



2 October 2008

Company Announcements Office  
ASX Limited  
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20 Bridge Street  
SYDNEY NSW 2000

### **ACQUISITION OF ERIS MINING (PROPRIETARY) LIMITED**

Avonlea Minerals Limited (**AVZ**) is pleased to announce it has 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 in Namibia (**Acquisition**).

Eris Mining was established by Australian based mining industry professionals for the purpose of exploring for, and developing, large scale mineral resources in Namibia. The individuals behind Eris Mining have over 40 years of combined industry experience and have been credited with multiple discoveries both in Australia and internationally. Namibia was selected for its well developed infrastructure, stable political environment, established mining industry and legislature, and its large mineral endowment.

The granted licence and six pending licence applications are divided into five projects **encompassing over 11,000 square kilometres of highly prospective tenure**.

1. The **Rhinelands** Project (185 km<sup>2</sup>) is targeting **copper** in a shallow oxidized fault zone. Previous work has identified over 9 kilometres of mineralised fault zone, with numerous walk-up drill targets already identified. Historical drilling has also intersected significant mineralisation recording up to **19.3m @ 1.53% Cu with 35.76 g/t Ag** from 25m. The Project consists of a single granted tenement.
2. The **Okatumba** Project (1,000km<sup>2</sup>) covers a large magnetic anomaly prospective for **iron ore**. This project encompasses EPL 4129. The grant of this pending licence triggers key cash, performance shares and option milestones. Located in an area of known iron ore mineralisation, and where previous mapping has identified outcropping 'ironstone', gossans, and magnetite rich shale coincident with the magnetic anomaly. The **magnetic anomaly covers approximately 35km<sup>2</sup> and has a strike length of 17 kilometres**. Previous exploration targeted base metal mineralization, and drill holes in the vicinity of the magnetic anomaly intersected **up to 60m of iron rich sedimentary rocks including massive magnetite (hematite), and banded iron formation**.

3. The **Paresis** Project (617km<sup>2</sup>) has been selected for the potential to host **copper/gold/molybdenum** mineralization related to porphyry intrusion. Historical geochemical sampling has outlined anomalous base metal anomalies, and mapping has identified silica-sericite-pyrite alteration consistent with a porphyry intrusion at depth. An application has been lodged that covers 617km<sup>2</sup> for this Project.
4. The **Outjo** Project (7,000km<sup>2</sup>) is a large application over an area which is geologically very similar to that which hosts the **world class Tsumeb polymetallic orebody**. Within the Project area numerous geochemical anomalies have been identified by past explorers, however it is the proximity to Tsumeb, and the under-explored history of the area that provide significant potential.
5. The **Hoarusib** Project (2,964km<sup>2</sup>) is prospective for **rare metals and rare earth element mineralisation (REE)**. No previous exploration has been recorded for this area, and its prospectivity is based on geological similarities to the Erongo region of Namibia that hosts significant rare metal mineralization related to granite emplacement including the Krantzberg tungsten mine, and Rössing Uranium Mine. The Project is made up of three pending licence applications and covers approximately 3,000km<sup>2</sup> that are contiguous with the Okatumba Project.

Namibia is generally considered one of the most desirable places in Africa to explore for minerals based on the stable political and mining friendly environments. Avonlea will be able to draw on over 40 years of mineral exploration and company development experience in the assembled collection of projects that have both large scale, and high prospectivity.

AVZ will satisfy the consideration for the Acquisition as follows:

- (a) a non-refundable deposit of \$25,000;
- (b) \$125,000 to one of the Vendors, Black Peak Holdings Pty Ltd (**Black Peak**), at settlement of the Acquisition in satisfaction of a liability of Eris Mining to Black Peak;
- (c) \$150,000 to Black Peak as a bonus payment if Exploration Licence EPL 4129 is granted within one year of settlement of the Acquisition;
- (d) 10,000,000 fully paid ordinary shares in the capital of AVZ (**Shares**) at settlement of the Acquisition, escrowed for 12 months;
- (e) 22,500,000 options to acquire fully paid ordinary shares in the capital of AVZ (**Options**) at settlement of the Acquisition, escrowed for 12 months. 7,500,000 of the options will vest upon the grant of EPL 4129, 7,500,000 will vest upon the achievement of a JORC maiden resource in respect of the area comprising the Tenement or Applications and 7,500,000 will vest upon the completion of a bankable feasibility study in respect of the area comprising the Tenement or the Applications; and
- (f) 15,000,000 performance shares (**Performance Shares**) at settlement of the Acquisition. The Performance Shares convert to Shares upon the satisfaction of the following performances milestones to the reasonable satisfaction of AVZ:
  - (i) 7,500,000 Performance Shares will convert into 7,500,000 Shares upon the grant of EPL 4129 within 1 year from the date of issue of the Performance Shares; and

- (ii) 7,500,000 Performance Shares will convert into 7,500,000 Shares upon the achievement of a JORC compliant maiden resource in respect of the area comprising the Tenement or Applications within 3 years from the date of issue of the Performance Shares,

Settlement of the Acquisition is conditional upon the satisfaction of the following key conditions precedent on or before 1 December 2008:

- (a) completion of due diligence by AVZ on Eris Mining;
- (b) Eris Mining being free of all liabilities and obligations as at Settlement;
- (c) AVZ obtaining all necessary regulatory and shareholder approvals to give effect to the Acquisition; and
- (d) the appointment of Hamish Halliday as a director of AVZ and the appointment of Christopher Shaw as an employee of AVZ.

AVZ will send a notice of annual general meeting to shareholders shortly which will also seek approval for the Acquisition. The meeting date has been scheduled for 28 November 2008.

For further information, please contact David Riekie on 0419994301 or contact the Company at [admin@avonleaminerals.com.au](mailto:admin@avonleaminerals.com.au).

Yours sincerely



**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 Chris Shaw. 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