

6 May 2009

Dear Option holder

RIGHTS ISSUE

The directors of Avalon Minerals Ltd ("Company") have announced the Company will be issuing a prospectus for an underwritten pro-rata non-renounceable rights issue to shareholders of 1 new share for every 3 shares held on the record date at an issue price of \$0.05 per new share to raise up to approximately \$1,093,667 ("**Rights Issue**").

The Company has determined pursuant to Listing Rule 7.7.1(a) of the Listing Rules of ASX Limited ("**ASX Listing Rules**"), that it is unreasonable to make an offer pursuant to the Rights Issue to shareholders outside of Australia and New Zealand. Therefore, in compliance with ASX Listing Rule 7.7.1(b), the Company is not required to make offers pursuant to the Rights Issue to shareholders registered outside of Australia and New Zealand. ***Accordingly an option holder who is resident outside of Australia and New Zealand will not be able to participate in the Rights Issue upon exercise of their options.***

However in compliance with section 615 of the Corporations Act, the Company has appointed, and ASIC has approved, Indian Ocean Capital ("Nominee") as nominee for foreign holders of the Company's securities in those countries outside of Australia and New Zealand.

The Nominee will subscribe for and the Company will issue to the Nominee the New Shares that would otherwise have been issued to those foreign holders if the offer had been made available to them and they had accepted.

The Nominee must sell the New Shares and cause to be distributed to each of those foreign holders their proportion of the proceeds of the sale, net of expenses. Any such sale will be at such prices and otherwise in such a manner as the Nominee in its absolute discretion, determines.

The Record Date for determining entitlements under the Rights Issue is 5.00pm Perth time on 15 May 2009.

To exercise your options and thereby participate in the Rights Issue you will need to deliver to the Company the following:

1. a notice specifying the number of options to be exercised;
2. your option certificate covering that number of options; and
3. payment for the exercise price for those options.

Each share allotted as a result of the exercise of an option will rank pari passu with all other issued ordinary shares of the Company.

Option exercise notices must be received by no later than 5.00pm Perth time on 15 May 2009.

For further information please contact Des Kelly on +61 (0)8 9322 2752.

Yours faithfully



David McSweeney
Chairman