

ASX Release

24 February 2012

Avalon Minerals Limited (ASX code: AVI)

Notification Letters

Further to Avalon Minerals Limited's (ABN 68 123 184 412) announcement of its non-renounceable, pro-rata rights issue on 23 February 2012, we enclose copies of the following documents which will be mailed to shareholders and optionholders (as applicable):

- Notification to Eligible Shareholders;
- Notification to Ineligible Shareholders; and
- Notification to Optionholders

Yours sincerely

AVALON MINERALS LIMITED



Jeremy Read
Managing Director

NOTIFICATION TO SHAREHOLDERS

24 February 2012

Dear Shareholder,

FULLY UNDERWRITTEN, NON-RENOUNCEABLE PRO-RATA RIGHTS ISSUE

Rights Issue

Further to Avalon Minerals Ltd's (**Company**) announcement on 13 February 2012 and its further announcement on 23 February 2012, the Company is pleased to announce further information on the fully underwritten, non-renounceable pro-rata rights issue it will be undertaking (**Rights Issue or Offer**).

The Rights Issue will be an offer of 47,812,267 new fully paid ordinary shares (**New Shares**) on the basis of one (1) New Share for every five (5) shares held (**Entitlement**) by Eligible Shareholders (defined below) on the Record Date (defined below) (**Existing Shares**), at a price of \$0.06 per New Share to raise up to AU\$2,868,736.00 (before the costs of the issue).

Holders of shares in the Company with a registered address in Australia or New Zealand as well as any other foreign shareholders to whom Company may make the Offer as at 5pm (WST) on 2 March 2012 (**Record Date**) will be eligible to participate in the Rights Issue (**Eligible Shareholders**).

The Rights Issue is fully underwritten by Indian Ocean Capital Pty Ltd ACN 051 227 877 (**Underwriter**) and under the terms of the underwriting agreement between the Company and the Underwriter (**Underwriting Agreement**), the Underwriter may, in consultation with the Company, procure sub-underwriters to sub-underwrite a portion of the New Shares as the Underwriter thinks fit.

Use of proceeds from the Rights Issue

The Company will use the funds raised under the Rights Issue to:

- conduct a targeted drilling program on the Viscaria Copper Project in northern Sweden which will investigate extensions to high grade copper mineralisation;
- complete a review of the Company's projects and determine how best to advance those projects with the goal of creating value for shareholders;
- complete the transition of the head office from Perth to Brisbane; and
- replenish working capital.

Offer Document

The Rights Issue is being conducted in accordance with section 708AA of the *Corporations Act (Cth) 2001 (Act)* which means it is disclosure exempt and the Company is not required to lodge a prospectus with ASX or ASIC or provide one to shareholders. However, the Company has prepared a document explaining the Rights Issue in more detail (**Offer Document**).

The Offer Document will be lodged with the ASX on or before 6 March 2012 and will be sent to Eligible Shareholders on 6 March 2012, together with a personalised Entitlement and Acceptance Form.

A Cleansing Notice and Appendix 3B were also lodged with the ASX on 23 February 2012.

All documents are available for inspection on the ASX website at www.asx.com.au and the Company's website at www.avalonminerals.com.au.

Shortfall

Any New Shares not taken up by Eligible Shareholders (**Shortfall Shares**) will be allocated by the Underwriter in consultation with the Company to:

- the Underwriter or any sub-underwriter (if appointed) to the Rights; or
- any other parties selected by them.

Pursuant to Listing Rule 7.2 (exemption 2), any allocation of the Shortfall Shares to the Underwriter in accordance with the Underwriting Agreement will not count towards the Company's 15% threshold under Listing Rule 7.1 provided the Underwriter receives the New Shares within 15 business days after the close of the Offer.

Under the Underwriting Agreement, all Shortfall Shares are required to be placed by 27 March 2012 and will be issued on the same terms as are being offered to Shareholders under the Rights Issue.

Timetable

The current proposed timetable for the Rights Issue is set out below.

Activity	Date
Announcement of the Rights Issue	13 February 2012
Further announcement on the Rights Issue	23 February 2012
Lodge Appendix 3B and Offer Document with ASIC and ASX	23 February 2012
Dispatch of notices to Shareholders informing them of the Rights Issue	24 February 2012
Shares trade on an "ex" Entitlement basis	27 February 2012
Record Date for Entitlement to participate in the Rights Issue	5pm (WST), 2 March 2012
Offer Document and Entitlement and Acceptance Form dispatched to Shareholders	6 March 2012
Opening Date of the Rights Issue	8 March 2012
Closing Date for Receipt of Entitlement and Acceptance Form	5pm (WST), 22 March 2012

Securities quoted on deferred settlement basis	23 March 2012
ASX notified of under subscriptions	27 March 2012
Holding statements for New Shares are dispatched to Shareholders	30 March 2012
Normal ASX trading for New Shares commences	2 April 2012

**The above dates are indicative only and may change without notice. The Directors in consultation with the Underwriter, reserve the right to amend this indicative timetable at any time (subject to the Corporations Act and ASX Listing Rules), to extend the Closing Date, to accept late Entitlement and Acceptance Forms either generally or in particular cases, to close the Offer early or to cancel the Rights Issue without prior notice in its absolute discretion. The commencement of quotation of new securities is subject to confirmation from the ASX.*

**Shareholders should consult their professional advisors in regards to the definition of 'Ex' Date and Record Date to ensure that their entitlement to participate in the Rights Issue is assured. Where fractions arise in the calculation of entitlements, they will be rounded down to the nearest whole number.*

For further information on your entitlement, please contact your professional advisor or Avalon's share registry, Computershare Investor Services Pty Limited on phone: 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

Yours sincerely

AVALON MINERALS LIMITED



Jeremy Read
Managing Director

NOTIFICATION TO INELIGIBLE SHAREHOLDERS

24 February 2012

Dear Shareholder,

FULLY UNDERWRITTEN NON-RENOUCEABLE, PRO-RATA RIGHTS ISSUE

This letter is to notify you that on 13 February 2012, Avalon Minerals Limited (**Avalon**) announced a fully underwritten non-renounceable rights issue of up to 47,812,267 new fully paid ordinary shares (**New Shares**) on the basis of one (1) New Share for every five (5) shares held by Eligible Shareholders (**Existing Shares**) at a price of \$0.06 per New Share to raise up to AU\$2,868,736.00 (before the costs of the issue) (**Rights Issue**).

A further announcement on the Rights Issue, containing additional information was also made on 23 February 2012 (**Further Announcement**).

The Rights Issue is fully underwritten by Indian Ocean Capital Pty Ltd ACN 051 227 877 (**Underwriter**).

The Company has decided to limit the Rights Issue to holders of shares in the Company with a registered address in Australia or New Zealand and certain eligible foreign holders to whom Avalon may lawfully extend the offer (**Eligible Foreign Holders**) as at 5pm (WST) on 2 March 2012 (**Record Date**) (**Eligible Shareholders**). On this basis, any shareholders with registered addresses outside of Australia or New Zealand (other than **Eligible Foreign Holders**) as at the Record Date will be ineligible to participate in the Rights Issue (**Ineligible Shareholders**).

The Company's reasons for this decision include:

- the small number of **Ineligible Shareholders**;
- the number and value of shares **Ineligible Shareholders** hold and therefore the number and value of **New Shares** that would otherwise be offered for issue to **Ineligible Shareholders** under the Rights Issue;
- the amount of money the Company is seeking to raise under the Rights Issue; and
- the cost to Avalon of complying with the laws, and any requirements of any regulatory authority, of the place where the **New Shares** would otherwise be offered for issue.

Any **New Shares** not taken up by **Eligible Shareholders** (**Shortfall Shares**) will be allocated by the Underwriter in consultation with the Company to:

- the Underwriter or any sub-underwriter (if appointed) to the Rights; or
- any other parties selected by them.

Pursuant to Listing Rule 7.2 (exemption 2), any allocation of the Shortfall Shares to the Underwriter in accordance with the Underwriting Agreement will not count towards the Company's 15% threshold under Listing Rule 7.1 provided the Underwriter receives the New Shares within 15 business days after the close of the Offer.

Under the Underwriting Agreement, all Shortfall Shares are required to be placed by 27 March 2012 and will be issued on the same terms as are being offered to Shareholders under the Rights Issue.

Details of the Rights Issue are set out in the Company's announcements dated 13 February 2012, the Further Announcement and the Rights Issue Offer Document which will be dated on or around 6 March 2012. The Offer Document will be sent to shareholders on 6 March 2012 and will also be available for review on the ASX's website at www.asx.com.au and on the Company's website www.avalonminerals.com.au.

Thank you again for your continued support of Avalon Minerals Ltd. I trust that you understand the Company's position in this matter.

Yours sincerely

AVALON MINERALS LIMITED



Jeremy Read
Managing Director

NOTIFICATION TO OPTIONHOLDERS

24 February 2012

Dear Option Holder,

FULLY UNDERWRITTEN NON-RENOUNCEABLE, PRO-RATA RIGHTS ISSUE

Rights Issue

On 13 February 2012, Avalon Minerals Ltd (**Avalon**) announced a fully underwritten, non-renounceable pro-rata rights issue of 47,812,267 new fully paid ordinary shares (**New Shares**) on the basis of one (1) New Share for every five (5) shares held by eligible shareholders (**Existing Shares**) at a price of \$0.06 per New Share to raise AU\$2,868,736.00 (before the costs of the issue) (**Rights Issue**).

A further announcement on the Rights Issue, containing additional information was also made on 23 February 2012 (**Further Announcement**).

Holders of shares in Avalon with a registered address in Australia or New Zealand as well as any other foreign shareholders to whom Company may make the Offer as at 5pm (WST) on 2 March 2012 (**Record Date**) will be eligible to participate in the Rights Issue (**Eligible Shareholders**).

Exercise of Options

You will need to check that your options are currently exercisable under the terms of your granted options and 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 Avalon.

To be eligible to participate in the Rights Issue, existing options must be exercised prior to the Record Date.

Details of the Rights Issue are set out in Avalon's announcement dated 13 February 2012, the Further Announcement and the Rights Issue Offer Document that will be dated on or around 6 March 2012. The Offer Document will be lodged with the ASX on or before 6 March 2012. The Offer Document will be sent to shareholders on 6 March 2012 and will also be available for review on the ASX's website at www.asx.com.au and on Avalon's website www.avalonminerals.com.au.

For further information on your entitlement, please contact your professional advisor or Avalon's share registry, Computershare Investor Services Pty Limited on phone: 1300 850 505.

Yours sincerely



Jeremy Read
Managing Director