

ASX / Media Release

14 March 2012

NOTIFICATION OF CHANGE TO EQUITY PAYMENT FORM TO UNDERWRITER: FROM 6,000,000 PARTLY PAID SHARES TO 6,000,000 OPTIONS ON MATERIALLY THE SAME TERMS

On 23 February 2012, Avalon Minerals Ltd (Avalon or Company) released an Appendix 3B in relation to the fully underwritten, non-renounceable pro-rata rights issue it is currently undertaking, which was initially announced on 13 February 2012 (Rights Issue or Offer) and further announced on 23 February 2012.

Under Box 21 of that Appendix 3B it was noted (amongst other payments), that Indian Ocean Capital Pty Ltd ACN 051 227 877 (the Underwriter) would receive 6,000,000 ordinary shares in the Company to be issued to the Underwriter or its nominee(s) on payment of 1 cent per ordinary share (Partly Paid Shares), with a further 5 cents per Partly Paid Share to be paid at the discretion of the holder of the Partly Paid Shares, with such payment to qualify the Partly Paid Shares as shares in respect of which the Company will apply for quotation on ASX.

This information on the Partly Paid Shares was also reiterated under Section 5.1(b)(iii) of the Offer Document dated 2 March 2012, lodged with ASX that same day and dispatched to eligible shareholders on 6 March 2012 together with a personalized Entitlement and Acceptance Form.

The Company now announces that the Underwriter and the Company have agreed to change the form of equity from Partly Paid Shares to options (Options) to the Underwriter or its nominee(s) (Option Holder) on materially the same terms as those agreed for the Partly Paid Shares. Some of the key terms of the Options are:

- (a) The issue price per Option is AU\$0.01 (Issue Price).
- (b) The exercise price per Option is AU\$0.05 (Exercise Price).
- (c) No performance conditions needs to be satisfied before the Option Holder can exercise the Options, other than payment of the Exercise Price.
- (d) The Options are exercisable at the discretion of the Option Holder, at any time on or before 5pm (AEDT), 30 September 2015 (Expiry Date).

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- (e) If the Option Holder fails to exercise any Options registered in its name before the Expiry Date, those unexercised Options lapse and all rights in respect of those Options cease.
- (f) For each Option that is exercised, the Option Holder will receive one fully paid ordinary share in the Company (**Share**).
- (g) The Shares issued on the exercise of the Option will rank equally in all respects as from the date of issue of those Shares with all existing ordinary shares in the capital of the Company.
- (h) If the Shares are listed on ASX at the time of exercise, the Company will make application to ASX for official quotation of the Shares issued on the exercise of the Options in accordance with the ASX Listing Rules.

Signed for and on behalf of the Company

A handwritten signature in black ink, appearing to read 'Jeremy Read', written in a cursive style.

Jeremy Read
Managing Director
Avalon Minerals Limited