



## Avalon Minerals Ltd AVI Swedish Copper Mine Redevelopment

### Investment Drivers

- Avalon has made a low cost entry into the Swedish mining industry, buying a copper mine redevelopment project with significant additional exploration appeal at Viscaria as well as an exploration project at Adak.
- A low copper price forced closure of the Viscaria mine in 1997. The deposit shows substantial continuation along strike and at depth, with Inferred Resources estimated to contain over 500,000 tonnes of copper plus gold, adjacent to developed mine access. High grade zones have been identified, averaging around 3% copper, within a resource, grading 1.3% copper.
- When funding is available, the company will drill near surface development targets, with the aim of establishing open pit and shallow underground mining reserves. Recently acquired geophysical survey data indicates 20 km of prospective terrain along strike and has identified several exploration targets, close to existing workings.
- The project is well located to infrastructure, near a regional city in Sweden's north. The mine is serviced by low cost power and rail, linking it to nearby smelters.
- The company has established a high calibre team of consultants, with experience in the region, who will guide a project feasibility study during 2009.

#### AVI - Capital Structure

Shares	52.1 m.
Options	11.8 m. @ Av 32 ct
Post Issue Cash (est)	\$ 2.6 m.
Price	\$ 0.135
Market Cap	\$ 7.0 m.

#### Major Shareholders

Directors & M'gmt	14.9%
Sinom Gp	2.9%

### Share Price



### Opinion\*

Sweden is a mining friendly country with excellent access to skills and a favourable fiscal regime. Avalon aims to commence work by mining an estimated 1.5 million tonnes of shallow open pit resources grading 1.5% copper, while dewatering the mine to gain access to remnant orebody sections. The company is well positioned to produce 10-15,000 tpa of copper in concentrate by 2011.

Low cost re-development is possible using second-hand equipment. The project offers its new owners potential to substantially expand its scope through exploration, incorporating new regional geophysical data.

Peter Strachan.

\*No recommendation is offered for commissioned research.

### Directors

- David McSweeney **Executive Chairman**
- Stephen Stone **Non-Exec Director**
- Gary Steinepreis **Non-Exec Director**
- Des Kelly **Company Secretary**

### Avalon's Swedish Project Locations



Source: Avalon Resources

## Introduction

Copper focus in Sweden

Avalon listed in early 2007 with a portfolio of Western Australian exploration assets. In March 2008, the company negotiated to purchase the Viscaria copper mine and the Adak exploration project from Phelps Dodge for a total of US\$420,000. The company continues compiling historical exploration and mining data from each project and has acquired additional permits surrounding its areas of interest, along with high resolution geophysical survey data over the focus permits.

## Projects

### Viscaria 100%

Re-establishing 1990's copper mine

The Viscaria copper mine is located in the north of Sweden, about 4 kilometres northwest of one of Europe's largest underground iron ore mines at the town of Kiruna. This regional centre of 25,000 people has a mining culture, good transport and services infrastructure, along with low cost power and a skilled workforce. Outokumpu operated a ~1mt pa underground mine at Viscaria for 15 years up until 1997, when a low copper price forced its closure. Total ore mined amounted to 12.5 mt grading 2.3% copper and 0.3 g/t gold, to produce a concentrate grading 25% Cu, which was sold via the nearby rail line to local and other European copper smelters.

Walk up mining targets...

Mineralisation occurs within a north-south trending tuff sequence, sandwiched between basalt layers, which sit in near vertical sequence, dipping steeply to the east. Known copper deposits extend along a strike length of about 4 kilometres of this volcanogenic sequence, but geophysical mapping and regional sampling indicates that the prospective sequence extends at least 20 kilometres along strike.

...extending underground workings & open pit potential

Mineralisation occurs in three main lines of lode. Most mining has taken place along the A Zone, which is divided into northern and southern sections, the parallel B Zone to the west of the A Zone plus the D Zone, located further west.

JORC compliant Inferred Resources are calculated as follows:

<b>A Zone South</b>	<b>8.2mt grading 2.7% Cu</b>
<b>A Zone North</b>	<b>5.1mt grading 1.2% Cu</b>
<b>B Zone</b>	<b>24mt grading 0.8% Cu</b>
<b>D Zone</b>	<b>2.5mt grading 1.6% Cu</b>

515,000 tonnes of contained copper in 40 mt of resources

Total resources of 39.9mt grading 1.3% Cu contain 515,400 tonnes of copper.

High grade open pit drill targets

Scout drilling by the previous owner, outside of the Inferred Resource to the north of the A Zone, recorded shallow intersections at commercial widths grading 2% and 5% copper, which the company intends to follow up, so as to outline mineralisation suitable for open pit extraction.

Multiple working areas to rehabilitate from existing access

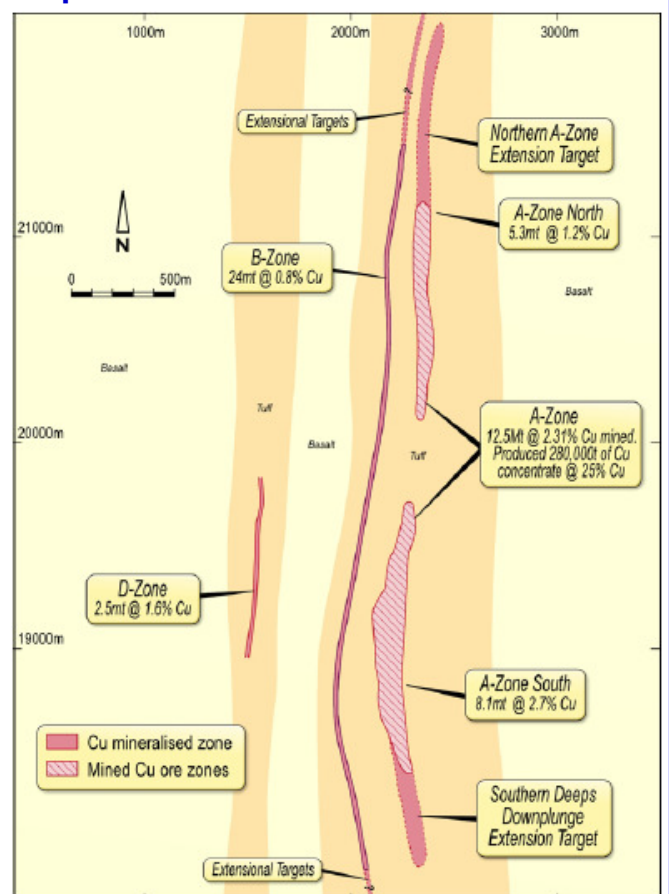
The company has inherited a comprehensive database of exploration and mining information which points to substantial tonnages of high grade remnant mineralisation, as well as extensions along strike and at depth. The long section above illustrates some of the many drill intersections outside of the stoped ore zones. Drilling results in unmined areas include:

- **2.7m @ 4.6% Cu** from 200 metres below workings.
- **6.7m @ 4.4% Cu** and
- **4.6m @ 7.2% Cu** from within the existing drive network and
- Shallow intercepts including **10.8m grading 8.9% Cu**, which point to potential for low cost open pit operations.

Mine planning & permitting underway

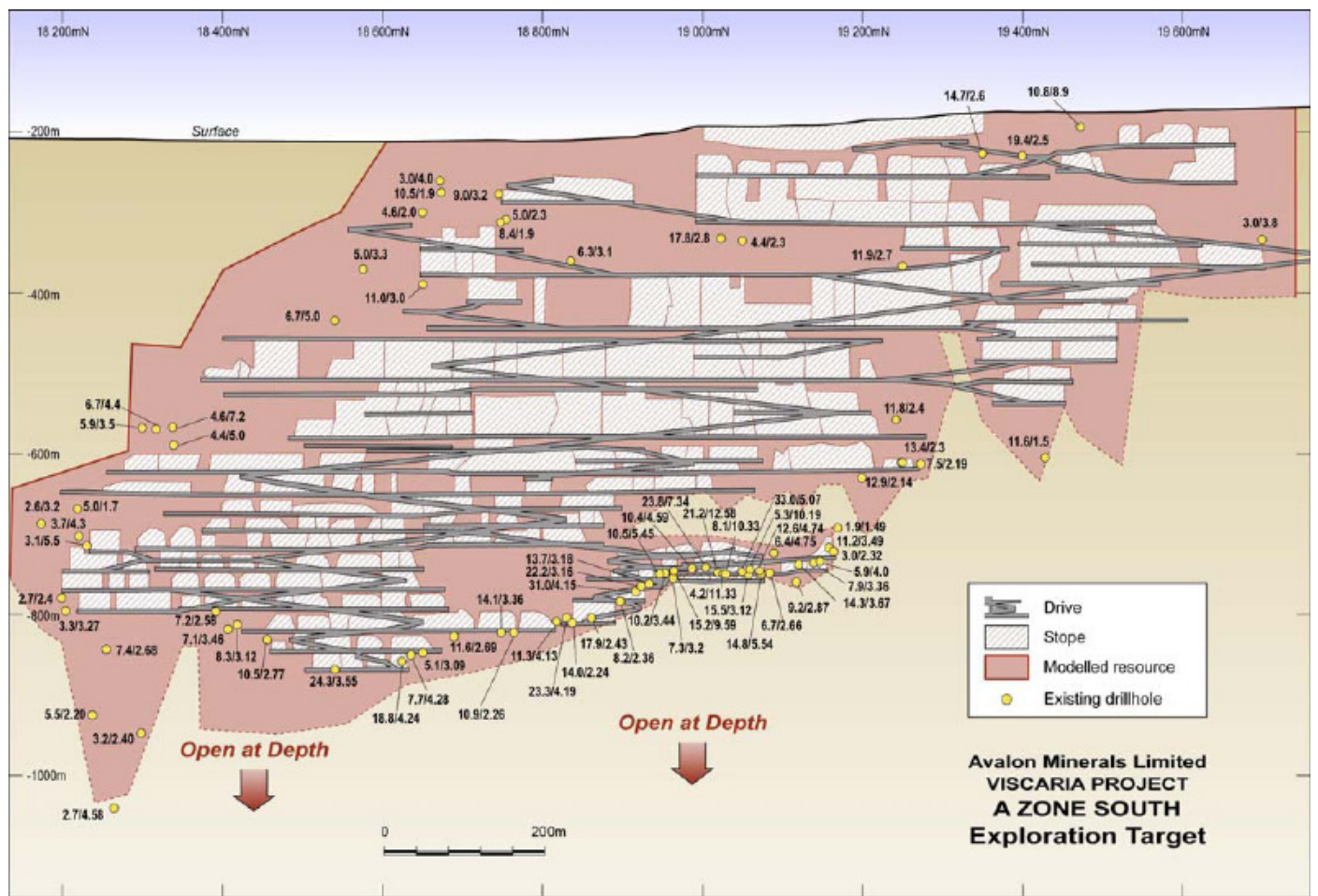
Avalon has been able to access Australian technical skills with Swedish mining and exploration experience, who now work on the company's development plans. The

Map of Main Mineralised Zones at Viscaria



Source: Avalon Minerals

### A Zone South



Source: Avalon Minerals

Processing plant being designed & costed

company is establishing potential open pit mining targets and plans to undertake an initial 5000 metres of drilling when funds are available, to confirm and expand these targets. Early estimates indicate potential for 1.5mt of open pit ore grading 1.5% Cu. In parallel, immediate underground ore targets will be established, representing early mining sites. Open pit mining could be undertaken while the existing underground workings are dewatered and services are re-established to working sites, selected for early mining. Understanding of regulations and approvals process required to begin mining has been handled by the company's local consultants. The Swedish government has been very supporting of Avalon's plans and the regulatory environment appears to be much easier to navigate than in Australia. Water in the mine appears to be neutral, so disposing of it should not present a problem.

Marketing studies underway

Avalon is also working with its consultants in Sweden to design a 500,000 tpa processing plant and has accessed second hand equipment which could be acquired, thus reducing both the timeline to production and capital costs associated with the milling and concentrating plant.

In parallel, Avalon is in discussions with smelters in Sweden to determine pricing terms and conditions for sale of Viscaria concentrate, containing 10-15,000 tpa of copper. Boliden's Ronnskar smelter is located 300 kilometres south of Viscaria, connected by rail.

A preliminary feasibility study should be completed by late 2008 and Avalon believes that it could have the mine back in production by 2011. The company's plans have been assisted by access to low cost hydro-power at just A\$0.05/kwh and an existing rail line, linking the Kiruna iron ore mine to the coast and a copper smelter. Skilled miners can be found in the town of Kiruna, just 4 km from the deposit and labour rates are reasonable, by comparison with those demanded in Australia.

### Adak Project 100%

Adak exploration project...  
...JV funding being sought

The Adak project is an exploration target within an extensive VHMS field which has so far produced 29 mines and total production of 99 million tonnes of ore. The Adak dome has historical production from 1942 until 1978 of 12 million tonnes grading 1.5% Cu, plus zinc, gold and silver credits. The company plans to joint venture this project out to a local Swedish company, so that it can retain focus on re-development at Viscaria.

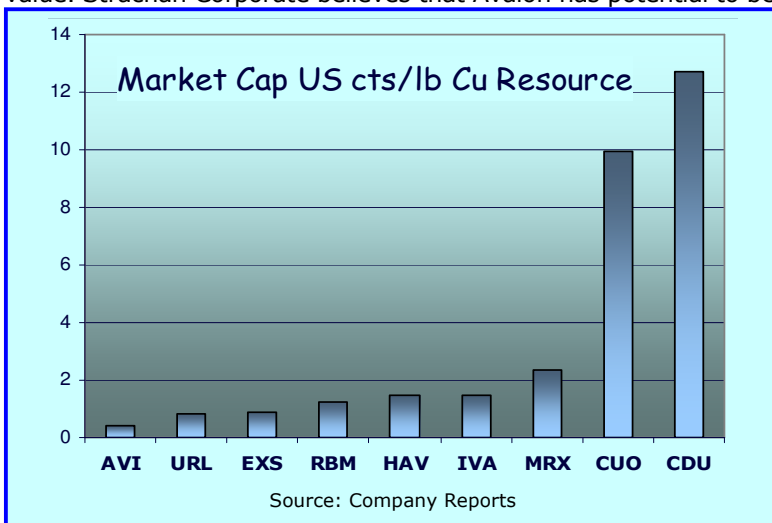
### Additional Projects

Avalon maintains a watching brief for new project generation and will progress exploration and evaluation of uranium properties in Western Australia. Funding for these activities will await better conditions for equity markets.

### Peer Group Comparison

By comparison with a peer group of copper explorers and project development companies, Avalon has a very low relative value. Strachan Corporate believes that Avalon has potential to be significantly re-rated as it moves closer to completing a feasibility study and ultimately moving into production. Exploration and evaluation drilling planned 2009, has the potential to significantly improve confidence in Avalon's resource position. Demonstration of capital and operating costs at Viscaria, via its ongoing mining and engineering feasibility study, should move Avalon up the value chart, towards the ranking achieved by producers such as CopperCo.

AVI looks cheap by comparison with its peers



### Risks

Avalon faces funding risks, associated with the fragile state of equity markets. Once funding is established, the company can move on to reduce risks associated with resource security, engineering and permitting issues as well as other technical and marketing considerations. Probably the biggest challenge facing the company in the short term is the price of copper. Avalon has an opportunity to establish a long life, moderate cost operation with an ability to survive through market cycles.

### Management

#### Executive Chairman

#### David McSweeney

David is a Lawyer with over 20 years of experience running and developing gold and iron ore mines. He has been closely involved in corporate funding and joint venture negotiations and has overseen all aspects of project development from discovery to production.

#### Non-Exec Director

#### Stephen Stone

Stephen is a geologist with 28 years of experience in exploration and corporate management.

#### Non-Exec Director

#### Gary Steinepreis

Gary is a Chartered Accountant with deep experience in corporate development and project funding. Gary is also a founding director of Ascent Capital Pty Ltd, a company formed to pursue the reconstruction and recapitalisation of existing listed companies, assist in the establishment of new businesses and support the listing of new companies.

#### Company Secretary

#### Des Kelly

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