

16 October 2015

ABN 68 123 184 412
9 Gardner Close, PO Box 1565
Milton Qld 4064 Australia
P +61 7 3368 9888 F +61 7 3368 9899
info@avalonminerals.com.au
www.avalonminerals.com.au

Dear Option Holder

NON-RENOUNCEABLE PRO-RATA RIGHTS ISSUE

Rights Issue

Avalon Minerals Ltd (**Avalon** or **Company**) announced a non-renounceable pro-rata rights issue on 16 October 2015 and is pleased to provide further detailed information on the non-renounceable pro-rata rights issue it will be undertaking (**Rights Issue**).

The Rights Issue will be an offer of new fully paid ordinary shares (**Rights Issue Shares**) on the basis of one (1) Rights Issue Share for every two (2) shares held (**Entitlement**) by Eligible Shareholders (defined below) on the Record Date (defined below) (**Existing Shares**), at a price of \$0.027 per Rights Issue Share (**Issue Price**). Based on the current shares on issue a total of 127,585,665 Rights Issue Shares will be offered to raise up to approximately \$3.4 million (before the costs of the Rights Issue).

Holders of shares in the Company as at 5pm (AEDT) on 26 October 2015 (**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 16 October 2015 and will also be provided in the Rights Issue Offer Document that will be dated on or around 28 October 2015. The Offer Document will be lodged with ASX on or before 28 October 2015.

The Offer Document will be sent to shareholders on 28 October 2015 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 Graham Ascough
Chairman