

14 October 2016

ASX ANNOUNCEMENT



ANNUAL GENERAL MEETING

Avalon Minerals Ltd (ASX: AVI; "Avalon") advises that the attached Notice of Annual General Meeting and Explanatory Memorandum has been dispatched to shareholders.

A personalised Proxy form will also be provided with the meeting materials

The Company's 2016 Annual Report is also being dispatched to those shareholders who have requested a hard copy.

Electronic copies of the Annual General Meeting material and the 2016 Annual Report are available on the Company's website.

Gavin Leicht

Company Secretary

For further information please visit www.avalonminerals.com.au

ASX: AVI

REGISTERED OFFICE

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AVALON MINERALS LTD
ACN 123 184 412

NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY MEMORANDUM
PROXY FORM

Date of Meeting

Wednesday 16 November 2016

Time of Meeting

11.30am

(Brisbane time)

Place of Meeting

BDO Offices

Level 10

12 Creek Street

("Blue Tower")

Brisbane Qld 4000

NOTICE OF ANNUAL GENERAL MEETING
AVALON MINERALS LTD
ACN 123 184 412

Notice is hereby given that the Annual General Meeting of Shareholders (**Meeting or AGM**) of Avalon Minerals Ltd ACN 123 184 412 (**Company**) will be held at **11.30am (Brisbane time) on Wednesday 16 November 2016** at the offices of BDO, Level 10, 12 Creek Street, Brisbane, Queensland.

AGENDA

The business of the Meeting will be to consider the Resolutions set out below. Full details on the nature of the Resolutions are set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Capitalised terms are defined in the Glossary to this Notice of Meeting and Explanatory Memorandum.

This Notice of Meeting should be read in its entirety together with the Explanatory Memorandum and Proxy Form.

ORDINARY BUSINESS

Financial Statements and Reports

To receive the financial report of the Company and its controlled entities for the year ending 30 June 2016, together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

RESOLUTION 1: Adoption of Remuneration Report

To consider and, if thought fit, pass with or without amendment, the following resolution as a non-binding ordinary resolution:

'That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2016.'

RESOLUTION 2: Approval for issue of Shares to Director - Mr Graham Ascough

To consider and, if thought fit, pass with or without amendment, the following resolution as an ordinary resolution:

'That, for the purpose of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 1,171,875 Shares, in lieu of directors' fees owing, to Mr Graham Ascough (or his nominee), a director of the Company, as set out in the Explanatory Memorandum.'

RESOLUTION 3: Approval for issue of Shares to Director - Mr Crispin Henderson

To consider and, if thought fit, pass with or without amendment, the following resolution as an ordinary resolution:

'That, for the purpose of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 703,125 Shares, in lieu of directors' fees owing, to Mr Crispin Henderson (or his nominee), a director of the Company, as set out in the Explanatory Memorandum.'

RESOLUTION 4: Approval for issue of Shares to Director - Mr Don Hyma

To consider and, if thought fit, pass with or without amendment, the following resolution as an ordinary resolution:

'That, for the purpose of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 703,125 Shares, in lieu of directors' fees owing, to Mr Don Hyma (or his nominee), a director of the Company, as set out in the Explanatory Memorandum.'

RESOLUTION 5: Re-election of Director, Mr Graham Ascough

To consider and, if thought fit, pass with or without amendment, the following resolution as an ordinary resolution:

'That in accordance with the Constitution of the Company, Mr Graham Ascough who retires by rotation and being eligible, be re-elected as a Director of the Company.'

SPECIAL BUSINESS

RESOLUTION 6: Approval of 10% Placement Facility

To consider and, if thought fit, pass with or without amendment, the following resolution as a **special** resolution:

'That, for the purposes of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued Shares (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum.'

How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative. Registration will commence just prior to the Meeting. To vote in person, attend the Meeting on the date and at the place set out above.

Voting entitlement

In accordance with regulation 7.11.37 of the *Corporations Regulations 2001 (Cth)*, the Board has determined that the Shareholders who are on the Company's share register at 7.00 pm (Brisbane time) on 14 November 2016 (being not more than 48 hours before the Meeting on 16 November 2016) will be taken, for the purposes of the Meeting, to be entitled to attend and vote at the Meeting. If you are not the registered holder of a relevant share at that time, you will not be entitled to vote at the Meeting.

Voting at the Meeting

Ordinary resolutions require the support of more than 50% of the votes cast. Special resolutions require the support of at least 75% of the votes cast. All the Resolutions at this Meeting, other than Resolution 6, are ordinary resolutions. Resolution 6 is a special resolution.

Every question arising at this Meeting will be decided in the first instance by a show of hands. A poll may be demanded in accordance with the Company's Constitution.

On a show of hands, every Shareholder who is present in person or by proxy, representative or attorney, will have one vote. Upon a poll, every person who is present in person or by proxy, representative or attorney will have one vote for each Share held by that person.

Voting Exclusion Statements

(a) Resolution 1

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (i) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (ii) a Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (i) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (ii) the person is the chair of the meeting and the appointment of the chair as proxy:
 - does not specify the way the proxy is to vote on the resolution; and
 - expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

(b) Resolutions 2 to 4

The Company will disregard any votes cast on Resolutions 2 to 4 by a person who is to receive securities in relation to the Company and an associate of that person (or those persons).

However, the Company will not disregard any votes cast on this Resolution if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

(c) Resolution 6

The Company will disregard any votes cast on Resolution 6 by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if Resolution 6 is passed.

However, the Company will not disregard a vote if:

- (i) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Proxies

A Shareholder who is entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the Shareholder at the Meeting. A proxy need not be a Shareholder. If the Shareholder is entitled to cast two or more votes at the Meeting the Shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A form of proxy accompanies this Notice.

To be valid, the appointment of a proxy (made using a properly completed and executed Proxy Form) must be received by the Company no later than 11.30am (Brisbane time) on 14 November 2016.

Proxy Forms can be submitted by the below methods:

- (a) Online by visiting www.investorvote.com.au and entering the 6 digit control number found on the front of the Proxy Form. Intermediary Online subscribers (Custodians) may lodge proxy instructions at www.intermediaryonline.com;
- (b) by mail to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001; and
- (c) by facsimile 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia)

Please note that if the Chairman of the Meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolutions 1, 2, 3, and 4 even though they are connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on any of Resolutions 1, 2, 3 and 4 by marking the appropriate box on the Proxy Form.

The chair intends to vote undirected proxies in favour of each item of business.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

NOTE: Please refer to the Explanatory Memorandum accompanying this Notice of Meeting for further information regarding all of the above Resolutions.

By order of the Board



Gavin Leicht
Company Secretary
11 October 2016

EXPLANATORY MEMORANDUM GENERAL INFORMATION

This Explanatory Memorandum contains an explanation of, and information about, the Resolutions to be considered at the Annual General Meeting of Shareholders of Avalon Minerals Ltd, to be held on **Wednesday 16 November 2016**.

The Explanatory Memorandum is to assist Shareholders in understanding the background to and the legal and other implications of the Notice of Meeting and the reasons for the Resolutions proposed. Shareholders should read the Explanatory Memorandum in full.

The Explanatory Memorandum forms part of the accompanying Notice of Meeting and should be read with the Notice of Meeting.

The Explanatory Memorandum does not take into account the individual investment objectives, financial situation and needs of individual Shareholders or any other person. If you are in doubt about what to do in relation to the Resolutions, you should consult your financial or other professional adviser.

Capitalised words used in the Notice of Meeting and in the Explanatory Memorandum are defined in the Glossary at the end of the Explanatory Memorandum.

The information contained in this Explanatory Memorandum has been prepared by the Company and is the responsibility of the Company. Other than the information set out in this Explanatory Memorandum, the directors believe that there is no other information that could reasonably be required by Shareholders to consider Resolutions 1 to 6 (inclusive).

A copy of the Notice of Meeting and Explanatory Memorandum was lodged with the ASX pursuant to the Listing Rules and ASIC in accordance with section 218 of the Corporations Act. Neither the ASX or ASIC nor any of their officers take any responsibility for the contents of this Notice of Meeting and Explanatory Memorandum.

ORDINARY BUSINESS

Financial Statements and Reports

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the Annual Report together with the declaration of the directors, the directors' report, the Remuneration Report and the auditors' report.

The Company will not provide a hard copy of the Company's Annual Report to Shareholders unless specifically requested to do so. The Company's Annual Report can be found on its website at www.avalonminerals.com.au.

Resolution 1 – Adoption of Remuneration Report

Remuneration Report

The Remuneration Report sets out the Company's remuneration arrangements for the directors and senior management of the Company. The Remuneration Report is part of the directors' report contained in the Annual Report.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting.

“Two Strikes”

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report of the company be adopted must be put to the Shareholders. However, such a resolution is advisory only and will not bind the directors or the Company.

The *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2001* (Cth) which came into effect on 1 July 2011, amended the Corporations Act to provide that Shareholders will have the opportunity to remove the whole Board except the Managing Director if the Remuneration Report receives a 'no' vote of 25% or more (Strike) at two consecutive annual general meetings.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution (Spill Resolution) on whether another meeting should be held (within 90 Days) (Spill Meeting), at which all Directors (other than the Managing Director) who were in office at the date of approval of the applicable Directors' Report, must cease to hold office immediately before the end of the Spill Meeting and must stand for re-election, unless the Company put to Shareholders a Spill Resolution at the first annual general meeting.

The Company did not receive a Strike at its 2015 Annual General Meeting and as a result, if the Remuneration Report receives a Strike at this Meeting, the Company will not be required to put a Spill Resolution. However, if the Remuneration Report receives a Strike at this Meeting and a second Strike at the 2017 Annual General Meeting, the Company is then required to put a Spill Resolution.

Proxies

Resolution 1 is an ordinary resolution.

The Corporations Act places certain restrictions on the ability of “Key Management Personnel” (including the Chairman of the Meeting) and their “Closely Related Parties” to vote on Resolution 1 and also places restrictions on “Key Management Personnel” and their “Closely Related Parties” where they are voting as proxy for another shareholder on resolutions connected with the remuneration of Key Management Personnel.

To ensure that your vote is counted on Resolution 1, you are encouraged to direct your proxy how to vote on that item by indicating your preference by completing the “For”, “Against” or “Abstain” boxes on the Proxy Form. If you provide an undirected proxy in relation to Resolution 1 to a director (other than the Chairman of the Meeting) or other Key Management Personnel or their Closely Related Parties, such a proxy will not vote on Resolution 1. To allow such a proxy to vote on Resolution 1, you must direct the proxy how to vote by completing the “For”, “Against” or “Abstain” boxes on the Proxy Form.

If you appoint the Chairman of the Meeting as your proxy in relation to Resolution 1, but do not complete the “For”, “Against” or “Abstain” boxes on the Proxy Form for Resolution 1, the Chairman will exercise your proxy even though Resolution 1 is connected directly or indirectly with the remuneration of Key Management Personnel. The Chairman intends to vote all available proxies in favour of Resolution 1. If you wish to appoint the Chairman as proxy with a direction to vote against, or to abstain from voting on, Resolution 1 you must specify this by completing the “Against” or “Abstain” box on the Proxy Form.

RESOLUTION 2 to 4 – Approval for issue of Shares to Directors

Background

Resolutions 2 to 4 seek to obtain Shareholder approval pursuant to Listing Rule 10.11 for the issue of a total of 2,578,125 fully paid ordinary shares to three (3) directors of the Company, in lieu of directors' fees for the period 1 January 2016 to 30 June 2016 owing to each as described in the table below:

Director	Shares	\$ Value
Mr Graham Ascough	1,171,875	\$37,500
Mr Crispin Henderson	703,125	\$22,500
Mr Don Hyma	703,125	\$22,500

Listing Rules

Listing Rule 10.11 provides that a company must not, subject to specified exceptions, issue or agree to issue equity securities to a related party, which includes a Director, without shareholder approval. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Corporations Act 2001 (Cth)

Pursuant to Chapter 2E of the Corporations Act, a public company cannot give "a financial benefit" to a "related party", which includes a director, unless one of the exceptions to the section apply or Shareholders, at a general meeting, approve the giving of that financial benefit to the related party.

Section 210 of the Corporations Act provides that one of the exceptions to the requirement to obtain shareholder approval for giving a financial benefit to a related party is where the benefit is given at arm's length, that is on terms that:

- (a) would be reasonable in the circumstances if the public company and the related party were dealing at arms' length; or
- (b) are less favourable to the related party than the terms referred to in paragraph (a).

The Managing Director considers that the proposed issue of securities the subject of Resolutions 2 to 4 is on arm's length terms and, as such, fall within the exception set out in section 210 of the Corporations Act. The Managing Director has reached this view as the issue of the shares is in lieu of cash directors' fees owing to the directors, with the valuation of the shares as at the date of this Notice of Meeting being equal to the cash directors' fees owing using the 30 day VWAP for Avalon Minerals Ltd shares as at 10 October 2016, being \$0.032 per share (rounded to 3 decimal places). The VWAP for the 6 month period that the outstanding directors' fees relates to is \$0.019 per share.

RESOLUTION 2 – Approval for issue of Shares to Director - Mr Graham Ascough

The following information is provided in accordance with the requirements of Listing Rule 10.13:

- (a) The securities which are the subject of Resolution 2, are to be issued to Mr Ascough (or his nominee/s), a director of the Company;
- (b) The maximum number of shares to be issued is 1,171,875 fully paid ordinary shares;
- (c) The securities will be issued no later than one (1) month after the date of the Meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules);
- (d) The issue price of the shares will be Nil;
- (e) The issue of the shares are in lieu of cash directors' fees owing in the sum of \$37,500;
- (f) The number of shares to be issued have been calculated using the 30 day VWAP for Avalon Minerals Ltd shares as at 10 October 2016, being \$0.032 per share;
- (g) The shares will rank equally with the Company's existing listed fully paid ordinary shares. The Company will apply to ASX for admission of the shares issued for quotation on ASX;
- (h) The issue of securities to Mr Ascough will not raise any funds, however will save the outflow of \$37,500 in cash for directors' fees owing.

Mr Ascough declines to make a recommendation to Shareholders in relation to Resolution 2 due to his material personal interest in the outcome of the Resolution. The other directors, who do not have a material interest in the outcome of Resolution 2, recommend that Shareholders vote in favour of Resolution 2. The Board, other than Mr Ascough, are not aware of any other information which would reasonably be required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 2.

Recommendation: The Board, with Mr Ascough abstaining, unanimously recommends that Shareholders vote in favour of Resolution 2.

RESOLUTION 3 – Approval for issue of Shares to Director - Mr Crispin Henderson

The following information is provided in accordance with the requirements of Listing Rule 10.13:

- (a) The securities which are the subject of Resolution 3, are to be issued to Mr Henderson (or his nominee/s), a director of the Company;
- (b) The maximum number of shares to be issued is 703,125 fully paid ordinary shares;
- (c) The securities will be issued no later than one (1) month after the date of the Meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules);
- (d) The issue price of the shares will be Nil;
- (e) The issue of the shares are in lieu of cash directors' fees owing in the sum of \$22,500;
- (f) The number of shares to be issued have been calculated using the 30 day VWAP for Avalon Minerals Ltd shares as at 10 October 2016, being \$0.032 per share;
- (g) The shares will rank equally with the Company's existing listed fully paid ordinary shares. The Company will apply to ASX for admission of the shares issued for quotation on ASX;
- (h) The issue of securities to Mr Henderson will not raise any funds, however will save the outflow of \$22,500 in cash for directors' fees owing.

Mr Henderson declines to make a recommendation to Shareholders in relation to Resolution 3 due to his material personal interest in the outcome of the Resolution. The other directors, who do not have a material interest in the outcome of Resolution 3, recommend that Shareholders vote in favour of Resolution 3. The Board, other than Mr Henderson, are not aware of any other information which would reasonably be required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 3.

Recommendation: The Board, with Mr Henderson abstaining, unanimously recommends that Shareholders vote in favour of Resolution 3.

RESOLUTION 4 – Approval for issue of Shares to Director - Mr Don Hyma

The following information is provided in accordance with the requirements of Listing Rule 10.13:

- (a) The securities which are the subject of Resolution 4, are to be issued to Mr Hyma (or his nominee/s), a director of the Company;
- (b) The maximum number of shares to be issued is 703,125 fully paid ordinary shares;
- (c) The securities will be issued no later than one (1) month after the date of the Meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules);
- (d) The issue price of the shares will be Nil;
- (e) The issue of the shares are in lieu of cash directors' fees owing in the sum of \$22,500;
- (f) The number of shares to be issued have been calculated using the 30 day VWAP for Avalon Minerals Ltd shares as at 10 October 2016, being \$0.032 per share;
- (g) The shares will rank equally with the Company's existing listed fully paid ordinary shares. The Company will apply to ASX for admission of the shares issued for quotation on ASX;
- (h) The issue of securities to Mr Hyma will not raise any funds, however will save the outflow of \$22,500 in cash for directors' fees owing.

Mr Hyma declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution. The other directors, who do not have a material interest in the outcome of Resolution 4, recommend that Shareholders vote in favour of Resolution 4. The Board, other than Mr Hyma, are not aware of any other information which would reasonably be required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 4.

Recommendation: The Board, with Mr Hyma abstaining, unanimously recommends that Shareholders vote in favour of Resolution 4.

RESOLUTION 5 – Re-election of Director – Mr Graham Ascough

In accordance with the Company's Constitution, Mr Graham Ascough retires by rotation and, being eligible, offers himself for re-election as a Director of the Company. Mr Ascough was appointed as an independent, non-executive Director and Chairman on 29 November 2013.

Graham is a member of the Company's Audit and Financial Risk Committee and the Remuneration Committee. He is a senior resources executive with more than 23 years of industry experience evaluating mineral projects and resources in Australia and overseas. Mr Ascough spent 15 years at Falconbridge Limited, and is currently Chairman of four ASX listed junior resource companies.

Recommendation: The Board (excluding Mr Ascough) recommends that Shareholders vote in favour of Resolution 5.

SPECIAL BUSINESS

RESOLUTION 6 – Approval of 10% Placement Facility

Purpose of resolution

The purpose of Resolution 6 is to enable the directors to issue Equity Securities up to 10% of the Company's issued share capital under Listing Rule 7.1A during the 12 month period following this Meeting (**10% Placement Period**), without subsequent Shareholder approval and without using the Company's 15% placement capacity under Listing Rule 7.1 (**Placement Facility**).

Resolution 6 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 6 for it to be passed.

Recommendation: The Board recommends that Shareholders vote in favour of Resolution 6.

General information

Listing Rule 7.1A enables "eligible entities" to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An "eligible entity" for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity for the purposes of Listing Rule 7.1A as it is not included in the S&P/ASX 300 Index and has a market capitalisation of \$11.4 million (on the basis of the Company's share price of \$0.022 on 10 October 2016).

If Shareholders approve Resolution 6, the exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to the formula for calculating 10% Placement Facility set out in (iii) below).

Description of Listing Rule 7.1A

(i) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(ii) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice of Meeting, has on issue one class of Equity Securities, namely Shares.

(iii) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of issue or agreement:

- a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- b) plus the number of partly paid shares that became fully paid in the 12 months;
- c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- d) less the number of fully paid shares cancelled in the 12 months.

Note that **A** has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

(iv) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice of Meeting, the Company has on issue 520,439,436 Shares and therefore has a capacity to issue:

- a) Subject to obtaining shareholder approval under Resolutions 2 to 4 (inclusive), 78,065,915 Equity Securities under Listing Rule 7.1; and
- b) Subject to Shareholder approval being sought under this Resolution 52,043,944 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities, or the agreement date, in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to the formula for calculating 10% Placement Facility set out in (iii) (above)).

(v) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the volume weighted average price of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- a) the date on which the price at which the Equity Securities are to be issued is agreed; or
- b) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (a) above, the date on which the Equity Securities are issued.

(vi) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- a) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- b) the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

(10% Placement Period).

Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to the approval of the 10% Placement Facility:

7.3A.1 Minimum Price

The Equity Securities will be issued at an issue price in accordance with (v) above.

7.3A.2 Risk of voting dilution

If Resolution 6 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table in Appendix 1 to this Explanatory Memorandum. There is a risk that:

- a) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- b) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of

consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table in Appendix 1 shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice of Meeting.

7.3A.3 *Date of issue*

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 6 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

7.3A.4 *Purpose of issue under 10% Placement Facility*

The Company may seek to issue the Equity Securities for the following purposes:

- a) non-cash consideration for the acquisition of the new resources assets and other investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- b) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or other investments (including expense associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A (4) and 3.10.5A upon issue of any Equity Securities.

7.3A.5 *Allocation under 10% Placement Facility*

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- a) the methods of raising funds that are available to the Company, including but not limited to, a rights issue or other issue in which existing security holders can participate;
- b) the effect of the issue of the Equity Securities on the control of the Company;
- c) the financial situation and solvency of the Company; and
- d) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice of Meeting but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

7.3A.6 *Previous approval of 10% Placement Facility under Listing Rule 7.1A*

The Company previously obtained shareholder approval under Listing Rule 7.1A at its 2015 AGM.

During the previous 12 months, the Company has made the following equity security issues:

- a) The Company has issued 424,178,606 Equity Securities in the 12 months following its 2015 AGM (265,268,106 ordinary shares; 142,337,500 Listed Options and 16,573,000 Performance Rights under the Company's Employee Performance Rights Plan), representing 167% of the total number of Equity Securities on issue at the commencement of that 12 month period.
- b) Details of the Equity Securities is as follows:

On 23 August 2016, the Company issued 37,812,500 shares as approved by Shareholders at a General Meeting held on 23 August 2016, the details of which are as follows:

Date of issue:	23 August 2016
Number issued:	37,812,500
Class/Type of equity security:	Ordinary shares
Summary of terms:	As per ASX Announcement dated 6 July 2016. Issued upon the same terms and conditions as existing quoted ordinary shares.
Names of persons who received securities or basis on which those persons was determined:	<ul style="list-style-type: none"> • Sophisticated investor applicants as determined by the Board. • Mr Graham Ascough (Chairman) 937,500 • Mr Malcolm Norris (CEO) 625,000 <p>The allottees were not related parties.</p>
Price:	\$0.016
Discount to market price (if any):	NIL as at date of Announcement
<i>For cash issues</i>	
Total cash consideration received:	\$605,000
Amount of cash consideration spent:	\$NIL
Intended use for remaining amount of cash (if any):	<ul style="list-style-type: none"> • Exploration activities on its Swedish and Finnish lithium exploration assets including drilling, geophysics, geochemistry and metallurgical test work; • Progressing the Environmental and Social Impact Assessment in relation to its Viscaria Copper Project, Sweden; and • Working capital, including corporate costs to manage the exploration program and costs of the offer.

On 23 August 2016, the Company issued 5,000,000 shares as approved by Shareholders at a General Meeting held on 23 August 2016, the details of which are as follows:

Date of issue:	23 August 2016
Number issued:	5,000,000
Class/Type of equity security:	Ordinary shares
Summary of terms:	Issued upon the same terms and conditions as existing quoted ordinary shares.
Names of persons who received securities or basis on which those persons was determined:	<ul style="list-style-type: none"> • Haustella Pty Ltd – 2,500,000 Shares • Wilron Marine Pty Ltd – 2,500,000 Shares • The allottees were not related parties.
Price:	NIL. The Shares were issued under the terms of the Heads of Agreement with the allottees relating to an earn-in joint venture as announced on 14 June 2016
Discount to market price (if any):	Nil

On 12 July 2016, the Company issued 94,525,000 shares (incorporating 38,210,000 shares, issued under the 10% capacity under Listing Rule 7.1A), as ratified by Shareholders at the General Meeting held on 23 August 2016, the details of which are as follows:

Date of issue:	12 July 2016
Number issued:	94,525,000
Class/Type of equity security:	Ordinary shares
Summary of terms:	As per ASX Announcement dated 6 July 2016. Issued upon the same terms and conditions as existing quoted ordinary shares.
Names of persons who received securities or basis on which those persons was determined:	<ul style="list-style-type: none"> • Sophisticated investor applicants as determined by the Board. The allottees were not related parties.
Price:	\$0.016
Discount to market price (if any):	NIL as at date of Announcement
<i>For cash issues</i>	
Total cash consideration received:	\$1,512,400
Amount of cash consideration spent:	\$1,050,000
Use of cash consideration:	<ul style="list-style-type: none"> • A 3,000m drilling programme at the Kietyönmäki lithium occurrence within the Tammela Lithium Project, Finland, with the objective of defining a maiden JORC Resource; • Other exploration activities on its Swedish and Finnish lithium exploration assets including geophysics, geochemistry and metallurgical test work; • Progressing the Environmental and Social Impact Assessment in relation to its Viscaria Copper Project, Sweden; and • Working capital, including corporate costs to manage the exploration program and costs of the offer.
Intended use for remaining amount of cash (if any):	<ul style="list-style-type: none"> • As above

On 26 May 2016, the Company issued 3,748,376 shares as approved by Shareholders at a General Meeting held on 10 May 2016, the details of which are as follows:

Date of issue:	26 May 2016
Number issued:	3,748,376
Class/Type of equity security:	Ordinary shares
Summary of terms:	As per ASX Announcement dated 29 February 2016. Issued upon the same terms and conditions as existing quoted ordinary shares.
Names of persons who received securities or basis on which those persons was determined:	<ul style="list-style-type: none"> • Mr Graham Ascough (Chairman) 1,113,813 • Mr Malcolm Norris (CEO) 1,345,875 • Mr Crispin Henderson (Non-exec director) 1,288,688
Price:	\$0.016
Discount to market price (if any):	15.8%
<i>For cash issues</i>	
Total cash consideration received:	\$59,974
Amount of cash consideration spent:	\$59,974
Use of cash consideration:	To progress the Company's Viscaria Copper Project in Sweden and for working capital requirements.

On 26 May 2016, the Company issued 1,000,000 shares as ratified by shareholders at a General Meeting held on 10 May 2016, the details of which are as follows:

Date of issue:	26 May 2016
Number issued:	1,000,000
Class/Type of equity security:	Ordinary shares
Summary of terms:	Issued upon the same terms and conditions as existing quoted ordinary shares.
Names of persons who received securities or basis on which those persons was determined:	<ul style="list-style-type: none"> • Nortec Minerals Corp
Price:	NIL. The Shares were issued under the terms of the Heads of Agreement with the allottee relating to an earn-in joint venture as announced on 19 May 2016
Discount to market price (if any):	Nil

On 8 March 2016, the Company issued 45,663,438 shares as ratified by Shareholders at a General Meeting held on 23 August 2016, the details of which are as follows:

Date of issue:	8 March 2016
Number issued:	45,663,438
Class/Type of equity security:	Ordinary shares
Summary of terms:	Issued upon the same terms and conditions as existing quoted ordinary shares.
Names of persons who received securities or basis on which those persons was determined:	The Shares were issued to the following parties on the following noted allocations: <ul style="list-style-type: none"> • 13,838,688 Shares to Valbonne II via HSBC Custody Nominees (Australia) Limited • 12,540,000 Shares to Potezna Gromadka Ltd • 10,749,375 Shares to JP Morgan Nominees Australia Limited • 6,000,000 Shares to Marilei International Limited • 2,535,375 Shares to Viaticus Capital LLC
Price:	\$0.016
Discount to market price (if any):	15.8%
<i>For cash issues</i>	
Total cash consideration received:	\$730,615
Amount of cash consideration spent:	\$730,615
Use of cash consideration:	To progress the Company's Viscaria Copper Project in Sweden and for working capital requirements.

On 7 December 2015, the Company issued 11,184,138 shares, under the shortfall of a 1 for 2 Rights Issue, the details of which are as follows:

Date of issue:	7 December 2015
Number issued:	11,184,138
Class/Type of equity security:	Ordinary shares
Summary of terms:	Issued upon the same terms and conditions as existing quoted ordinary shares.
Names of persons who received securities or basis on which those persons was determined:	Shareholder who elected to accept their allotment under the Company's 1 for 2 Rights issue after the initial offer had closed, under the shortfall
Price:	\$0.027
Discount to market price (if any):	NIL
<i>For cash issues</i>	
Total cash consideration received:	\$301,972
Amount of cash consideration spent:	\$301,972
Use of cash consideration:	To progress the Company's Viscaria Copper Project in Sweden and for working capital requirements.

On 13 November 2015, the Company issued 66,334,654 shares under a 1 for 2 Rights Issue, the details of which are as follows:

Date of issue:	13 November 2015
Number issued:	66,334,654
Class/Type of equity security:	Ordinary shares
Summary of terms:	Issued upon the same terms and conditions as existing quoted ordinary shares.
Names of persons who received securities or basis on which those persons was determined:	Existing Shareholders under a 1 for 2 Rights Issue
Price:	\$0.027
Discount to market price (if any):	NIL
<i>For cash issues</i>	
Total cash consideration received:	\$1,791,036
Amount of cash consideration spent:	\$1,791,036
Use of cash consideration:	To progress the Company's Viscaria Copper Project in Sweden and for working capital requirements.

During the previous 12 months, the Company issued 142,337,500 listed options, the details of which are as follows:

Date of issue:	29 August 2016
Number issued:	142,337,500
Class/Type of equity security:	Listed Options
Summary of terms:	142,337,500 Listed Options exercisable at \$0.03 cents per option, expiry 31 August 2019
Names of persons who received securities or basis on which those persons was determined:	132,337,500 options to Shareholders participating in Placement as per ASX Announcement dated 6 July 2016; and 10,000,000 to Hartleys Limited (or its nominee) in lieu of cash advisory fees
Price:	NIL
Discount to market price (if any):	NIL

During the previous 12 months, the Company issued 16,573,000 Performance Rights.:

On 23 August 2016, the Company issued 8,520,000 Performance Rights, the details of which are as follows:

Date of issue:	23 August 2016
Number issued:	8,520,000
Class/Type of equity security:	Unlisted Performance Rights
Summary of terms:	<ul style="list-style-type: none"> • 2,839,721 Performance Rights vesting at share price of \$0.045 per share for 10 consecutive trading days; • 2,839,721 Performance Rights vesting at outperformance of TSR against ASX Small Resources Index; • 2,840,558 Performance Rights vesting at share price of \$0.07 per share for 10 consecutive trading days; • Expiry 3 years from grant date.
Names of persons who received securities or basis on which those persons was determined:	Employees of Avalon Minerals Ltd
Price:	NIL
Value:	\$118,711 [^]

[^] The value of the performance rights is measured using the Monte Carlo simulation for the valuation of the tranches with share price hurdles (Tranches 1 and 3) and for Tranche 2, a correlated Monte Carlo Simulation to simultaneously simulate the performance of the Company's share price and the ASX Small Resources Index taking into account the correlation between the two.

The valuation models use the following variables to determine the value of the Performance Rights:

- a) value of the underlying asset – share price of \$0.018 being the closing share price on ASX as at the date of the Valuation, 24 June 2016;
- b) vesting conditions – as referred to above;
- c) expected volatility of the share price – 146% as calculated by Hoadley's volatility calculator for a 3 year period;
- d) expected volatility of the ASX Small Resources Index – 14%;
- e) risk free rate – the Australian Government 3 year bond rate as at 24 June 2016 of 1.5%;
- f) time to maturity – the Performance Rights expire 3 years from the date of issue; and
- g) expected dividend yield – Nil, given the Company is a mineral exploration company with no history of paying dividends.

On 14 December 2015, the Company issued 8,053,000 Performance Rights, as approved by Shareholders at the 2015 AGM, the details of which are as follows:

Date of issue:	14 December 2015
Number issued:	8,053,000
Class/Type of equity security:	Unlisted Performance Rights
Summary of terms:	<ul style="list-style-type: none"> • 2,683,900 Performance Rights vesting at share price of \$0.08 per share for 10 consecutive trading days; • 2,683,900 Performance Rights vesting at outperformance of TSR against ASX Small Resources Index; • 2,685,200 Performance Rights vesting at share price of \$0.12 per share for 10 consecutive trading days; • Expiry 3 years from grant date.
Names of persons who received securities or basis on which those persons was determined:	Employees of Avalon Minerals Ltd
Price:	NIL
Value:	\$124,820 [^]

[^] The value of the performance rights is measured using the Monte Carlo simulation for the valuation of the tranches with share price hurdles (Tranches 1 and 3) and for Tranche 2, a combination of correlated Monte Carlo Simulation (to simultaneously simulate the performance of the Company's share price and the ASX Small Resources Index taking into account the correlation between the two) and a trinomial lattice to value these relative performance plans.

The valuation models use the following variables to determine the value of the Performance Rights:

- a) value of the underlying asset – share price of \$0.03 being the closing share price on ASX as at the date of the Valuation;
- b) vesting conditions – as referred to above;
- c) expected volatility of the share price – 140% as calculated by Hoadley's volatility calculator for a 3 year period;
- d) expected volatility of the ASX Small Resources Index – 28%;
- e) correlation between the share price and the index – calculated by converting the stock prices into log returns and then calculating the correlation between the returns of 0.08;
- f) risk free rate – the Australian Government 3 year bond rate as at 4 August 2015 of 1.91%;
- g) time to maturity – the Performance Rights expire 3 years from the date of issue; and
- h) expected dividend yield – Nil, given the Company is a mineral exploration company with no history of paying dividends.

7.3A.7 ***Voting Exclusion***

A voting exclusion statement is included in the Notice of Meeting. At the date of the Notice of Meeting, the Company has not approached any particular existing shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities which would be issued under Listing Rule 7.1A. No existing shareholder's votes will therefore be excluded under the voting exclusion in the Notice of Meeting.

Recommendation: The Board believes that Resolution 6 is in the best interests of the Company and unanimously recommends that Shareholders vote in favour of this Resolution.

GLOSSARY

In this Explanatory Memorandum and Notice of Annual General Meeting the following expressions have the following meanings unless stated otherwise or unless the context otherwise requires:

\$ means Australian dollars.

10% Placement Facility has the meaning given in the Explanatory Memorandum for Resolution 6.

10% Placement Period has the meaning given in the Explanatory Memorandum for Resolution 6.

Annual General Meeting, AGM or Meeting means the meeting convened by the Notice.

Applicable Law means each of:

- (a) the Corporations Act;
- (b) the Corporations Regulations;
- (c) the Listing Rules;
- (d) any other applicable securities laws;
- (e) the constitution of the Company;
- (f) applicable taxation laws; and
- (g) any practice note, policy statement, class order, declaration or guideline relating to any of the items in paragraphs (a) to (f) of this definition.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.

Board means the current board of directors of the Company.

Chairman or Chair means the Chairman of the Board.

Closely Related Party of a member of Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;
- (e) a company the member controls; or
- (f) a person prescribed as such by the *Corporations Regulations 2001* (Cth).

Company or Avalon means Avalon Minerals Limited ACN 123 184 412.

Constitution means the constitution of the Company currently in force.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company as at the date of the Explanatory Memorandum.

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum that accompanies and forms part of the Notice of Meeting.

Key Management Personnel has the same meaning as in the accounting standards as defined in section 9 of the Corporations Act (so the term broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director, whether executive or otherwise, of the Company).

Listing Rules means the official listing rules of the ASX.

Notice or **Notice of Meeting** means the notice of Annual General Meeting including the Explanatory Memorandum and the Proxy Form.

Option means an option to acquire a fully paid ordinary share in the Company.

Performance Right means a right to be issued, for no consideration, a fully paid ordinary share in the capital of the Company upon the satisfaction of specified performance conditions.

Proxy Form means the proxy form accompanying the Notice.

Resolution means a resolution as set out in the Notice.

Share means a fully paid ordinary share in the Company.

Shareholder means a holder of a Share in the Company.

Shareholding means the aggregate of shares held by a Shareholder.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

VWAP means volume weighted average market price.

APPENDIX 1

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable “A” calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice of Meeting.

The table also shows:

- (i) an example where variable “A” has increased by 50% and 100%. Variable “A” is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders’ meeting; and
- (ii) an example of the result of the issue price of ordinary securities decreasing by 50% and increasing by 100% as against the current market price.

Variable ‘A’ in Listing Rule 7.1A.2		Dilution		
		\$0.011 50% decrease in Issue Price	\$0.022 Issue Price	\$0.044 100% Increase in Issue Price
Current Variable A 520,439,436 Shares	10% Voting Dilution	52,043,944 Shares	52,043,944 Shares	52,043,944 Shares
	Funds raised	\$ 572,483	\$ 1,144,967	\$ 2,289,934
50% increase in current Variable A 780,659,154 Shares	10% Voting Dilution	78,065,916 Shares	78,065,916 Shares	78,065,916 Shares
	Funds raised	\$ 858,725	\$ 1,717,450	\$ 3,434,900
100% increase in current Variable A 1,040,878,872 Shares	10% Voting Dilution	104,087,887 Shares	104,087,887 Shares	104,087,887 Shares
	Funds Raised	\$ 1,144,967	\$ 2,289,934	\$ 4,579,867

The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table has been prepared on the following assumptions:

- (i) The current Shares on issue are the Shares on issue as at the date of this Notice of Meeting.
- (ii) The current issue price is \$0.022, being the closing price of the Company's Shares on ASX on 10 October 2016.
- (iii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (iv) No Options or Performance Rights (including any issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities.
- (v) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (vi) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
- (vii) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.