunity in the Scandinavian region.

Avalon has moved quickly to apply for additional ground surrounding both the Adak and Viscaria mines and has also acquired the historical 13mt Viscaria tailings dam containing copper, zinc and iron rich sands.

In addition the Company has continued to recruit a range of specialist consultants in Sweden and Australia to review the projects and assist in resource modelling and planning of exploration programs. This includes Australian geological consultants, CSA Australia Pty Ltd (CSA) and Swedish based environmental and logistics support group, Hifab.

Southern Geoscience Consultants (SGC) has also been appointed to review the historical geophysical data and advise on new surveys at both projects. Josefin Perdahl of Mala in Sweden was appointed to assist the Company with the compilation and digitising of historical data from both projects. Swedish resident, Mr Olle Karlsson, has been appointed as a director of the Company's wholly owned, Swedish holding companies.

Avalon has also appointed Nigel Baker as its Exploration Manager in Sweden. Nigel previously worked as a geologist for Jackson Gold in Australia and is based out of Copenhagen.

To underpin initial exploration and evaluation activities at Viscaria and Adak, Avalon successfully raised A\$1.023M during the March Quarter through a share placement to sophisticated investors. The funds raised will be utilised to fast-track resource definition drilling and feasibility studies to advance the projects towards development in the quickest possible timeframe.

## **SWEDISH PROJECTS**



*Viscaria and Adak copper projects – northern Sweden*

*Diagram 1 – Location map of Viscaria and Adak copper projects, Sweden*

### **Viscaria Copper Mine – 100% Avalon Minerals Ltd**

The historic Viscaria Copper Mine is located in the Norrbottens area of Northern Sweden, 4km from the Kiruna Iron Ore mine (2.3 billion tonnes @ 68% Fe), Sweden's largest iron ore mine and the world's second largest underground mine. The Viscaria Project is located adjacent to road, rail and power infrastructure and is 4km from the regional mining centre of Kiruna (population 20,000).

Global steel company Outokumpu closed the Viscaria mine in 1997, after production of approximately **12.54 million tonnes of ore grading 2.29% Cu**, mainly from the A Zone. At the time of the mine's closure, the spot copper price was approximately US\$1.00/lb compared to a spot price of over US\$4.00/lb today. Only minimal exploration has been conducted at Viscaria since the mine closed in 1998.

Following the acquisition of the Viscaria Mine, Avalon has moved to acquire three additional exploration licences at Viscaria (101,102 and 103), and has also applied for an exploration permit over open ground along strike to the north, for a total area of 50km<sup>2</sup>.

In addition, during the Quarter the Company also applied for the Viscaria tailings dam, which contains 13mt of tailings from the Outokumpu operations. Historical records confirm that the tailings dam contains potentially recoverable levels of copper and zinc, and up to 20% iron.

Avalon has made an application to conduct a testwork drilling and assaying program of the Viscaria tailings dam, and has been notified that all necessary approvals are now in place.

Avalon and its geological consultants, CSA, have moved quickly to review and validate the remaining unclassified copper mineralisation at Viscaria in light of the substantial increase in the copper price, with the initial aim of determining how much of the remaining copper mineralisation in the 3km long B Zone and the 0.5km long D Zone can be classified as being Joint Ore Reserves Committee (JORC) code compliant.

During the last Quarter, the company's Swedish consultants completed the capture of over 8,000 drill holes from both regional and underground drilling at Viscaria by Outokumpu and LKAB. Data captured included assay, collar and downhole survey information. This data has been merged with the Phelps Dodge digital database and has been used to produce plans and sections throughout the total length of the A, B and D Zones, including 60 cross sections along more than 3km strike of the B Zone, 90 cross sections along the A Zone and 22 cross sections along the D Zone.

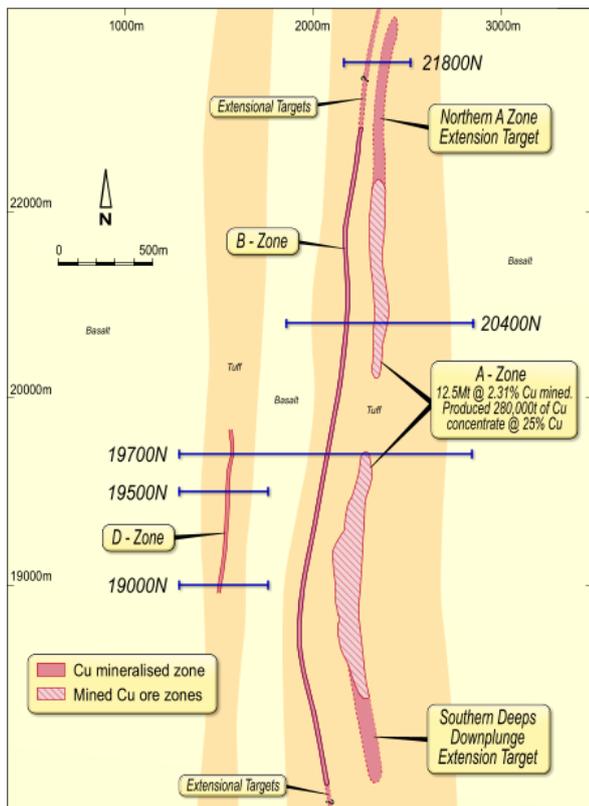
Given the quality of the extensive drilling and assay database for the B and D Zones, it is anticipated that the Company's maiden resource estimate for Viscaria will be completed to a JORC code standard during the June Quarter.

According to historic reports, mining commenced at Viscaria in the A Zone in 1982, with initial resource estimates completed for the three main parallel mineralised horizons – the A, B and D Zones.

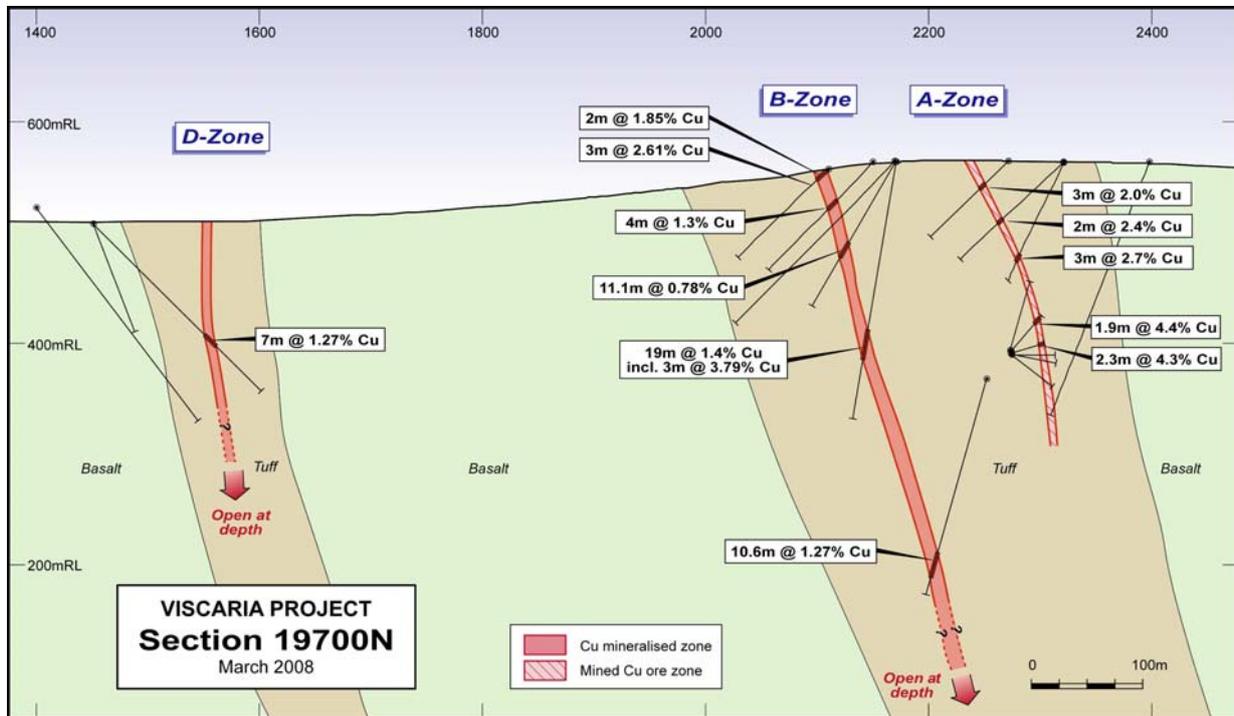
The largest of the unmined mineralised zones is the 2.8km long B Zone, which is 200m west of the 3km long A Zone - where the bulk of the 12 million tonnes of historical mining took place and over 4km of decline was developed. Underground access to the B Zone is also available from the decline developed to access the D Zone.

The 500m long D Zone, 400m west of the B Zone, is the second largest of the unmined zones at Viscaria.

**Diagram 2 – Surface plan of Viscaria showing A, B and D Zones**



**Diagram 3 - Cross Sections of A, B & D Zones**



The Viscaria Copper Project has significant near-term production potential, with Avalon planning to commence pre-feasibility studies in the second half of 2008.

Ongoing tasks include:

- the ongoing capture and validation of all existing data;
- construction of a resource model in preparation for mining studies;
- concentrate marketing reviews;
- planning and design of infill and extension drilling; and
- metallurgical test work.

These activities will be followed by mine and process design and financial analysis.

After a detailed review of historical drilling data of the 3km long B Zone, the Company is preparing its **maiden JORC resource** (for the B and D Zone) which is expected to be released to the market in the June Quarter. The Company's ultimate aim is to delineate sufficient resources at Viscaria to sustain a return to copper mining operations.

### **Exploration Potential at Viscaria**

Avalon believes that the Viscaria Copper Project offers considerable exploration upside and that potential exists for additional copper at depth and along strike on all 3 identified zones. The Company is planning a drilling program at Viscaria for the September 2008 Quarter to infill the B and D Zones and to test selective targets within the A Zone and along strike.

During the Quarter, the Company purchased a large database of GeoTem from a Swedish consulting geoscience group, Mirab, captured by Fugro Geophysics.

To assist in the exploration targeting, the Company intends to conduct a VTEM geophysical survey at Viscaria and is negotiating with several contractors who are currently operating in Sweden with a view to commencing this survey in June 2008.

## **Adak Copper Project – 100% Avalon Minerals Ltd**

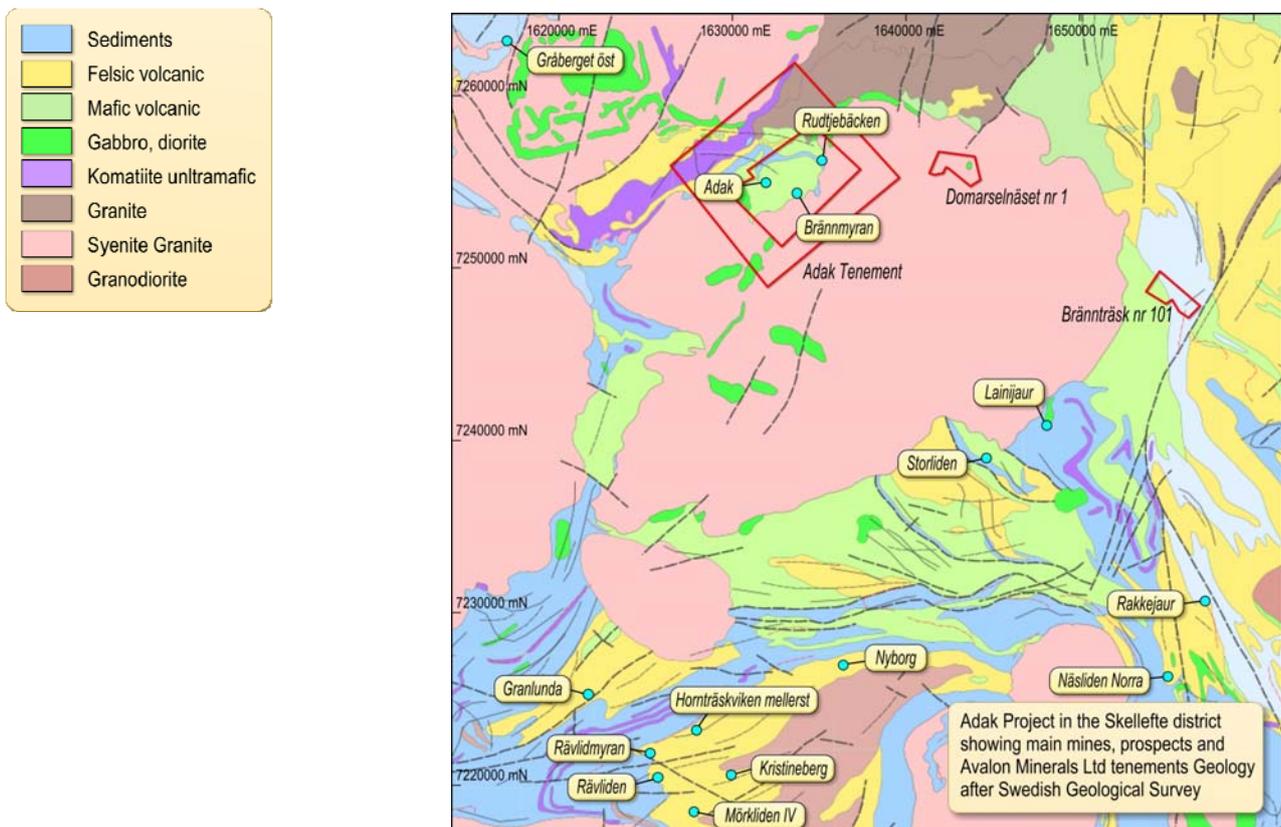
The Adak Copper Project contains four historical mines – **Adak, Lindskold, Brannmyran and Rudtjebäcken** – covering an area of 26.71km<sup>2</sup>. The Adak mines were operated by the Swedish Government between 1940 and 1977 when the last mine was closed by Swedish mining giant Boliden Corporation. The total material mined at Adak was approximately 6.3mt @ 2.02% **Cu plus 4.75mt @ 0.87% Cu and 3.0% Zn**.

Adak is located in the world class Skelleftea VMS mining district of Northern Sweden, approximately 25km north west of the Storliden zinc and copper deposit (1.8mt @ 8% Zn and 3% Cu) which is owned and operated by Canadian listed Lundin Mining Corporation. The high-grade Storliden mine was discovered by drill testing of an EM target, and the geological setting of the Storliden mine is considered to have some similarities to the Adak area.

Significantly, the Skelleftea area is host to over 20 known VMS deposits with several still operating. Boliden also operates the nearby Boliden copper concentrator and the Ronnskar Smelter.

Given the obvious prospectivity of the region, during the Quarter Avalon moved quickly to expand on its landholdings at Adak by making applications for the immediate area surrounding Adak taking the Company's total landholding to 86.14km<sup>2</sup>.

**Diagram 4: Regional Geology after Swedish Geological Survey**

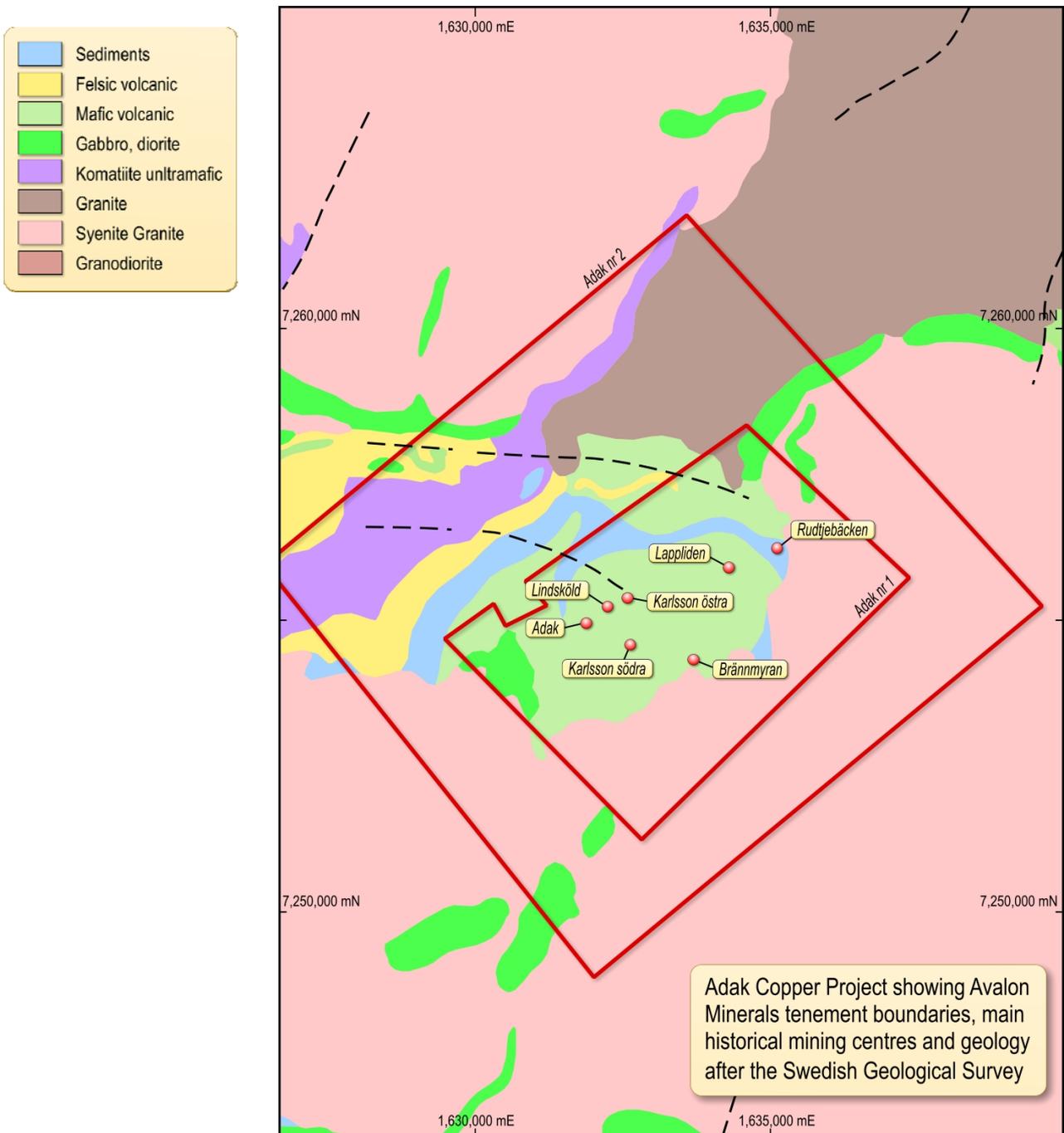


Avalon's attraction to Adak is based on the exploration potential surrounding the existing mines and at depth, and its strategic location within trucking distance of existing concentration facilities.

The Company considers Adak to be an exciting brownfields project in an active mining district acquired on very reasonable terms.

It is noteworthy that the Adak project has not been subject to any substantial exploration since the closure of the mine in 1977 as a result of a fire and low prevailing copper prices.

**Diagram 4: Adak historical mine locations**



The Company plans to conduct an airborne electromagnetic (VTEM) geophysical survey at Adak during the June Quarter and considers that the application of modern EM to the Adak Project will be an invaluable tool in the generation of new targets for drill testing in 2008.

In addition, Avalon is compiling an extensive database of hundreds of historical drillhole records with copper and zinc assays, which are stored in the archives of the Swedish Geological Survey (SGU) in Mala.

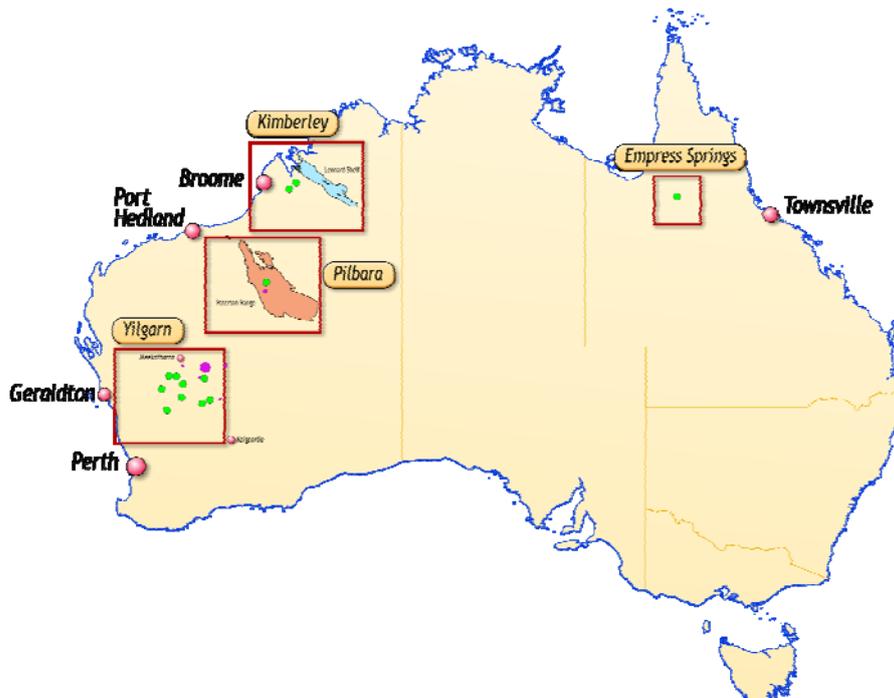
Digital capture of an extensive set of mine closure plans also allows comparison of the drill-defined mineralisation with un-mined zones of copper and zinc. This comparison, along with the airborne EM, will enable Avalon to rank and select priority targets for drilling.

### **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.

### **AUSTRALIAN PROJECTS**



*Diagram 6: Australian project locations*



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## **WESTERN AUSTRALIA**

### ***Lennard Shelf Zinc-Lead Project – Rox Resources Earning 60%***

Avalon's 2,594km<sup>2</sup> Lennard Shelf Project, located in the acclaimed Lennard Shelf zinc province in the East Kimberley region of Western Australia, encompasses a number of advanced zinc exploration targets, including the Oscar Range, Barramundi and Lawford Projects. Exploration activities at the Lennard Shelf project will commence following the completion of the relevant heritage surveys due to commence in May 2008.

### ***Resource Properties Pty Ltd (RPPL) ELA's – Uranium***

Avalon holds a total of 13 applications for exploration licences comprising 11 ELA's in proven uranium districts in the Yilgarn region of Western Australia – which are considered prospective for calcrete-hosted uranium mineralisation – and two uranium prospects in the Kimberley region which are considered prospective for roll-front styled uranium deposits.

As a result of the acquisition of the Swedish projects, the Company has decided to divest its uranium portfolio either through a spin-off of Resource Properties Pty Ltd or through a trade sale. Opportunities in this regard are currently being evaluated.

### ***Marloo Project – Avalon 100%***

The Marloo Project, covering seven exploration application licences over an area of some 900km<sup>2</sup>, forms part of Avalon's three Paterson Projects in Western Australia's mineral-rich Pilbara region. The project area is located 40km south of the 180 million tonne Nifty Copper Mine and 40km west of Rio Tinto's unconformity-styled Kintyre uranium deposit (25,000 tonnes @ 4% U<sub>3</sub>O<sub>8</sub>).

During the quarter, Southern Geoscience completed a review of all previous geophysical targets. One particularly strong Geotem anomaly 1.5km in strike length stands out and warrants follow-up by surface sampling, geophysics and drill testing.

As a result of the acquisition of the Swedish copper projects the Company has decided to seek a joint venture partner for the Marloo Project and the other two projects in the Paterson Province.

## **QUEENSLAND**

### ***Empress Springs – Gold, Uranium and Base Metals – Avalon 70%***

In 2007, Avalon entered into a Joint Venture agreement with ASX-listed nickel producer, Independence Group NL, to earn a 70% interest in the Empress Springs gold, base metals and uranium project in North Queensland.

The project, located 40km south of Croydon, comprises one granted EPM (15416) and one application EPM (15414) which together cover a total area of 833km<sup>2</sup>.

The project is situated within a well-known gold producing region with historical production of 750,000oz at Croydon and near the more recent discovery by Gold Aura Ltd of polymetallic mineralisation at Wallabadah, located 30 km north of Croydon.



During the Quarter, Avalon conducted a field program of MMI soil and geobotanical sampling over some of the targets - previously identified by SRK within EPM 15416 - to assist in defining drill targets. The samples were delivered to laboratories in Perth and two large coincident polymetallic geochemical anomalies T1 & T2 (2150m and 5250m in length) were confirmed by both geochemical methods.

Further MMI and geobotanical sampling is planned to both infill and extend coverage within EPM15416 and on to EPM15414. Bedrock geochemical drilling and geophysical mapping is proposed to assist with better definition of drill targets.

## **CORPORATE**

During the quarter the Company raised \$1.023M by the placement of 6.6 million new ordinary shares in the capital of the Company to clients of Montagu Stockbrokers representing 15% of the issued capital. The funds will be applied to the ongoing exploration and feasibility studies.

- Avalon has 413 shareholders with the Top 20 holding 63.47% of the Company.
- The company has \$1.3 million cash on hand.

A blue ink signature of David McSweeney, consisting of several overlapping loops and a long horizontal stroke extending to the right.

David McSweeney  
Executive Chairman

### *Competent Persons Statements*

*The information in this report relates to Exploration information reviewed by Mr Geoff Hewlett MSc DIC MAIG who is a Member of the Australasian Institute of Mining and Metallurgy and is the company's Exploration Manager. Mr Hewlett has over 30 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".*

- ENDS -

**Released by:**  
Nicholas Read/Jason Cunningham  
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**On behalf of:**  
Mr David McSweeney  
Managing Director & 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 strategy for achieving this objective is to acquire advanced resource projects with the potential for early cash flow.

Avalon's aim is to explore its current portfolio of copper, zinc and uranium assets in its own right and with the use of joint ventures, whilst expanding its portfolio in Australia and overseas.

# 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")

March 2008

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9... months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(691)	(1,354)
(b) development		
(c) production		
(d) administration	(106)	(480)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	29	111
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(768)</b>	<b>(1,723)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	(100)
(b)equity investments		
(c) other fixed assets	(1)	(75)
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)	-	39
<b>Net investing cash flows</b>	<b>(1)</b>	<b>(136)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(769)</b>	<b>(1,859)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(769)	(1,859)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		
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 (provide details if material)		
	<b>Net financing cash flows</b>		
	<b>Net increase (decrease) in cash held</b>	(769)	(1,859)
1.20	Cash at beginning of quarter/year to date	2,054	3,144
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	1,285	1,285

**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	99
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors fees and superannuation

**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

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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

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**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		

+ See chapter 19 for defined terms.

3.2 Credit standby arrangements		
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### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	350
4.2	Development	
<b>Total</b>		<b>350</b>

### 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	1,285	2,054
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)		<b>1,285</b>	<b>2,054</b>

### 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			
6.2	Interests in mining tenements acquired or increased	E29/665 E57/691 Adak No 1 Adak Domarseinaset Adak Branntrask Viscaria 101 Viscaria 102 Viscaria 103		100% 100% 100% 100% 100% 100% 100%

+ 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 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	44,000,000	35,438,750		
7.4 Changes during quarter (a) Increases through end of restriction period (b) Decreases through returns of capital, buy-backs		10,406,250		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	5,400,000 5,600,000 800,000 950,000 125,000 125,000		<b>Exercise Price</b> 20 cents 40 cents 20 cents 40 cents 25 cents 40 cents	<b>Expiry Date</b> 10/02/2010 10/02/2009 31/01/2010 31/01/2010 31/01/2010 31/01/2010
7.8 Issued during quarter	125,000 125,000		25 cents 40 cents	31/01/2010 31/01/2010
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> ( <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 *(delete one)* give a true and fair view of the matters disclosed.

Sign here: ..... Date: .. 30/04/08  
 (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.