



ASX/Media Release

28 October 2010

AVALON MINERALS SEPTEMBER 2010 QUARTERLY REPORT

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ASX Code: AVI
152.3 million shares
1.9 million unlisted options

Directors

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

Mineral Resources:

'A' Zone: 17.3mt @ 1.84% Cu
'B' Zone: 27.4mt @ 0.73% Cu
'D' Zone: 9.0mt @ 0.55% Cu
and 27% Fe
Tailings Dam: 12.5mt @ 0.25% Cu

For a total of 66.2mt @ 0.9% Cu and
600,000 tonnes of copper metal

HIGHLIGHTS

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

- Resources upgraded to 66.2Mt @ 0.9 % Cu containing 600,000 tonnes of Copper.
- Pre-Feasibility Study complete showing Base Case 1.5Mtpa and 3.0Mtpa outputs are viable and financially attractive.
- Development Case over 10 years involving additional discoveries at D Zone improves financial outcomes of the project.
- Metallurgical test work demonstrates that saleable quality copper concentrate and outstanding quality magnetite concentrate can be produced from the project.
- Bankable Feasibility Study at 3.0Mtpa commenced based on A, B and D Zones.
- Discussions with potential customers commenced.

Corporate

- Placement of 20M shares to raise \$3.2 million to commence Bankable Feasibility Study on Viscaria Cu-Fe Project.
- A\$4.2M Consolidated Cash Reserves at 30 September 2010



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.

Resources

During the quarter the Resource Estimates for the Viscaria Copper Iron Project were updated following the completion of previous drilling campaigns at A Zone, B Zone and D Zone. In addition, a large volume of additional data mostly in the historical A and B Zone areas has been added to the database.

New geological interpretations and mineralised wireframes were created for all zones.

Resource Estimates were conducted for A Zone by Ria Brabham, assisted by Optiro Geological Consultants. CSA Global undertook Resource Estimates on B and D Zone.

Resource Estimates are summarised in Tables 1-4 below, collated by mineralisation style and detailed in the ASX announcement of 1 October by the company. Locations of the Resources are illustrated in Figure 1.

Table 1 – 2010 A Zone Resource Classification

Classification	Tonnes (Mt)	Cu Grade %	Cu Metal ('000t)
Measured	6.7	2.47	165
Indicated	4.1	1.76	73
Inferred	6.5	1.24	80
Subtotal 1	7.3	1.84	318

Table 2 – 2010 B Zone Resource Estimate

Classification	Tonnes (Mt)	Cu Grade %	Cu Metal ('000t)
Inferred	27.4	0.73	200

Table 3 – 2010 Tailings Dam Resource Estimate

Classification	Tonnes (Mt)	Grade %				Contained Metal	
		Cu	Zn	S	Fe	Cu ('000t)	Zn ('000t)
Inferred	12.5	0.27	0.22	1.48	12.8	34	27



Table 4 – 2010 Resource Estimates Skarn

Zone	Classification	Tonnes (Mt)	Cu Grade %	Fe Grade %	Cu Metal ('000t)	Fe Metal ('000t)
D	Inferred	9.0	0.55	26.9	49	2415

The Resources currently total in excess of 66.2 million tonnes of both VMS and Skarn type mineralisation for 601,000 tonnes of contained copper and 2.4 million tonnes of contained iron.

Viscaria Pre-Feasibility Study

During the quarter, Avalon completed the Pre-Feasibility Study (PFS) of the Viscaria Copper-Iron Project. Refer to the ASX announcement of 12 October 2010 for details.

The outcomes of the PFS included:

- Confirmation of the technical and financial viability of the project
- Estimates of production, cost and investment in the:
 - Base Case at either 1.5Mtpa for 10 years or 3.0Mtpa for 5 years
 - Development Case at 3.0Mtpa for 10 years, where additional exploration is successful at D Zone
- Schedule of works which estimates construction commencement in 2012 and production and sales commencement in 2013.
- A recommendation to move to Bankable Feasibility Study (BFS) on the project at the rate of 3.0Mtpa.

The Board of Avalon Minerals Ltd agreed to commence the BFS as recommended, and work has commenced on the project; particularly in the preparation for the commencement of drilling at D Zone and D Zone South.

Work has already commenced on a number of fronts which will form part of the Viscaria BFS including:

- Application for the Mining Exploitation Concession
- Consultation meetings with affected parties
- Environmental approval Baseline Data collection
- Technical evaluation of the proposed Tailings Dam site
- Discussions with potential concentrate customers

Progress of many aspects of the project will be reported in future quarterly reports.

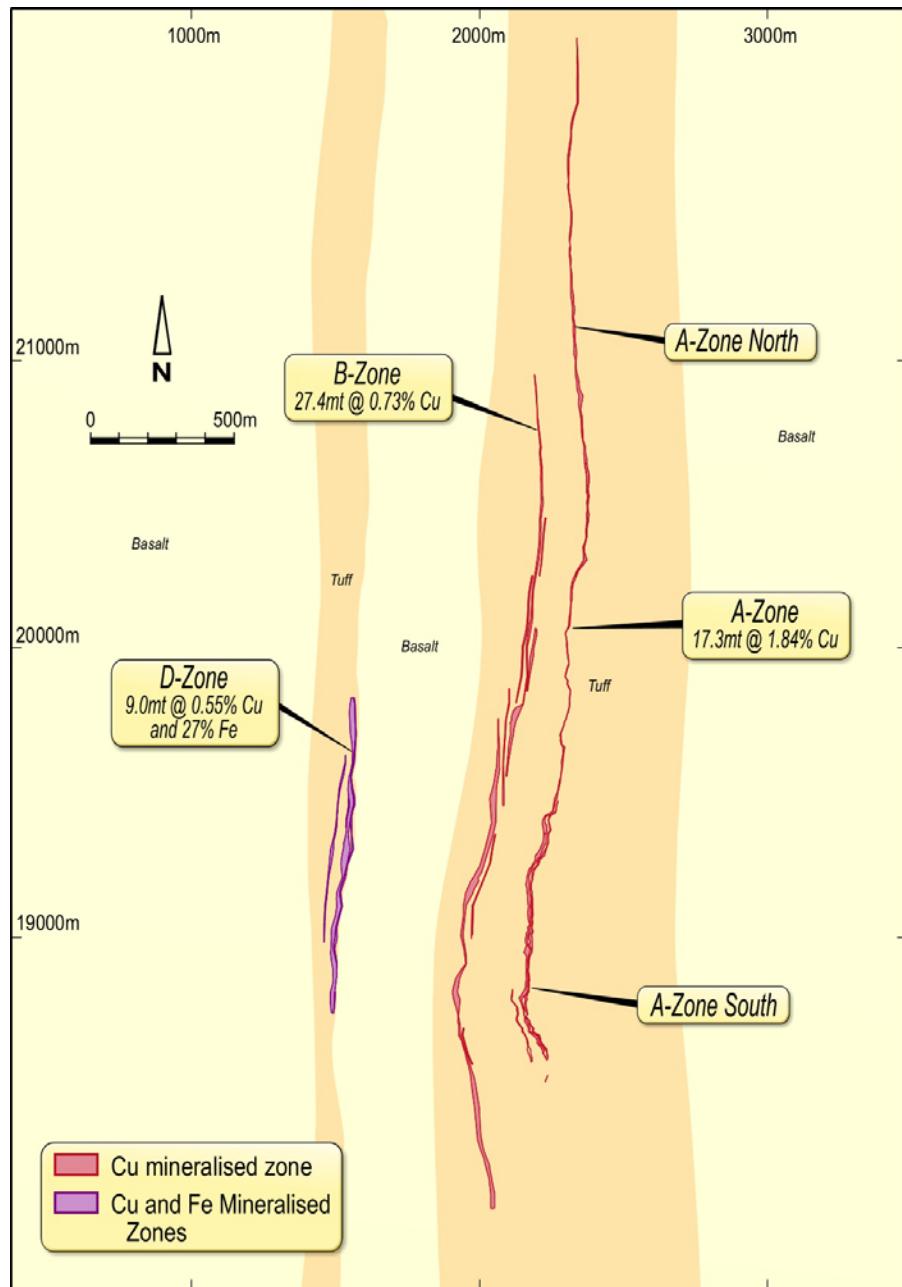


Figure 1 – Location of Viscaria Cu-Fe Resources



Exploration

During the June quarter 2010, Avalon applied for five exploration permits covering prospective geological terrain, mostly to the north of Viscaria. See Figure 2. The areas under application are prospective for Copper and Iron mineralisation.

During the September quarter, all applications were approved and Avalon has commenced initial ground based exploration for the project areas.

The applications totalled 423km² of ground in addition to the Viscaria tenure and exploration will commence fully in the December quarter.

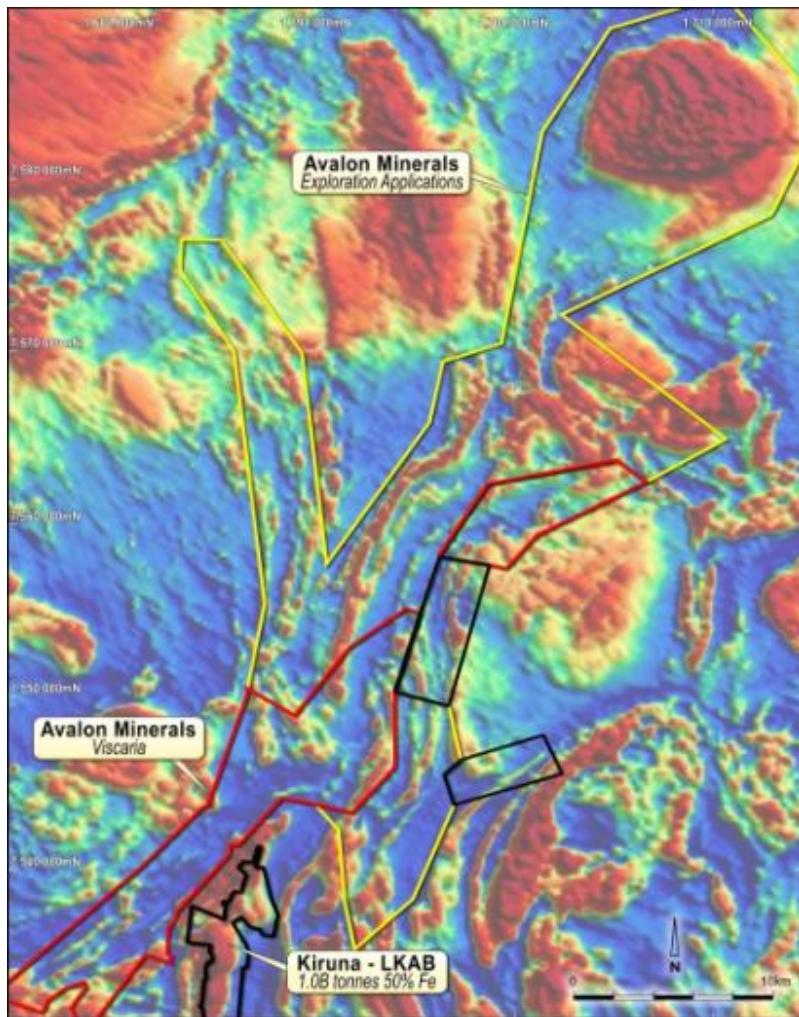


Figure 2: Magnetics and Tenement Application Viscaria Area



Adak Copper-Zinc Project

The Adak copper project contains five historical mines – **Adak, Lindskold, Brannmyran, Karlsson (the Adak Dome Mines) and Ruditjebacken** – covering an area of 26.71km², located in the world-class Skellefteå 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 Ruditjebacken.

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

Capital Raising

At a General Meeting of the company on 22 September 2010, Avalon shareholders approved the issue of 20 million shares at \$0.16/share to raise \$3.2million. The issue of shares went to professional and sophisticated investors and including Directors and Management of the company.

The funds raised will be used to commence the Bankable Feasibility Study of the Viscaria Project. Refer to ASX announcements on 22 September for details.

Cash Resources

At 30 September, the Consolidated Entity had cash reserves of \$4.1million.

Avalon has no corporate debt

Shareholder Information

At 30 September, the company has 152, 276, 952 shares on issue and 596 shareholders. The top 20 Shareholders held 62.38% of the company.



Competent Person's Statement

The information in this report that relates to A Zone and Tailings Dam 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.

The Mineral Resource estimate for B Zone and D Zone has been compiled and prepared by Mr. David Williams (MAusIMM, MAIG) of CSA Global Pty. Ltd. who is a Competent Person as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2004 Edition and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

- ENDS -

Released by:

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On behalf of:

**Mr David McSweeney
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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 JORC Code Compliant Measured, Indicated and Inferred copper resource has been defined.

This resource is comprised of:

- 17.3 million tonnes @ 1.84% Cu at the 'A' Zone;
- 27.4 million tonnes @ 0.73% Cu at the 'B' Zone;
- 9.0 million tonnes @ 0.55% Cu AND 27% Fe at the 'D' Zone; and
- 12.5 million tonnes @ 0.25% Cu and 0.27 Zn at the Tailings Dam

These resources combined total 601,000 tonnes of contained copper, and 2.4 million tonnes of contained iron.

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 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\$3.50/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 (35mt/annum at 0.3% Cu) which is owned by Boliden.

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).