

9 August 2013

Dear Option Holder

UNDERWRITTEN NON-RENOUNCEABLE PRO-RATA RIGHTS ISSUE

Rights Issue

Avalon Minerals Ltd (**Company**) today announced a fully underwritten, non-renounceable pro-rata rights issue of new fully paid ordinary shares (**Rights Issue Shares**) on the basis of one (1) Rights Issue Share for every one (1) share held (**Entitlement**) by eligible shareholders (**Existing Shares**), at a price of \$0.01 per New Share. Based on the current shares on issue a total of 562,017,007 Rights Issue Shares will be offered to raise up to approximately \$5.62 million (before the costs of the Offer) (**Rights Issue**).

Holders of shares in the Company as at 5pm (AEST) on 19 August 2013 (**Record Date**) will be eligible to participate in the Rights Issue (**Eligible Shareholders**).

Exercise of Options

You will need to confirm that your options are currently exercisable under the terms of your granted options and then exercise your options before you can participate in the Rights Issue.

Each share allotted as a result of the exercise of an option will rank equally with all other ordinary shares on issue in the Company.

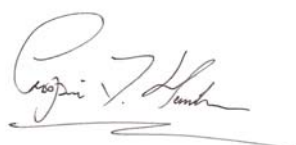
To be eligible to participate in the Rights Issue, your existing options must be exercised prior to the Record Date.

Details of the Rights Issue are set out in the Company's announcement dated 9 August 2013 and will also be provided in the Rights Issue Offer Document that will be dated on or around 22 August 2013. The Offer Document will be lodged with ASX on or before 22 August 2013.

The Offer Document will be sent to shareholders on 22 August 2013 and will also be available for review on the ASX website at www.asx.com.au and on the Company's website at www.avalonminerals.com.au.

Yours sincerely

AVALON MINERALS LIMITED



Mr Crispin Henderson
Chairman