

16 October 2008

Dear fellow Shareholder,

Cancellation of Non-Renounceable Entitlements Issue

On behalf of the Directors of Avalon Minerals Ltd (ASX: AVI; "Avalon"), I wish to announce that due to adverse market conditions, the Company has decided not to proceed with the proposed Entitlements Issue ("Issue") announced on 25 September 2008.

The Board believes it to be in the best interests of Shareholders to delay the Issue until early in 2009. In the meantime, alternative funding sources for Avalon's 100%-owned Viscaria copper project, including joint ventures and toll treatment opportunities, will be investigated.

The successful purchase of the Viscaria copper project and the rapid completion of a very detailed compilation of historical data has provided us with a very strong asset base of copper resources, where we have successfully created a valuable data base and delineated an Inferred Resource of 39.9mt @ 1.3% Cu.

We now have sufficient copper resources to pursue the re-development of Viscaria. Recently completed preliminary open-cut optimisation studies – as part of the ongoing Scoping Study – have confirmed that up to 1.5mt @ 1.5% Cu out of the current resources may be amenable to open-cut mining techniques. The potential to process shallow open cut ore at Viscaria whilst de-watering the main decline greatly enhances Avalon's opportunities for the development of the Viscaria copper deposits.

The success of the resource estimation and modelling of remnant copper ore at Viscaria is a credit to the dedicated efforts of a team of geologists and data base staff at Avalon, its Australian consultants CSA, as well as the Company's consultants and staff in Sweden.

Upcoming Activities

In assessing the Company's strategic plan for the near future, the Board has committed to the following activity schedule in the near term:

- ongoing interpretation of historical data at Viscaria to identify high priority drilling targets;
- ongoing interpretation of regional Electro Magnetic (EM) data recently acquired at Viscaria;
- meetings/discussions with existing Swedish copper producers and operators to examine alternative development strategies for the Viscaria project;
- ongoing interpretation of the EM data base acquired over the Adak copper/zinc mines and pursuit of joint venture opportunities; and
- further rationalisation all of Avalon's remaining Australian portfolio of projects by withdrawing from the Empress Springs Joint Venture project and by entering into an agreement to sell the 1,400km² Marloo Project to proposed new IPO Company Haliburn Resources Ltd.

Your Company has an excellent opportunity to become a new generation copper producer from a combination of the shallower open-cut resources and from higher-grade underground copper resources at Viscaria.

I firmly believe that with patience and a carefully considered strategic approach, Avalon will emerge from the current global turmoil in a strong position to continue to actively develop the Viscaria Copper Project.

I invite all shareholders to contact me to discuss the above announcement direct by phoning me at the office of Avalon on +61 8 9322 2752 or by mobile +61 439399318.

Yours faithfully



David McSweeney
Chairman
Avalon Minerals Ltd

Viscaria Overview

The historical Viscaria Copper mine is located in the Norrbotten area of Northern Sweden 4km from the Kiruna Iron Ore mine, Sweden's largest iron ore mine and the world's second largest underground mine. Viscaria is 80km north of Europe's largest open cut (18Mt/annum @ 0.3% Cu) Aitik copper mine which is owned by Boliden (currently being expanded to 35Mt/annum @ 0.3% Cu).

Outokumpu closed the Viscaria mine in 1997, after approximately **12.54 million tonnes of ore grading 2.29% Cu** had been produced, mainly from the A Zone over a period of 15 years. At the time of its closure, the spot copper price was approximately US\$1.00/lb. Only minimal exploration has been conducted at Viscaria since the mine closed.