

13 January 2011

Dear Option Holder,

NOTICE OF NON-RENOUCEABLE ENTITLEMENT ISSUE TO OPTION HOLDERS

We are writing to you in relation to your option holding in Avalon Minerals Limited (**Company**).

The Company has announced to the ASX Limited (**ASX**) a pro rata non-renounceable entitlement issue of up to 35,023,699 new fully paid shares in the Company (**Shares**) at an issue price of \$0.18 per Share (**Entitlement Issue**).

Pursuant to the terms of the options that were issued to you, the Company is required to notify you of your right to participate in any pro rata issue of securities if you exercise your options prior to the record date for the pro rata issue.

Accordingly, take notice that in order to participate in the Entitlement Issue, you will need to exercise your options prior to the record date for the Entitlement Issue, being **21 January 2011**.

The Company has lodged a prospectus in relation to the Entitlement Issue at the Australian Securities and Investments Commission and this document will be despatched to shareholders of the Company on 27 January 2011. The prospectus outlines the Entitlement Issue in detail.

Should you have any queries in relation to this matter, please do not hesitate to contact the Company on (+61 8) 9322 2752.

Yours faithfully



David McSweeney
Chairman
Avalon Minerals Limited