

13 January 2011

Dear Shareholder,

**NON-RENOUNCEABLE ENTITLEMENT ISSUE**

Avalon Minerals Limited (**Company**) has announced to ASX Limited (**ASX**) a pro rata non-renounceable entitlement issue of one (1) Share for every five (5) Shares held by Shareholders at an issue price of \$0.18 per Share to raise approximately \$6,304,265 (**Offer**).

The entitlement issue will result in the issue of approximately 35,023,699 Shares in the Company.

The Offer is underwritten.

The Prospectus relating to this issue has been lodged with the Australian Securities and Investments Commission and ASX and is available on the ASX website at [www.asx.com.au](http://www.asx.com.au) for inspection. The timetable and important dates of the issue are set out below:

Lodgement of Prospectus with ASIC	11 January 2011
Notice sent to Shareholders	13 January 2011
Ex Date	17 January 2011
Record Date for determining Entitlements	21 January 2011
Prospectus dispatched to Shareholders	27 January 2011
Closing Date	11 February 2011
Securities quoted on a deferred settlement basis	14 February 2011
Notify ASX of under-subscriptions	16 February 2011
Dispatch date/Shares entered into Shareholders' security holdings	21 February 2011

\* These dates are determined based upon the current expectations of the Directors and may be changed with 6 Business Days' prior notice.

The purpose of the issue is to raise approximately \$6,304,265 and the funds raised will be used for completion of the Bankable Feasibility Study of the Viscaria Copper-Iron Ore Project.

The capital structure of the Company on completion of the issue will be as follows:

### Shares

	<b>Number</b>
Share currently on issue	175,118,494
Shares offered pursuant to the Offer	35,023,699
<b>Total Shares on issue</b>	<b>210,142,193</b>

### Options

	<b>Number</b>
Options currently on issue	2,600,000
Options offered pursuant to the Offer	Nil
<b>Total Options on issue</b>	<b>2,600,000</b>

In calculating entitlements under the entitlement issue fractions will be rounded up to the nearest whole number.

The offer under the Prospectus is made to Shareholders with registered addresses in Australia and New Zealand. Overseas shareholders should contact the Company Secretary with any queries.

Full detail of the issue will be contained in the Prospectus that will be mailed to all shareholders who are registered on the record date. Shareholders eligible to participate should read the Prospectus carefully.

Yours faithfully



**David McSweeney**  
**Chairman**  
**Avalon Minerals Limited**