



ASX/Media Release

29 July 2009

## AVALON MINERALS LTD JUNE 2009 QUARTERLY REPORT

### HIGHLIGHTS

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

- **Maiden Reverse Circulation (“RC”) drilling exploration program commences at the Bahpagobba EM anomaly**
- **Initial infill drilling program at the ‘D’ Zone (2.5mt @ 1.6%Cu) scheduled to commence in the September Quarter**
- **Upcoming 1,000m deep diamond hole planned to test down plunge potential of ‘A’ Zone south (8.2mt @ 2.7% Cu)**
- **Avalon lists on the Frankfurt Exchange**
- **Geologist, Louise Lindskog, appointed on a full-time basis to manage the Company’s resource modelling and databases in the Perth office.**

Avalon Minerals Ltd  
ABN 68 123 184 412

Suite 2  
2 Richardson Street  
WEST PERTH WA 6005

PO Box 165  
WEST PERTH WA 6872

Telephone: +61 8 93222752  
Facsimile: +61 8 93222827

Email: [david@avalonminerals.com.au](mailto:david@avalonminerals.com.au)

Web: [www.avalonminerals.com.au](http://www.avalonminerals.com.au)

#### **ASX Code:** AVI

87.5 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  
514,400t tonnes of copper metal**



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## **SWEDISH PROJECTS**

### **Viscaria 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 in the region.

#### ***Viscaria Development Strategy***

**Avalon is committed to the following strategy designed to re-establish by 2012 new copper mining operations producing 10,000tpa at Viscaria:**

1. Establishing open-cut resources at the Viscaria 'D' Zone and A Zone South deposits and additional underground resources at 'A' Zone South sufficient to support a 10 year mine life;
2. Establishing new zones and extensions to high-grade copper mineralisation down-plunge of the 'A' Zone South;
3. Simultaneously completing Feasibility Studies into a stand-alone and or toll treatment combined open-cut and underground mining operation at Viscaria; and
4. Applying for a Mining Concession at Viscaria by December 2009 including commencing the Environmental Impact Assessment (EIA) process.

#### ***Drilling Program***

##### ***Bahpagobba EM Target***

An initial program of 3,500m of Reverse Circulation ("RC") and diamond drilling began in May 2009 and comprises a combination of exploration and resource drilling in and around Viscaria. The program has initially targeted the Bahpagobba EM anomaly, approximately 500 metres north of the 'A' Zone North underground mine where geophysical consultants, Southern Geoscience had interpreted the potential for 3 conductors.

A number of historical drill holes in the Bahpagobba area have reported copper mineralisation in the projected northern extension of the 'A' Zone North. They include an intersection of 9m at 4% Cu (D 2216) from 76m further supporting the basis and support for drill testing the 3 Bahpagobba EM conductor anomalies.

The Company has appointed Kiruna based drillers, Styrod Arctic AB, to carry out the initial RC drilling program and SMOY of Finland have been appointed to carry out down-hole EM surveys of these holes. At the time of writing this report, the Company had completed 6 RC holes to a maximum depth of 250 metres to test the first and second conductors.

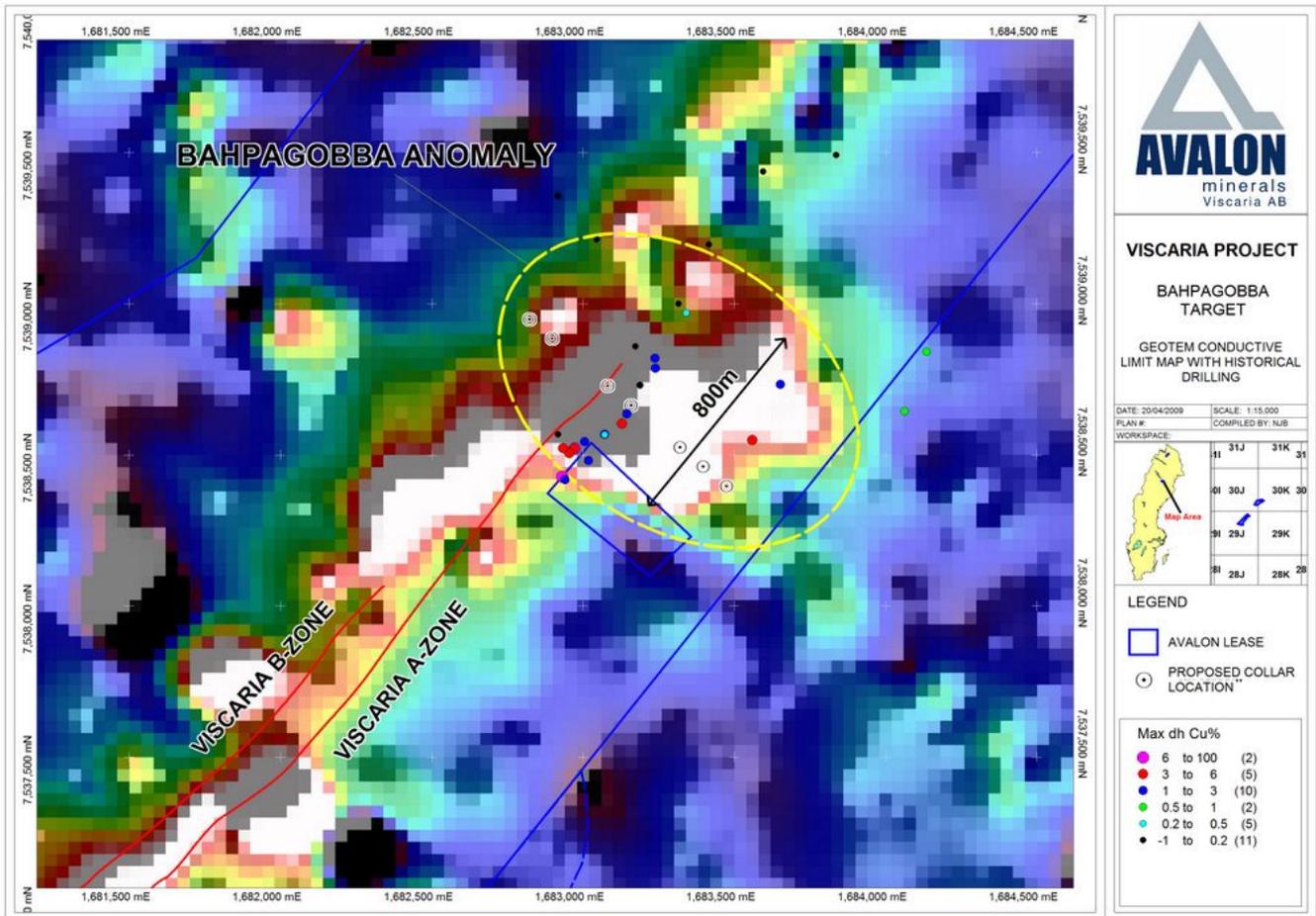
The down-hole EM survey detected the presence of at least one off-hole conductor 50 metres north of the first conductor. The first conductor was further tested with the completion of the 6<sup>th</sup> hole.

Samples from the first 6 holes have been collected and sent to the laboratory for assaying.

Further drilling of the Bahpagobba targets await the outcome of a review by the Company's geophysicists, Southern Geoscience, of all assays and down-hole EM surveys.

The current drilling program has demonstrated the benefits of the location of the Viscaria Copper Project in close proximity to the town of Kiruna with all drillers, offsidors and the majority of suppliers being cost-effectively sourced locally.

**Figure 1 – Bahpagobba EM Exploration Target 500m North of 'A' Zone**



**The 'A' Zone South and 'D' Zone Open Cut Infill Drilling Programs**

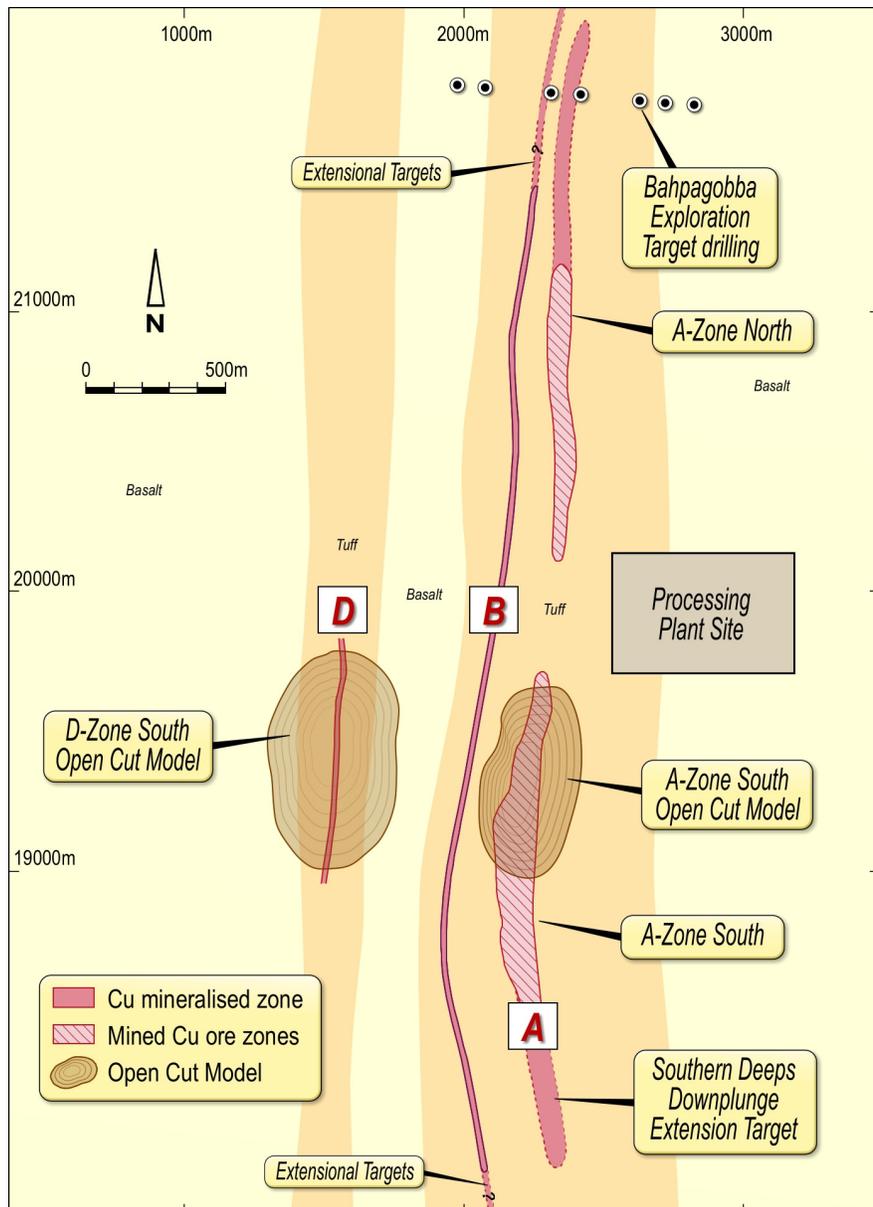
As part of the Company's development plans and Feasibility Studies, Avalon has identified the potential to delineate for open-cut resources in both the 'D' Zone and the 'A' Zone South from historical drilling carried out by previous project operator, Outokumpu.

Initial open pit modelling of both the 'A' Zone South and the 'D' Zone resources demonstrates that potential exists for the delineation of a resource of approximately 1.5 million tonnes at 1.5% Cu that would be amenable to open-cut mining operations.

The open-cut material in both the 'D' Zone and the 'A' Zone south provides the Company with an excellent opportunity to stage the re-opening of the Viscaria copper mine as an open-cut mine for at least the first 2 to 3 years of production. This would provide Avalon with a quicker and cheaper path to production along with cashflow ahead of the de-watering and refurbishment of the main decline to access new and remnant lodes within the 'A' Zone.

As part of the Company's staged approach to the Viscaria feasibility plans, an initial infill drilling program at the 'D' Zone is planned to commence in the September Quarter.

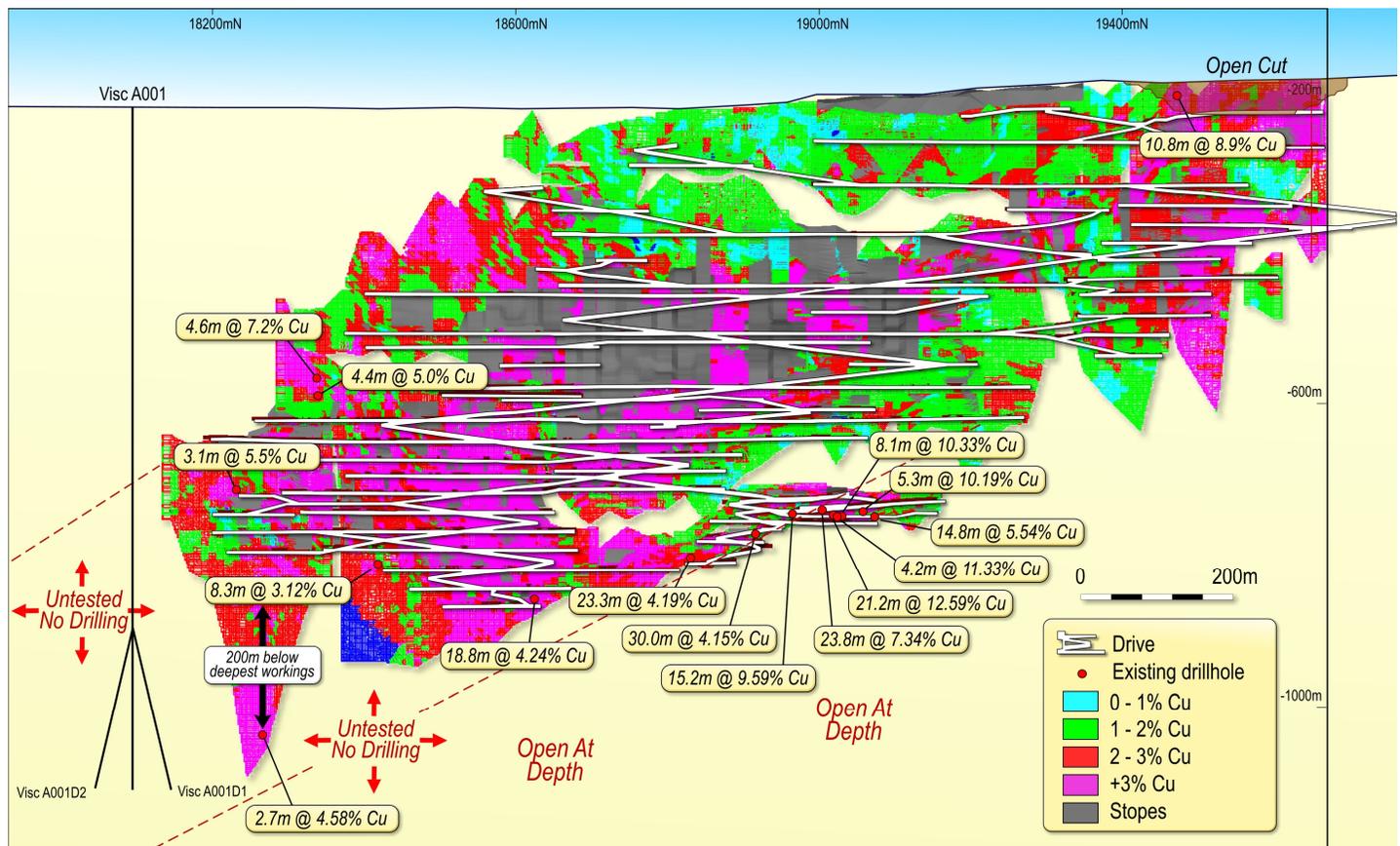
**Figure 2 'D' Zone and 'A' Zone South Potential Open Cuts-**



### 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 commonly greater than 3% Cu, with widths greater than 8 metres over considerable strike lengths.

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



Avalon plans to drill one mother hole (Visc A001 - 950m) and four daughter holes for a total of 1,890m. The initial drilling (mother hole) will take place 100m south of the nearest underground workings and is aiming to intercept the mineralised zone between 850m and 900m downhole. The additional drilling (daughter holes) will be drilled 50m 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, to support the base case development scenario outlined above.

The Company is conducting studies into the cost of de-watering and refurbishing the decline with various mining consultants in Australia and in Sweden. In addition the Company is preparing a submission for an application for a mining concession.



### ***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 @ 0.8% Cu)***

The 'B' Zone, although lower in grade than the other zones at Viscaria, is just 200 metres east of the 'A' Zone. A decline was extended from the 'A' Zone North 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 from the existing 'A' Zone South resource model.

#### ***Regional***

Avalon controls over 200km<sup>2</sup> 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.

### ***Overview & Location***

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 copper concentrate specifications averaged:

Cu	25%
Fe	20%
Zn	3.3%
Ag	40g/t
Au	.5g/t

Given the evidence of zinc and precious metals in the Viscaria concentrate, it is unusual that the previous operation only analysed 10% of the historical drill holes for gold and 20% for zinc. Avalon has identified several areas at Viscaria with potential for higher zinc and precious metals credits.

At the time of its closure, the spot copper price was approximately US\$1.00/lb compared to a price of approximately US\$2.00/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.



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Viscaria is 80 kilometres north of Europe's largest open cut mine, the Aitik copper mine (18mt/annum @ 0.3% Cu) which is owned by Boliden and currently being expanded to 35mt/annum @ 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**

### ***Overview and Location***

The Adak copper project contains five historical mines – **Adak, Lindskold, Brannmyran, Karlsson and Rudtjebacken** – covering an area of 26.71km<sup>2</sup>, 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 @ 1.5% Cu including 6.3mt @ 2.02% Cu from the Adak field and 4.75mt @ 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**

Avalon Minerals Ltd completed a Non-Renounceable Entitlement Issue during the June quarter.

At the close, entitlements totalling 18,708,791 were received of the total of 21,873,333 on offer under the Prospectus dated 6 May 2009. This represented a take up of 85.5% by the shareholders.

The balance of the shares on offer, being 3,164,542, were placed with the underwriters to raise on completion of the Issue total of \$1,093,667.

During the Quarter the Company appointed experienced geologist, Louise Lindskog. Louise is in the Perth office on a full time basis and will be responsible for all technical databases and resource and geological modelling.

During the Quarter Avalon appointed German Investor Relations Consultant, Mr Georg Hochwimmer, to represent Avalon in Europe. Subsequent to the end of the Quarter Avalon listed on the Frankfurt Exchange to facilitate trading and investment by German investors.



### **Competent Persons Statements**

*The information in this "ASX Announcement" relating to in-situ Mineral Resources at the Viscaria deposit has been based on information compiled by Paddy Reidy BSc (Hons. Geology) of CSA Global Pty Ltd. Paddy Reidy is a Member of the Australasian Institute of Mining and Metallurgy, and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'(JORC Code 2004 Edition). Paddy Reidy consents to the inclusion of such information in this "ASX Announcement" in the form and context in which they appear.*

- ENDS -

**Released by:**  
**Nicholas Read/Jason Cunningham**  
**Read Corporate**  
**Telephone: +61 (0)8 9388 1474**

**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 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")

June 2009

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (...12... months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(178)	(1,444)
(b) development	-	-
(c) production	-	-
(d) administration	(125)	(792)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	9	44
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (Security Deposit)	(174)	(100)
<b>Net Operating Cash Flows</b>	<b>(468)</b>	<b>(2,292)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	(1)
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	(36)
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>(37)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(468)</b>	<b>(2,329)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(468)	(2,329)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	1,094	2,746
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	(65)	(130)
	<b>Net financing cash flows</b>	1,029	2,616
	<b>Net increase (decrease) in cash held</b>	561	287
1.20	Cash at beginning of quarter/year to date	1,184	1,458
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	1,745	1,745

**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

Directors fees and superannuation
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**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

+ 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	300
4.2	Development	
<b>Total</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	1,745	1,184
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>		1,745	1,184

**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	E45/2830	Surrendered	100%	0%
		E45/2831	Surrendered	100%	0%
		E45/2832	Surrendered	100%	0%
		E45/2872	Surrendered	100%	0%
		E20/665	Surrendered	100%	0%
		E58/347	Surrendered	100%	0%
		E58/348	Surrendered	100%	0%
6.2	Interests in mining tenements acquired or increased	Viscaria 104	Granted	0%	100%
		Viscaria 105	Granted	0%	100%
		Viscaria 106	Granted	0%	100%
		Viscaria No 1	Granted	0%	100%
		Viscaria No 2	Granted	0%	100%
		Viscaria No 3	Granted	0%	100%
		Adak No 2	Granted	0%	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>	87,493,333	87,493,333		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	21,873,333	21,873,333	5 cents	5 cents
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>	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 <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 give a true and fair view of the matters disclosed.

Sign here: ..... Date: ...29 July 2009  
(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.