

MEDIA CLIPPING

Publication: High Grade

Page: Online

Date: 15 August 2012

PPR

Professional Public Relations Pty Ltd
588 Hay Street
Subiaco WA 6008 Australia
Phone +61 8 9388 0944
Fax +61 8 9388 0933
perth.reception@ppr.com.au
www.ppr.com.au

ABN 16 001 045 450

EUROPE

Fri 17/08/2012

Clear case of value in numbers

Michael Quinn, 15 August 2012



Avalon is crunching the numbers on combined openpit and underground developments, a scenario not previously considered

CLARITY of message underpinned by a viable strategy would seem key factors needed for success in the resources equity space. Avalon Minerals would appear to have both, as well as a third important foundation for success, excellence of execution.

Avalon's managing director Jeremy Read took the helm of the company's board earlier this year and the strategy outlined since for the company's Viscaria copper project in northern Sweden resonates as both logical and achievable. Indeed it's rather compelling.

Simply, significant value can be added to Viscaria's current NPV via relatively low-risk exploration successfully targeting extensions to the current resources. Previous exploration has

already indicated extensions are on the cards and Read is not talking massive increases in resources in any case. For example, a 25% increase in the high-grade, Zone A resource boosts Viscaria's \$US170 million NPV by between \$US50 million and \$US100 million. (Ultimately Avalon believes the opportunity is there to double the high-grade resource).

Add in the iron-copper extensions seen at Zone D and a total increase to NPV of between \$US80 million and \$US150 million is seen as being initially on the cards, with regional exploration to also take place in the background in a region where most work has focused on the iron potential on account of the mainstay, 120-year-old mine in the area.

Read said this week the company was "pretty confident" of significantly boosting Viscaria's NPV.

And given Read and his trusty sidekick, exploration manager Dr Quinton Hills, have already enjoyed strong success at both Discovery Metals and Meridian Minerals in recent years that confidence can't be discounted. Hills' expertise in structural geology is seen as particularly important for the exploration push at Viscaria, according to Read.

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In terms of future development, Viscaria will benefit from the established mining and culture infrastructure in this part of the world, including power priced at an extremely attractive US3ckw/hr and a tailings dam from the previous operation (which closed when copper was down in the doldrums in the 90s) with remaining capacity for a couple of years of processing.

Read and his team will also be crunching the numbers on combined openpit and underground developments, a scenario

not previously considered.

As with Read and Hills' recent stint with Meridian and that company's Lennard Shelf project, the clear aim is to demonstrate the economic viability of Viscaria.

At which point the company will select a route that maximises returns for shareholders. And this, as Read emphasised, is not necessarily the same as Avalon becoming a mining company!

Building value, not necessarily mines per se, in other words.

And building that shareholder value by a "minimum of 500% in 2-4 years".

It doesn't get much clearer than that!