



Directors:

ROGER STEINEPREIS
Chairman

DAVID RIEKIE
Managing Director

ANDREW GASTEVICH
Director

JOANNA KIERNAN
Company Secretary

Share Information

ASX Code: AVZ

Capital Structure*:

Issued Capital: 33.95m

Unlisted Options: 19.5

Cash: circa \$2.7

Contact Information

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20 January 2009

**QUARTERLY REPORT FOR PERIOD ENDING 31
DECEMBER 2008**

**The Board is pleased to provide the following commentary
to be read in conjunction with the Appendix 5B.**

HIGHLIGHTS:

- Extension of Share Sale Agreement with Eris Mining (Proprietary) Limited
- Notice of Intention to Grant Namibian Exploration Licences – received by Eris Mining
- Key due diligence site visit to Namibia completed

Corporate Activity

On 2 October 2008, the Company announced that it entered into a share sale agreement for the acquisition of 100% of the issued capital in Eris Mining (Proprietary) Limited (“Eris Mining”), a Namibian incorporated company which is the owner of an exclusive prospecting licence and six licence applications covering approximately 12,000 km² of what is considered highly prospective exploration tenure in Namibia (“The Eris Transaction”). The acquisition remains subject to a number of conditions to be finalised as outlined in the ASX market release, including shareholder approval.



A summary of the licences appear below:

Lease	Type	Status	Period	Target	Area (km ²)
Rhinelands					
EPL 3840	Exploration	Granted	3 Years	Copper	185
Okatumba					
EPL4129	Exploration	Pending	3 Years	Iron & base metals	1,000
Paresis					
EPL 4125	Exploration	Pending	3 years	Copper, Gold, Molybdenum	617
Hoarusib					
EPL 4126	Exploration	Pending	3 years	Base & rare metals	996
EPL 4127	Exploration	Pending	3 years	Diamonds & rare metals	990
EPL 4128	Exploration	Pending	3 years	Diamonds & rare metals	978
Outjo					
ERL 136	Reconnaissance	Pending	6 months	Polymetallic	6994

The Notice of Meeting and explanatory memorandum will be despatched on confirmation of certain key terms attaching to the licence grant and issue with the Ministry of Mines and Energy in Namibia.

As part of the Due Diligence associated with the Eris transaction, Managing Director David Riekie (accompanied by other key parties) completed a site visit to Namibia during October 2008.

In early December, Avonlea was notified by Eris that they received from the Namibian Ministry of Mines and Energy ("MME") a "Notice to Applicant of Preparedness to Grant Application for an Exclusive Prospecting Licence" for each of the 5 Exclusive Prospecting Licences ("EPL's") it has applied for EPL's 4126, 4127, 4128, and 4129. Eris is awaiting a response from the MME regarding the finalization of the conditions in respect to the grant of the licences. AVZ has negotiated an extension until 14 April 2009 with the vendors to satisfy the conditions precedent including Shareholder approval.

As announced on 21 August 2008 the Company finalised the terms of a placement to Sophisticated Investors to raise \$750,000. The Company can confirm that funds relating to the placement were received this quarter. The placement and a Managing Director Option package was ratified at a General Meeting of Shareholders, held on 8 October 2008.



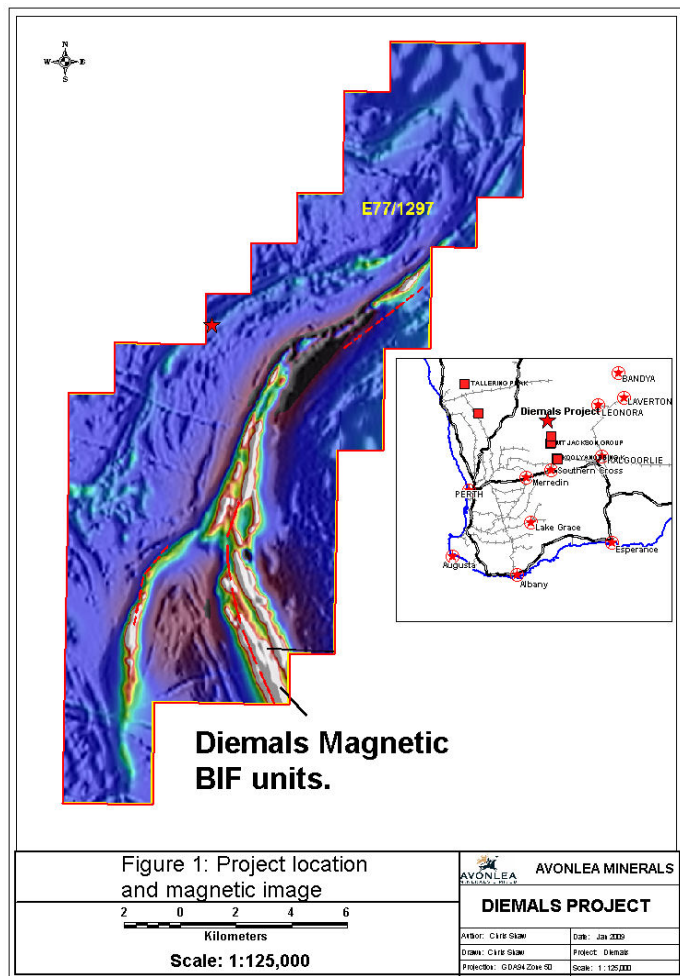
Exploration Activity

Diemals Iron Ore Project

The company’s iron ore project is located 240 kilometres north of Southern Cross in a well known iron ore producing region in Western Australia and covers approximately 200 square kilometres.

The Company previously acquired an 85% interest in the rights to Iron Ore (with 15% free carry to Bankable Feasibility Study retained by the vendors).

During the last quarter the company analysed the results of the sampling program undertaken in the previous quarter and planning has begun for additional testing of the magnetic banded iron formation (BIF) units; the focus of the Company’s interest in this region. The Company is currently considering both exploration and corporate options.





Wentworth

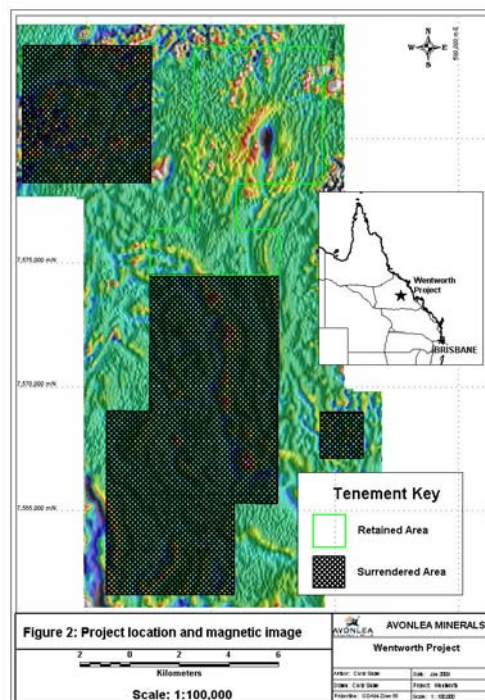
The Wentworth Project consists of two Exploration Permit Minerals (“EPM”), EPM 14662 and EPM 14745, located in the Drummond Basin of Central Queensland, approximately 300kms southwest of McKay.

The Wentworth project is considered prospective for Mt Wright or Kidston style breccia systems associated with felsic volcanics.

Preliminary analysis and interpretation of the aeromagnetic and radiometric survey undertaken during the previous quarter was conducted in this quarter. The results of this review will provide an improved level of information regarding the geological structures that may influence the mineralisation at known prospects as well as the identification of new targets. Continuing detailed analysis of the data is scheduled during the March quarter, along with the planning for further test work to finalise drilling targets.

Based on the results of the aeromagnetic and radiometric survey, EPM 14745 was surrendered on its anniversary date as the data received downgraded the prospectivity of the tenement. A reduction in the land holding of EPM 14662 was also undertaken focusing attention and resources to the most prospective portion of the tenement. The realignment of the Company’s areas of interest, are shown in Figure 1 below.

Historical results from several holes include: 17m @ 0.71% zinc, 70m @ 0.4 g/t Au, 11m @ 0.75 g/t Au and 1.2m @ 174g/t silver and 1.5% zinc.





For further information, please contact David Riekie on david.riekie@avonleaminerals.com.au or on +61 419994301.

Yours faithfully

A handwritten signature in black ink, appearing to read 'David Riekie', written in a cursive style.

David Riekie
Managing Director

In accordance with Listing Rules 5.6 of the Australian Stock Exchange, the technical information contained in this report has been compiled by Mr. C D Shaw, a consultant to Avonlea Minerals Ltd. Mr. Shaw is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and has the relevant experience with the mineralisation reported on to qualify as a Competent Person as defined by the Australasian Code for Reporting of Mineral Resources and Reserves. Mr. Shaw consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

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

AVONLEA MINERALS LIMITED

ABN

81 125 176 703

Quarter ended ("current quarter")

31 December 2008

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration and evaluation	(48)	(85)
(b) development	-	-
(c) production	-	-
(d) administration	(186)	(343)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	39	82
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(195)	(346)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(1)	(1)
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)	-	-
Net investing cash flows	(1)	(1)
1.13 Total operating and investing cash flows (carried forward)	(196)	(347)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(196)	(347)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	750	750
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Cost of issuing shares	(21)	(21)
	Net financing cash flows	729	729
	Net increase (decrease) in cash held	533	382
1.20	Cash at beginning of quarter/year to date	2,209	2,360
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,742	2,742

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	103
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments to Directors	
Salaries, Fees and Superannuation	77
Payments to Director related entities	
Steinepreis Paganin (Legal fees)	26

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

Nil.

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

Nil.

+ See chapter 19 for defined terms.

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	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	65
4.2 Development	-
Total	65

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	90	82
5.2 Deposits at call	2,652	2,127
5.3 Bank overdraft	-	-
5.4 Option funds held on trust	-	-
Total: cash at end of quarter (item 1.22)	2,742	2,209

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	EPM14745		100%	Nil
6.2 Interests in mining tenements acquired or increased	Nil.			

+ See chapter 19 for defined terms.

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 Preference +securities <i>(description)</i>	-	-		
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	33,950,000	26,050,000		
7.4 Changes during quarter				
(a) Increases through issues	7,500,000	7,500,000	10.0 cents	10.0 cents
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 +Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>	7,000,000	-	<i>Exercise price</i> 20.0 cents	<i>Expiry date</i> 31 May 2012
	2,500,000	-	15.0 cents	31 August 2013
	2,500,000	-	20.0 cents	31 August 2013
	2,500,000	-	25.0 cents	31 August 2013
	2,500,000	-	30.0 cents	31 August 2013
	2,500,000	-	45.0 cents	31 August 2013
7.8 Issued during quarter	2,500,000	-	15.0 cents	31 August 2013
	2,500,000	-	20.0 cents	31 August 2013
	2,500,000	-	25.0 cents	31 August 2013
	2,500,000	-	30.0 cents	31 August 2013
	2,500,000	-	45.0 cents	31 August 2013
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

7.12	Unsecured notes <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:
(Director)

Date: 20/01/2009

Print name: David Rieke

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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Cash Flow Statements* 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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