

[Name of Shareholder]
[Address]
[Address]

8 May 2009

Dear Shareholder

RIGHTS ISSUE

As you may be aware, Avalon Minerals Ltd ("**Company**") is currently undertaking a non-renounceable rights issue pursuant to a prospectus dated 6 May 2009 ("**Prospectus**"). The Company expects that the rights issue will close on 4 June 2009.

The underwritten pro-rata non-renounceable rights issue is open to existing shareholders in Australia and New Zealand on the basis 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 approximately \$1,093,667.

The Company has determined, pursuant to Listing Rule 7.7.1(a) of the Listing Rules of ASX Limited ("**ASX Listing Rules**"), that it would be unreasonable to make offers under the Prospectus to all countries outside of Australia and New Zealand. Accordingly, in compliance with ASX Listing Rule 7.7.1(b), the Company wishes to advise you that it will not be extending the rights issue to you.

However, in compliance with section 615 of the Corporations Act, the Company has appointed, and ASIC has approved, Indian Ocean Capital Pty Ltd ("**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.

Should you have any queries please contact Des Kelly on +61 (0)8 9322 2752.

Yours faithfully



David McSweeney
Chairman