

2 October 2014

# ASX ANNOUNCEMENT



**Avalon Minerals Limited (ASX: AVI)  
("Avalon" or "Company")**

## **ANNUAL GENERAL MEETING**

Please find attached the following documentation despatched today to all shareholders of Avalon.

- Notice of Annual General Meeting and Explanatory Memorandum.

A personalised Proxy form will also be provided with the meeting material.

The Company's 2014 Annual Report is also being despatched to those shareholders who requested a hard copy.

Electronic copies of the Annual General Meeting material and the 2014 Annual Report are available on the Company's website.

Roslynn Shand  
Company Secretary

For further information please visit [www.avalonminerals.com.au](http://www.avalonminerals.com.au)

**ASX: AVI**

### **REGISTERED OFFICE**

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**AVALON MINERALS LIMITED**  
**ACN 123 184 412**

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**NOTICE OF ANNUAL GENERAL MEETING**  
**EXPLANATORY MEMORANDUM**  
**PROXY FORM**

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**Date of Meeting**

3 November 2014

**Time of Meeting**

2.30pm

(Brisbane time)

**Place of Meeting**

Oxley Room

Level 1

Christie Conference Centre

320 Adelaide Street

(Cnr Wharf and Adelaide Streets)

Brisbane Qld 4000

This Notice of Meeting and Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

The Company's 2014 Annual Report can be accessed on the Company's web site at [www.avalonminerals.com.au](http://www.avalonminerals.com.au) or alternatively by requesting a hard copy from the Company Secretary.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 7 3368 9888.

**NOTICE OF ANNUAL GENERAL MEETING**  
**AVALON MINERALS LIMITED**  
**ACN 123 184 412**

Notice is hereby given that the Annual General Meeting of Shareholders of Avalon Minerals Limited ACN 123 184 412 (**Company**) will be held at **2.30pm (Brisbane time) on Monday, 3 November 2014** at Level 1, Oxley Room, Christie Conference Centre, 320 Adelaide Street, Brisbane, Queensland (**Meeting**).

Registration will commence just prior to the Meeting. To vote in person, attend the Annual General Meeting on the date and at the place set out above.

**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 2014 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, to 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 2014.'*

**RESOLUTION 2: Ratification of prior issue of placement Shares**

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

*'That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue and allotment of 113,389,511 ordinary shares (on a pre-Consolidation basis) at an issue price of \$0.008 (.8 cents) as set out in the Explanatory Memorandum.'*

**RESOLUTION 3 – Approval for Director Participation in Placement - Mr Malcolm Norris**

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

*'That, for the purposes of Listing Rule 10.11, Shareholders approve the issue of up to 5,000,000 fully paid ordinary shares (on a pre-Consolidation basis) at an issue price of \$0.008 (.8 cents) to Mr Malcolm Norris (or his nominee), a director of the Company, as set out in the Explanatory Memorandum.'*

**RESOLUTION 4 – Approval for Director Participation in Placement - Mr Graham Ascough**

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

*'That, for the purposes of Listing Rule 10.11, Shareholders approve the issue of up to 5,000,000 fully paid ordinary shares (on a pre-Consolidation basis) at an issue price of \$0.008 (0.8 cents) to Mr Graham Ascough (or his nominee), a director of the Company, as set out in the Explanatory Memorandum.'*

#### **RESOLUTION 5 – Approval of Employee Share Option Plan (ESOP)**

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

*‘That, for the purposes of being approved as an exemption from Listing Rule 7.1 pursuant to Listing Rule 7.2, exception 9, and for all other purposes, approval is given for the issue of securities and the implementation of the Employee Share Option Plan (ESOP) on the terms set out in the Explanatory Memorandum.’*

#### **RESOLUTION 6 – Issue of Options to Mr Malcolm Norris**

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

*‘That, for the purposes of section 208 of the Corporations Act 2001 (Cth), Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of a total of 40,000,000 Options (on a pre-Consolidation basis) to Mr Malcolm Norris (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.’*

#### **RESOLUTION 7 – Issue of Options to Mr Don Hyma**

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

*‘That, for the purposes of section 208 of the Corporations Act 2001 (Cth), Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 5,000,000 Options (on a pre-Consolidation basis) to Mr Don Hyma (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.’*

#### **RESOLUTION 8 – Issue of Options to Mr Graham Ascough**

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

*‘That, for the purposes of section 208 of the Corporations Act 2001 (Cth), Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 5,000,000 Options (on a pre-Consolidation basis) to Mr Graham Ascough (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.’*

#### **RESOLUTION 9 – Issue of Options to Mr Crispin Henderson**

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

*‘That, for the purposes of section 208 of the Corporations Act 2001 (Cth), Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 5,000,000 Options (on a pre-Consolidation basis) to Mr Crispin Henderson (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.’*

#### **RESOLUTION 10 – Issue of Options to Mr Paul Niardone**

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

*‘That, for the purposes of section 208 of the Corporations Act 2001 (Cth), Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 5,000,000 Options (on a pre-Consolidation basis) to Mr Paul Niardone (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.’*

#### **RESOLUTION 11 – Consolidation of Share Capital**

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

*‘That, for the purposes of section 254H(1) of the Corporations Act 2001 (Cth) and for all other purposes, the issued capital of the Company be consolidated on the basis that every ten (10) Shares held by a Shareholder be consolidated into one (1) Share, and every ten (10) Options held by an Optionholder be consolidated into one (1) Option with the exercise price amended in inverse proportion to that ratio, with any resulting fractions of a Share or Option (as the case may be) rounded up to the next whole number of Shares or Options (as the case may be), with the consolidation to take effect in accordance with the timetable set out in the Explanatory Memorandum accompanying this Notice of Meeting’.*

**RESOLUTION 12 – 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 terms of the Company’s Constitution, Mr Graham Ascough who was appointed to the Board of the Company since the last annual general meeting, and being eligible, be elected as a director of the Company.’*

**RESOLUTION 13 – Election of Director, Mr Don Hyma**

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

*‘That, in accordance with the terms of the Company’s Constitution, Mr Don Hyma who was appointed to the Board of the Company since the last annual general meeting, and being eligible, be elected as a director of the Company.’*

**RESOLUTION 14 – Election of Director, Mr Malcolm Norris**

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

*‘That, in accordance with the terms of the Company’s Constitution, Mr Malcolm Norris who was appointed to the Board of the Company since the last annual general meeting, and being eligible, be elected as a director of the Company.’*

**RESOLUTION 15 - Re-election of Director, Mr Paul Niardone**

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 Paul Niardone who retires by rotation and being eligible, be re-elected as a Director of the Company.’*

**SPECIAL BUSINESS**

**RESOLUTION 16: 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.’*

**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



Roslynn Shand  
Company Secretary  
16 September 2014

## NOTES:

### 1. 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 (Qld time) on 1 November, 2014 (being not be more than 48 hours before the Meeting on 3 November 2014) will be taken, for the purposes of the Annual General 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.

### 2. 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 16, are ordinary resolutions. Resolution 16 is a special resolution.

Every question arising at this Annual General 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.

### 3. Voting Exclusion Statements

#### (a) Resolution 1

The Company will disregard any votes cast on this Resolution 1 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 a Key Management Personnel,

#### **(Excluded Person).**

However, the Company will not disregard any votes on Resolution 1 if the Excluded Person votes as a proxy for a person who is entitled to vote and the vote is not cast on behalf of the Excluded Person described and either:

- (iii) the Excluded Person is appointed as proxy and votes in accordance with the directions on the Proxy Form; or
- (iv) the Excluded Person is the Chairman of the Meeting and the appointment of the Chairman as proxy:
  - does not specify the way the proxy is to vote on Resolution 1; and
  - expressly authorises the Chairman to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

#### (b) Resolution 2

The Company will disregard any votes cast on Resolution 2 by:

- a person who participated in the issue; and
- any associate of a person who participated in the issue.

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 3

The Company will disregard any votes cast on Resolution 3 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.

(d) Resolution 4

The Company will disregard any votes cast on Resolution 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.

(e) Resolution 5

(i) For the purposes of the Corporations Act, a vote on Resolution 5 must not be cast (in any capacity) by or on behalf of the following persons:

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

However, a person described above may cast a vote on Resolution 5 as a proxy if the vote is not cast on behalf of a person described above and either:

- (A) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (B) 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.

(ii) For the purposes of the ASX Listing Rules, the Company will disregard any votes cast on Resolution 5 by any Director of the Company (except one who is ineligible to participate in the Employee Share Option Plan) and any associates of that Director of the Company.

However, subject always to paragraph 3(f)(i), the Company will not disregard a vote if:

- (A) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or
- (B) 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.

(f) Resolutions 6, 7, 8, 9 and 10

- (i) For the purposes of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on any of Resolutions 6, 7, 8, 9 and 10 if:
- the person is either:
    - a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
    - a Closely Related Party of such a member, and
  - the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the chair of the meeting at which the Resolution is voted on; and
- the appointment 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.

- (ii) For the purposes of the ASX Listing Rules, the Company will disregard any votes cast on Resolutions 6, 7, 8, 9 and 10 by a person (and their associates) who is to receive securities in relation to the Company.

However, subject always to paragraph 3(g)(i), the Company will not disregard a vote if:

- 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
- 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.

(g) Resolution 16

The Company will disregard any votes cast on Resolution 16 by:

- (i) any person who may participate in the 10% Placement Facility and any person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, from the proposed issue if the Resolution is passed; and
- (ii) any associate of those persons.

However, the Company will not disregard any votes cast on this Resolution 16 if:

- (i) 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
- (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.

#### **4. Proxies**

A Shareholder 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 2.30pm (Qld time) on 1 November 2014.

Proxy Forms can be submitted by the below methods

- (a) Online by visiting [www.investorvote.com.au](http://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](http://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 chair of the Meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolutions 1, 5, 6, 7, 8, 9 and 10 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, 5, 6, 7, 8, 9 and 10 by marking the appropriate box on the Proxy Form.

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

#### **6. 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.

## **EXPLANATORY MEMORANDUM GENERAL INFORMATION**

The Explanatory Memorandum contains an explanation of, and information about, the Resolutions to be considered at the Annual General Meeting of Shareholders of Avalon Minerals Limited to be held on **Monday, 3 November 2014**.

This Explanatory Memorandum is to assist Shareholders in understanding the background to and the legal and other implications of the Notice 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 section 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 16 (inclusive).

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

### **ORDINARY BUSINESS**

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#### **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](http://www.avalonminerals.com.au).

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#### **1. Resolution 1 – Adoption of Remuneration Report**

##### **1.1 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.

##### **1.2 “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 2011* 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 received Strikes at its 2012 and 2013 annual general meetings and as required, the Company put to Shareholders a Spill Resolution at the 2013 annual general meeting. Shareholders did not, however, pass the Spill Resolution at the 2013 annual general meeting, with the result that the Company was not required to hold a Spill Meeting. As a result of the above, 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 2015 annual general meeting, the Company will then be required to put a Spill Resolution.

### 1.3 Proxies

Resolution 1 is an ordinary resolution.

The Corporations Act prohibits the Excluded Persons from voting on this Resolution 1. If the Chairman is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

The Chairman intends to exercise all available proxies in favour of Resolution 1.

## RESOLUTION 2 – Ratification of the prior issue of placement Shares

### *Background*

This Resolution seeks ratification by Shareholders of the issue of 113,389,511 Shares to the Allottees on 5 August 2014 for the purposes of Listing Rule 7.4.

Listing Rule 7.1 prohibits the Company (subject to certain exceptions such as pro-rata issues), from issuing or agreeing to issue equity securities representing more than 15% of its total issued ordinary shares, during a rolling 12 month period, without Shareholder approval (**15% Threshold**).

Listing Rule 7.4 allows an issue of equity securities, for which Shareholder approval was not first obtained, to not be counted towards the 15% Threshold when Shareholder approval for that issue is subsequently obtained.

That is, Listing Rule 7.4 permits an issue of shares to be approved retrospectively. It provides that an issue of securities is deemed to have been made with Shareholder approval if Listing Rule 7.1 is not breached at the time the securities were issued and Shareholders subsequently approve (ratify) the issue.

By Shareholders approving this Resolution the Board is given the flexibility to issue more equity securities up to the 15% Threshold. Once the issue of the 113,389,511 Shares to the Allottees is approved, these securities will not be counted as a new issue for the purposes of the 15% Threshold.

### *Listing Rule disclosure*

Details of the issue, as required by Listing Rule 7.5 are as follows:

<b>Required disclosure</b>	
Number of securities allotted	113,389,511 Shares
Issue price	\$0.008 (0.8 cents)
Terms of the securities	The Shares were issued as fully paid ordinary shares ranking equally with existing Shares, for which the Company sought quotation on the official list of the ASX on 5 August 2014.

Names of Allottees	The Shares were issued to the following parties on the following noted allocations: <ul style="list-style-type: none"> <li>• 75,800,000 shares to clients of Morgan Stockbroking</li> <li>• 6,250,000 shares to Mr Bin Liu</li> <li>• 1,639,511 shares to Mr Robert Behets and Mrs Kristina Behets</li> <li>• 4,700,000 shares to Viaticus Capital LLC</li> <li>• 6,250,000 shares to Mr Benjamin Cleary</li> <li>• 18,750,000 shares to CS Fourth Nominees Pty Ltd</li> </ul>
Use of funds	To progress the Company's Viscaria Copper-Iron Project in northern Sweden and for working capital.

**Recommendation:** The Board unanimously recommends that Shareholders vote in favour of Resolution 2.

### **RESOLUTIONS 3 and 4 - Approval for Director Participation in Placement**

#### ***Background***

Resolutions 3 and 4 seek to obtain shareholder approval pursuant to Listing Rule 10.11 for the issue of a total of 10,000,000 fully paid ordinary shares to two (2) directors of the Company as described in the table below.

<b>Director</b>	<b>Shares (on a pre-Consolidation basis)</b>	<b>Issue Price (per share)</b>
Mr Malcolm Norris	5,000,000	\$0.008 (0.8 cents)
Mr Graham Ascough	5,000,000	\$0.008 (0.8 cents)

#### ***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 Directors (other than Messrs Norris and Ascough) consider that the proposed issue of securities the subject of Resolutions 3 and 4 is on arm's length terms and, as such, fall within the exception set out in section 210 of the Corporations Act. The Directors (other than Messrs Norris and Ascough) have reached this view as the terms upon which Messrs Norris and Ascough will acquire the securities are the same as the terms on which the Allottees acquired securities in the Company at a share issue price of \$0.008 (0.8 cent) pursuant to the placement described in full detail in Resolution 1 above.

### **RESOLUTION 3 – Approval for Director Participation in Placement – Mr Malcolm Norris**

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

- (a) The securities the subject of Resolution 3 are to be issued to Mr Norris (or his nominee/s), a director of the Company;
- (b) The maximum number of shares to be issued is 5,000,000 fully paid ordinary shares (on a pre-consolidation basis);
- (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 \$0.008 (0.8 cents) per share;
- (e) 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;
- (f) The issue of securities to Mr Norris will raise \$40,000. Funds raised by the issue of securities to Mr Norris will be used to fund the Company's Viscaria Copper-Iron Project as described above and provide working capital for the Company.

### **RESOLUTION 4 – Approval for Director Participation in Placement – Mr Graham Ascough**

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

- (a) The securities the subject of this Resolution 4 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 5,000,000 fully paid ordinary shares (on a pre-consolidation basis);
- (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 \$0.008 (0.8 cents) per share;
- (e) 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;
- (f) The issue of securities to Mr Ascough will raise \$40,000. Funds raised by the issue of securities to Mr Ascough will be used to fund the Company's Viscaria Copper-Iron Project as described above and provide working capital for the Company.

#### **Additional information and Directors' recommendation**

##### ***Resolution 3 - Approval for Director Participation in Placement - Mr Malcolm Norris or his nominee***

Mr Norris 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 Norris, 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 Norris abstaining, unanimously recommend that Shareholders vote in favour of Resolution 3.**

##### ***Resolution 4 - Approval for Director Participation in Placement - Mr Graham Ascough or his nominee***

Mr Ascough 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 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 4.

**Recommendation: The Board, with Mr Ascough abstaining, unanimously recommend that Shareholders vote in favour of Resolution 4.**

## RESOLUTION 5 – Approval of Employee Share Option Plan (ESOP)

### **Background**

This resolution seeks Shareholder approval for the implementation of an employee share option plan (**ESOP**).

The Board recognises the need to adequately incentivise and remunerate staff, but is keen to ensure that the Company's cash reserves are invested in development of Avalon's Viscaria Copper-Iron Project in Sweden. As such, predominantly equity based incentives continue to provide the best and most viable means for the Company to recognise and reward performance.

The ESOP is designed to:

- (a) align employee incentives with members' interests;
- (b) encourage broad-based share ownership by employees; and
- (c) assist employee attraction and retention.

### **Regulatory requirements**

Listing Rule 7.1 allows the Company to issue a maximum of 15% of its capital in any 12 month period without requiring Shareholder approval. Pursuant to Listing Rule 7.2, exception 9, an issue under an employee incentive plan will not count toward a company's 15% limit provided the plan was approved by Shareholders within three years before the date of the securities being issued.

This resolution proposes that Shareholders consider and approve the ESOP in accordance with Listing Rule 7.2, exception 9, which will enable securities issued under the ESOP in the course of the next three years to be excluded from the Company's 15% limit for the purpose of Listing Rule 7.1.

Approval for the issue of Options under the ESOP is sought by way of ordinary resolution to satisfy the requirements of the Listing Rules. If the resolution is passed, the Company may rely on this exception for issues under the ESOP during the period of three years from the date of the Annual General Meeting.

No issues of Options to directors can be made under the ESOP without separate Shareholder approval under the ASX Listing Rules.

At this time, no securities have been issued under the ESOP.

The following information is included for compliance with Listing Rule 7.2, exception 9.

### **Summary of ESOP Rules**

<b>Eligibility</b>	Any person, including a Director, who is engaged in the full time or part time employment of the Company or a related body corporate of the Company or any person acquiring and holding any ESOP share or option for the benefit of any such person. If a Director is to participate in the ESOP, the issues of Options to the Director will be subject to first obtaining shareholder approval.
<b>Performance Conditions</b>	Vesting conditions imposed by Directors as they consider appropriate.
<b>Grant of Options</b>	All Options are to be offered to Participants for no consideration. The offer must be in writing and specify, amongst other things, the number of Options for which the Participant may apply, the period within which the Options may be exercised, any conditions to be satisfied before exercise, the Option expiry date (as determined by the Board) and the exercise price of the Options.
<b>Exercise</b>	The Options may be exercised, subject to any exercise conditions, by the Participant giving a signed notice to the Company and paying the exercise price in full. The Company will apply for official quotation of any Shares issued on exercise of any Options.
<b>Lapse</b>	The Options shall lapse in accordance with specific offer terms or events contained in the ESOP rules, including termination of employment or resignation, redundancy, death or disablement (subject to the Directors' discretion to extend the term of exercise in restricted cases).

<b>Rights of Participants</b>	<p>Once Shares are allotted upon exercise of the Options the participant will hold the Shares free of restrictions. The Shares will rank for dividends declared on or after the date of issue but will carry no right to receive any dividend before the date of issue.</p> <p>Should the Company undergo a reorganisation or reconstruction of capital or any other such change, the terms of the Options (including number or exercise price or both) will be reorganised to the extent necessary to comply with the Listing Rules.</p> <p>In the event of a change of control, the Board shall have discretion to deal with the Options, including allowing accelerated vesting or the issue of Options in the substituted corporation.</p> <p>A holder of Options is not entitled to participate in dividends, a new issue of Shares or other securities made by the Company to Shareholders merely because he or she holds Options.</p> <p>If there is a bonus share issue of securities, the number of shares over which an Option is exercisable will be increased by the number of shares which the Participant would have received if the Option had been exercised before the record date for the bonus issue. If there is a pro-rata issue to the holders of shares, the exercise price of an Option will be reduced according to the formula set out in the ESOP.</p>
<b>Assignment</b>	The Options are not transferable or assignable without the prior written approval of Directors.
<b>Administration</b>	The ESOP will be administered by the Board which has an absolute discretion to determine appropriate procedures for its administration and resolve questions of fact or interpretation and formulate special terms and conditions (subject to the Listing Rules) in addition to those set out in the ESOP.
<b>Termination and amendment</b>	The ESOP may be terminated or suspended at any time by the Directors. Directors also have, subject to the Corporations Act, the Listing Rules or the Company's Constitution, the discretion or power to alter, modify or add to the ESOP.

**Recommendation:** As the Directors are excluded from voting on this Resolution, they do not wish to make a recommendation as to how Shareholders ought to vote in respect of the Resolution.

The Corporations Act prohibits the Excluded Persons from voting on this Resolution 5. If the Chairman is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 5, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

The Chairman intends to exercise all available proxies in favour of Resolution 5.

**RESOLUTION 6 – Approval to issue up to 40,000,000 (pre-Consolidation) Options to CEO/Managing Director, Malcolm Norris or his nominee.**

**RESOLUTION 7 – Approval to issue up to 5,000,000 (pre-Consolidation) Options to Non-Executive Director, Don Hyma or his nominee**

**RESOLUTION 8 – Approval to issue up to 5,000,000 (pre-Consolidation) Options to Non-Executive Director, Graham Ascough or his nominee**

**RESOLUTION 9 – Approval to issue up to 5,000,000 (pre-Consolidation) Options to Non-Executive Director, Crispin Henderson or his nominee**

**RESOLUTION 10 – Approval to issue up to 5,000,000 (pre-Consolidation) Options to Non-Executive Director, Paul Niardone or his nominee**

### **Background**

The Board is seeking Shareholder approvals for Resolutions 6, 7, 8, 9 and 10 referred to in the accompanying Notice of Meeting for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.11.

Because Messrs Norris, Hyma, Ascough, Henderson and Niardone are Directors of the Company and as the Company is seeking to issue them with the same form of equity (i.e. Options under Resolutions 6, 7, 8, 9 and 10 respectively), the explanations on these five Resolutions have been grouped as set out below.

### **Corporations Act**

Chapter 2E of the Corporations Act regulates related party transactions. Pursuant to section 228, Messrs Norris, Hyma, Ascough, Henderson and Niardone are related parties of the Company given their directorships with Avalon.

Section 208 of the Corporations Act provides that, unless an exception applies, a public company must obtain the approval of its members in accordance with sections 217 to 227 of the Corporations Act before it gives a financial benefit to a related party. The benefit for which Shareholder approval is obtained, must be given within 15 months of that approval.

The issue of the Options proposed under Resolutions 6, 7, 8, 9 and 10 is an example of giving a financial benefit to a related party under the Corporations Act. It is on this basis that approval to Resolutions 6, 7, 8, 9 and 10 is being sought.

### **Listing Rules**

Listing Rule 10.11 requires a listed company to obtain Shareholder approval by ordinary resolution prior to the issue of equity securities to a related party. The definition of 'equity securities' under the Listing Rules includes an 'option over an issued or unissued security'. Further, as noted above, Messrs Norris, Hyma, Ascough, Henderson and Niardone are considered to be related parties of the Company by virtue of their roles on the Board of Avalon, hence Shareholder approval under Listing Rule 10.11 is being sought.

In accordance with Listing Rule 7.2, Exception 14, the general prohibition under Listing Rule 7.1 in relation to the 15% Threshold will not apply to the Options issued under Resolutions 6, 7, 8, 9 and 10 provided Shareholder approval is obtained under Listing Rule 10.11. If Shareholder approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

### **Corporations Act and Listing Rule disclosure**

Details of the proposed issues under Resolutions 6, 7, 8, 9 and 10 as required by the Corporations Act and further expanded upon in ASIC Regulatory Guide 76 (Related party transactions) and Listing Rule 10.13 are as follows:

<b>Required disclosure</b>	
Proposed allottees	Mr Malcolm Norris, Mr Don Hyma, Mr Graham Ascough, Mr Crispin Henderson and Mr Paul Niardone or their nominees
Nature of relationship with Avalon	Mr Malcolm Norris is a related party of Avalon because of his role as CEO/Managing Director. Messrs Hyma, Ascough, Henderson and Niardone are related parties of Avalon because of their roles as Non-Executive Directors of the Company. Mr Ascough is also the Non-Executive Chairman of the Company.
Maximum number of securities to be issued	Subject to Shareholder approval, it is proposed that Mr Norris will be issued up to 40,000,000 (pre-Consolidation) Options to subscribe for new ordinary shares in the Company. Subject to Shareholder approval, it is proposed that Messrs Hyma, Ascough, Henderson and Niardone will each be issued up to 5,000,000 (pre-Consolidation) Options to subscribe for new ordinary shares in the Company. For the purposes of relying on the Shareholder approval obtained for these Resolutions, all Options will be issued no later than 1 month after this Annual General Meeting.
Issue Price	Nil

<p>Exercise price and expiry date</p>	<p>In relation to Mr Norris, the Options to be issued and their exercise price are as follows:</p> <p>(i) 15,000,000 (on a pre-Consolidation basis) Options will be exercisable at a price, rounded up to the nearest tenth of a cent, 50% above the closing price of the Company's shares on the date Shareholder approval is granted with an exercise period of 3 years commencing on the date Shareholder approval is granted and expiring on the third anniversary of that date; and</p> <p>(ii) 25,000,000 (pre-Consolidation) Options will be exercisable at a price, rounded up to the nearest tenth of a cent, 100% above the closing price of the Company's shares on the date Shareholder approval is granted with an exercise period of 5 years commencing on the date Shareholder approval is granted and expiring on the fifth anniversary of that date.</p> <p>In relation to Messrs Hyma, Ascough, Henderson and Niardone, the Options to be issued and their exercise price are as follows:</p> <p>(i) All 20,000,000 (pre-Consolidation) Options will be exercisable at a price, rounded up to the nearest tenth of a cent, 50% above the closing price of the Company's shares on the date Shareholder approval is granted (calculated on a post-Consolidation basis). All of the Options will have an exercise period commencing on the date Shareholder approval is granted and expiring on the third anniversary of that date.</p>
<p>Terms of issue</p>	<p>The terms and conditions of the Options to be issued to Mr Norris under Resolution 6 are set out in Annexure A to this Explanatory Memorandum.</p> <p>The terms and conditions of the Options to be issued to Messrs Hyma, Ascough, Henderson and Niardone under Resolutions 7, 8, 9 and 10 are set out in Annexure B to this Explanatory Memorandum.</p> <p>Each Option proposed to be granted entitles the holder to subscribe for one new ordinary share in the Company at the exercise price specified above exercisable during the exercise period specified. Shares issued on exercise of the Options will rank equally in all respects with the existing fully paid ordinary shares in the Company.</p>
<p>Use of funds</p>	<p>No funds will be raised on the initial issue of the Options to Messrs Norris, Hyma, Ascough, Henderson and Niardone as they are being granted for no consideration.</p> <p>If Messrs Norris, Hyma, Ascough, Henderson and Niardone exercise any or all of their Options, funds will be raised based on the exercise price set out above. These funds will be put towards the Company's general working capital requirements and exploration activities at the relevant time.</p>
<p>Why the Options are being issued to the allottees</p>	<p>The primary purpose of the issue of the Options is to provide cost effective remuneration and incentives for Messrs Norris, Hyma, Ascough, Henderson and Niardone in their respective roles as Directors and reflects what the Board considers to be appropriate in the circumstances.</p> <p>It is considered appropriate to grant the Options to Messrs Norris, Hyma, Ascough, Henderson and Niardone as a means of:</p> <ul style="list-style-type: none"> <li>• Retaining their services by providing a competitive remuneration package;</li> <li>• providing incentives linked to the performance of the Company, thereby aligning their interests more closely with that of the Company; and</li> <li>• providing them with an opportunity to acquire equity in the Company.</li> </ul> <p>It is further considered that the performance of Messrs Norris, Hyma, Ascough, Henderson and Niardone and the performance and value of the Company will be closely related. The Options to be granted will only be of benefit if Messrs Norris, Hyma, Ascough, Henderson and Niardone perform to the level whereby the value of the Company increases sufficiently to warrant exercising the Options.</p> <p>Messrs Norris, Hyma, Ascough, Henderson and Niardone bring a wealth of experience to the Company and valuable fundraising experience, mine development and mining exploration contacts.</p>

	<p>The Directors believe that the proposed issue of Options are in the best interests of the Company and promote the interests of the Company on the basis that the Directors will be increasingly committed to improving the performance of the Company for the benefit of Shareholders.</p>
<p>Why the number of Options and value of the Options was chosen</p>	<p><i>Why the number of Options?</i></p> <p>The number of Options (pre-Consolidation) was chosen following a review of similar organisations to be market competitive. The Options will be granted as a key component of the relevant director's remuneration in order to retain services and provide incentives linked to the performance of the Company. It is further considered that the performance of directors and the performance and value of the Company will be closely related. As such, the Options to be granted will only be of benefit if the directors perform to the level whereby the value of the Company increases sufficiently to warrant exercising the Options.</p> <p><i>What is the value of the Options?</i></p> <p>Pitcher Partners, as independent valuers, has determined that the total value of the Options (pre-Consolidation) to be issued to Messrs Norris, Hyma, Ascough, Henderson and Niardone is (as at the date of the Valuation) \$237,798.</p> <p>Attaining all the exercising conditions will also mean a significant increase in the share price. If such a share price increase is attained the Board determined that the financial reward to Messrs Norris, Hyma, Ascough, Henderson and Niardone was appropriate and aligned their interests with that of all Shareholders.</p>
<p>Directors' interest in the outcome</p>	<p>Other than the interests that Messrs Norris, Hyma, Ascough, Henderson and Niardone each have in the resolutions that relate to their individual allotment, none of the other Directors have an interest in the outcome of Resolutions 6, 7, 8, 9 and 10.</p>
<p>Valuation of the financial benefit</p>	<p>The Company engaged Pitcher Partners to undertake valuations of the Options proposed to be issued to Messrs Norris, Hyma, Ascough, Henderson and Niardone (on a pre-Consolidation basis). Pitcher Partners valued the Options using the Trinomial Lattice Model, a valuation model which defines the conditions under which employees are expected to exercise their options after vesting in terms of the stock price reaching a specified multiple of the exercise price.</p> <p>The Trinomial Lattice Model uses the following variables to determine the value of an Option:</p> <ol style="list-style-type: none"> <li>value of the underlying asset;</li> <li>exercise price of the Option;</li> <li>expected volatility of the share price;</li> <li>risk free rate;</li> <li>time to maturity;</li> <li>exercise multiple; and</li> <li>expected dividend yield.</li> </ol> <p>In respect of valuing the Options, a reliable estimate is required to be made of the average time to exercise. In order to determine a reliable average time to exercise, Pitcher Partners adopted an 'exercise multiple' approach and assessed fair values at three different multiples (4, 5 and 6 times) of the exercise price.</p> <p>The mid valuation selected (5 times), attributed a total value of \$163,763 to the total 40 million Options (pre-Consolidation) proposed to be issued under Resolution 6 to Mr Norris as follows:</p> <ul style="list-style-type: none"> <li>15 million Options \$55,527</li> <li>25 million Options \$108,236</li> </ul> <p>The mid valuation selected (5 times), attributed a total value of \$74,036 to the total 20 million Options (pre-Consolidation) proposed to be issued under Resolutions 7, 8, 9 and 10 to Messrs Hyma, Ascough, Henderson and Niardone as follows:</p> <ul style="list-style-type: none"> <li>Mr Hyma \$18,509</li> <li>Mr Ascough \$18,509</li> <li>Mr Henderson \$18,509</li> <li>Mr Niardone \$18,509</li> </ul>

	<p>However it is important for Shareholders to note that this stated value of the Options may go up or down at any time despite the Valuation. This is because the value of the Options will depend on the valuation methodology used in any future valuation, together with the relevant assumptions made under this Valuation compared to any future valuations.</p> <p>For the purposes of the Valuation of the Options using the Trinomial Lattice Model, the following facts or assumptions were used:</p> <ul style="list-style-type: none"> <li>• the assumed spot price as at 3 September 2014 (the day before the Valuation was finalised) of \$0.007, being the closing share price on ASX. Pitcher Partners considered this closing share price reflected the current market value of the Shares (as at the date of the Valuation);</li> <li>• the Options are exercisable at \$0.0105 per Share (150% of the spot price) and \$0.0140 per Share (200%);</li> <li>• the volatility of the Company's share price was calculated by Hoadley's volatility calculator for a 3 year period. Given the volatility of the Company's Share price over the past 12 months, Pitcher Partners calculated both the minimum rate (110% (<b>Minimum Rate</b>)) and the maximum rate (150%) of volatility;</li> <li>• the Options vest within 30 days from the date of the Meeting (assuming Shareholder approval is obtained);</li> <li>• the Options expire 3 and 5 years from the date of issue;</li> <li>• the risk free rate is 2.73%, which is the 3 year Government Bond Rate used;</li> <li>• the risk free rate is 2.97%, which is the 5 year Government Bond Rate used;</li> <li>and</li> <li>• for the purposes of the Valuation, no future dividend payments were forecast, given the Company is a mineral exploration company with no history of paying dividends.</li> </ul> <p>Based on the assumptions outlined above, Pitcher Partners calculated the mid value of the Options (5 times, using the Trinomial Lattice Model) to be \$237,798.</p> <p>The Board believes, having taken appropriate expert advice on the matter, that the valuation and use of the Trinomial Lattice Model was appropriate in the circumstances. The Board has not used any other valuation model in proposing the terms or number of Options.</p>												
Disclosure of total remuneration package	<p>As noted above, the Options (pre-Consolidation) are proposed to be issued to Messrs Norris, Hyma, Ascough, Henderson and Niardone as a means of providing cost effective remuneration and incentives for them in their roles as Directors. These Options (pre-Consolidation) are proposed to be a one-off issue of securities to Messrs Norris, Hyma, Ascough, Henderson and Niardone or their nominees for that purpose.</p> <p>The remuneration and emoluments from the Company for Messrs Norris, Hyma, Ascough, Henderson and Niardone for current financial year are:</p> <table border="1" data-bbox="480 1518 1453 2074"> <thead> <tr> <th data-bbox="480 1518 804 1552">Related party</th> <th data-bbox="804 1518 1453 1552">Current financial year remuneration*</th> </tr> </thead> <tbody> <tr> <td data-bbox="480 1552 804 1682">Mr Malcolm Norris</td> <td data-bbox="804 1552 1453 1682">\$294,300 per annum comprised of a salary of \$270,000 per annum and superannuation of 9% 40,000,000 Options (on a pre-Consolidation basis) per Resolution 6</td> </tr> <tr> <td data-bbox="480 1682 804 1780">Mr Don Hyma</td> <td data-bbox="804 1682 1453 1780">\$45,000 per annum 5,000,000 Options (on a pre-Consolidation basis) per Resolution 7</td> </tr> <tr> <td data-bbox="480 1780 804 1879">Mr Graham Ascough</td> <td data-bbox="804 1780 1453 1879">\$75,000 per annum 5,000,000 Options (on a pre-Consolidation basis) per Resolution 8</td> </tr> <tr> <td data-bbox="480 1879 804 1977">Mr Crispin Henderson</td> <td data-bbox="804 1879 1453 1977">\$45,000 per annum 5,000,000 Options (on a pre-Consolidation basis) per Resolution 9</td> </tr> <tr> <td data-bbox="480 1977 804 2074">Mr Paul Niardone</td> <td data-bbox="804 1977 1453 2074">\$45,000 per annum 5,000,000 Options (on a pre-Consolidation basis) per Resolution 10</td> </tr> </tbody> </table> <p>*Paid pursuant to service contracts with the Company.</p>	Related party	Current financial year remuneration*	Mr Malcolm Norris	\$294,300 per annum comprised of a salary of \$270,000 per annum and superannuation of 9% 40,000,000 Options (on a pre-Consolidation basis) per Resolution 6	Mr Don Hyma	\$45,000 per annum 5,000,000 Options (on a pre-Consolidation basis) per Resolution 7	Mr Graham Ascough	\$75,000 per annum 5,000,000 Options (on a pre-Consolidation basis) per Resolution 8	Mr Crispin Henderson	\$45,000 per annum 5,000,000 Options (on a pre-Consolidation basis) per Resolution 9	Mr Paul Niardone	\$45,000 per annum 5,000,000 Options (on a pre-Consolidation basis) per Resolution 10
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Mr Paul Niardone	\$45,000 per annum 5,000,000 Options (on a pre-Consolidation basis) per Resolution 10												

	Directors are also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that are properly incurred in attending meetings of Directors or any meetings of committees of Directors, in attending meetings of Shareholders or in connection with the business of the Company.																																																
Securities held in the Company	<p>The relevant current interests (i.e. before any of the Resolutions 3 to 10 are approved) of each of Messrs Norris, Hyma, Ascough, Henderson and Niardone in the securities of the Company are set out below:</p> <table border="1"> <thead> <tr> <th>Related party</th> <th>Shares</th> <th>Options</th> <th>Performance Rights</th> </tr> </thead> <tbody> <tr> <td>Mr Malcolm Norris</td> <td>1,041,849</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td>Mr Don Hyma</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td>Mr Graham Ascough</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td>Mr Crispin Henderson</td> <td>6,075,208</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td>Mr Paul Niardone</td> <td>4,200,000</td> <td>2,800,000</td> <td>3,500,000</td> </tr> </tbody> </table> <p>If Resolutions 3 to 10 are approved by shareholders, the relevant interests (i.e. after the Resolutions are approved) of each of Messrs Norris, Hyma, Ascough, Henderson and Niardone in the securities of the Company will be as set out below:</p> <table border="1"> <thead> <tr> <th>Related party</th> <th>Shares</th> <th>Options</th> <th>Performance Rights</th> </tr> </thead> <tbody> <tr> <td>Mr Malcolm Norris</td> <td>6,041,849</td> <td>40,000,000</td> <td>Nil</td> </tr> <tr> <td>Mr Don Hyma</td> <td>Nil</td> <td>5,000,000</td> <td>Nil</td> </tr> <tr> <td>Mr Graham Ascough</td> <td>5,000,000</td> <td>5,000,000</td> <td>Nil</td> </tr> <tr> <td>Mr Crispin Henderson</td> <td>6,075,208</td> <td>5,000,000</td> <td>Nil</td> </tr> <tr> <td>Mr Paul Niardone</td> <td>4,200,000</td> <td>7,800,000</td> <td>3,500,000</td> </tr> </tbody> </table>	Related party	Shares	Options	Performance Rights	Mr Malcolm Norris	1,041,849	Nil	Nil	Mr Don Hyma	Nil	Nil	Nil	Mr Graham Ascough	Nil	Nil	Nil	Mr Crispin Henderson	6,075,208	Nil	Nil	Mr Paul Niardone	4,200,000	2,800,000	3,500,000	Related party	Shares	Options	Performance Rights	Mr Malcolm Norris	6,041,849	40,000,000	Nil	Mr Don Hyma	Nil	5,000,000	Nil	Mr Graham Ascough	5,000,000	5,000,000	Nil	Mr Crispin Henderson	6,075,208	5,000,000	Nil	Mr Paul Niardone	4,200,000	7,800,000	3,500,000
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Dilution effect the issue of the Options will have on existing Shareholders	If all the Options granted to each of Messrs Norris, Hyma, Ascough, Henderson and Niardone are exercised, a total of 60,000,000 Shares (on a pre-Consolidation basis) would be allotted and issued. This would increase the total number of Shares on issue from 1,437,354,886 to 1,497,354,886 (pre-Consolidation and assuming no other Options or Shares are issued), with the effect that the shareholding of existing Shareholders would be diluted by 4.1%.																																																

The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the Options (pre-Consolidation) issued to Messrs Norris, Hyma, Ascough, Henderson and Niardone, assuming that Shareholders pass Resolutions 6 to 10 (inclusive) and prior to the issue of shares the subject of Resolutions 3 and 4:

Current shares issued	1,437,354,886
Shares issued assuming all existing Options (including the Options the subject of Resolution 3) are exercised	38,500,000
Shares issued assuming exercise of all the Options (pre-Consolidation) referred to in Resolutions 6, 7, 8, 9 and 10	60,000,000
<b>Total shares</b>	<b>1,535,854,886</b>
Dilution effect	6.4%

The market price of shares in the Company would normally determine whether or not Messrs Norris, Hyma, Ascough, Henderson and Niardone (or their nominee) will exercise the Options. If the Options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company.

The highest, lowest and last recorded closing market price of the shares quoted on ASX during the 12 month period ending on 16 September 2014 (being the date of this Notice of Meeting) were:

Highest	\$0.022 on 21 and 22 November 2013
Lowest	\$0.006 on 5 September 2014
Last	\$0.008 on 16 September 2014

## **Additional information and Directors' recommendation**

### **Resolution 6 - Approval to issue up to 40,000,000 Options (pre-Consolidation) to Managing Director, Mr Malcolm Norris or his nominee**

Mr Norris declines to make a recommendation to Shareholders in relation to Resolution 6 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 6, recommend that Shareholders vote in favour of Resolution 6. The Board, other than Mr Norris, 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 6.

**Recommendation: The Board, with Mr Norris abstaining, unanimously recommend that Shareholders vote in favour of Resolution 6.**

### **Resolution 7 - Approval to issue up to 5,000,000 Options (pre-Consolidation) to Non-Executive Director, Mr Don Hyma or his nominee**

Mr Hyma declines to make a recommendation to Shareholders in relation to Resolution 7 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 7, recommend that Shareholders vote in favour of Resolution 7. 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 7.

**Recommendation: The Board, with Mr Hyma abstaining, unanimously recommend that Shareholders vote in favour of Resolution 7.**

### **Resolution 8 - Approval to issue up to 5,000,000 Options (pre-Consolidation) to Non-Executive Director, Mr Graham Ascough or his nominee**

Mr Ascough declines to make a recommendation to Shareholders in relation to Resolution 8 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 8, recommend that Shareholders vote in favour of Resolution 8. 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 8.

**Recommendation: The Board, with Mr Ascough abstaining, unanimously recommend that Shareholders vote in favour of Resolution 8.**

### **Resolution 9 - Approval to issue up to 5,000,000 Options (on a pre-Consolidation basis) to Non-Executive Director, Mr Crispin Henderson or his nominee**

Mr Henderson declines to make a recommendation to Shareholders in relation to Resolution 9 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 9, recommend that Shareholders vote in favour of Resolution 9. 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 9.

**Recommendation: The Board, with Mr Henderson abstaining, unanimously recommend that Shareholders vote in favour of Resolution 9.**

### **Resolution 10 – Approval to issue up to 5,000,000 Options (on a pre-Consolidation basis) to Non-Executive Director, Mr Paul Niardone or his nominee**

Mr Niardone declines to make a recommendation to Shareholders in relation to Resolution 10 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 10, recommend that Shareholders vote in favour of Resolution 10. The Board, other than Mr Niardone, 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 10.

**Recommendation: The Board, with Mr Niardone abstaining, unanimously recommend that Shareholders vote in favour of Resolution 10.**

## **RESOLUTION 11 – Consolidation of Share Capital**

### **(a) Background**

Resolution 11 seeks Shareholder approval to consolidate the number of shares, options and performance rights through the conversion of every ten (10) fully paid shares, options or performance rights into one (1) fully paid share, option or performance right (as the case may be) (rounded up to the nearest number) (**Consolidation**), to become effective immediately.

Section 254H(1) of the Corporations Act provides that a company may, by resolution passed in general meeting, convert all or any of its shares into a larger or smaller number.

This section of the Explanatory Memorandum provides the information required by Listing Rule 7.20 to be provided to Shareholders in relation to the Consolidation.

### **(b) Purpose of the Proposed Resolution**

The Directors propose the Consolidation for the following reasons:

- (i) The Company currently has 1,437,354,886 shares on issue. This represents a relatively large number when compared to its peer group on the ASX; and
- (ii) The Consolidation will result in a more appropriate and effective capital structure for the Company and a more appealing share price to a wider range of investors, particularly institutionally and globally.

### **(c) Effect of the Consolidation**

#### **(i) Shares**

If Resolution 11 is approved, every ten (10) shares on issue will be consolidated into one (1) share (subject to rounding up to the nearest number). Overall, this will result in the number of shares on issue reducing from 1,437,354,886 to approximately 143,735,488 (subject to rounding).

As the Consolidation applies equally to all Shareholders, individual shareholdings will be reduced in the same ratio as the total number of Shares (subject to rounding). Accordingly, assuming no other market movements or impact occur, the Consolidation will have no effect on the percentage interest of each Shareholder in the Company.

The Consolidation will not result in any change to the substantive rights and obligations of existing Shareholders.

#### **(ii) Options**

As at the date of this Notice, the Company has 26,000,000 unlisted Options on issue (**Options**).

If Shareholders approved Resolutions 6, 7, 8, 9 and 10, there will be a further 60,000,000 Options issued resulting in a total of 86,000,000 unlisted Options on issue for the Company.

If the Consolidation is approved, the Options will be reorganised in accordance with the terms and conditions of the Options and Listing Rule 7.22.1 (as applicable) on the basis that the number of Options will be consolidated in the same ratio as the Consolidation and the exercise price is amended in inverse proportion to that ratio.

For example, a holding of one hundred thousand (100,000) Options with an exercise price of five (5) cents each prior to the Consolidation would result in a holding of 10,000 Options, with an exercise price of 50 cents each after the Consolidation.

After the Consolidation, there will be approximately 8,600,000 unlisted Options (assuming that Resolutions 6, 7, 8, 9 and 10 are passed) as follows:

- a) 2,600,000 unlisted Options exercisable at \$0.50 each on or before 30 September 2015;
- b) 3,500,000 unlisted Options that will be exercisable at a price, rounded up to the nearest tenth of a cent, 50% above the closing price of the Company's shares on the date Shareholder approval is granted. These unlisted Options are exercisable on or before the third anniversary of the date of approval for the issue of Options in Resolutions 6, 7, 8, 9 and 10; and

- c) 2,500,000 unlisted Options that will be exercisable at a price, rounded up to the nearest tenth of a cent, 100% above the closing price of the Company's shares on the date Shareholder approval is granted. These unlisted Options are exercisable on or before the fifth anniversary of the date of approval for the issue of Options in Resolution 6.

The Consolidation will not result in any change to the substantive rights and obligations of existing holders of Options.

(iii) **Performance Rights**

As at the date of this Notice, the Company has 9,875,000 unlisted Performance Rights on issue (**Rights**) as follows:

- 3,950,000 Tranche 1 Rights to vest when the Company's share price reaches \$0.12; and
- 5,925,000 Tranche 3 Rights to vest when the Company's share price reaches \$0.30.

If the Consolidation is approved, the Rights will be reorganised in accordance with the terms and conditions of the Rights and Listing Rule 7.22.1 (as applicable) on the basis that the number of Rights will be consolidated in the same ratio as the Consolidation and the vesting price is amended in inverse proportion to that ratio.

For example, a holding of ten thousand (10,000) Rights with a vesting price of twelve (12) cents each prior to the Consolidation would result in a holding of 1,000 Rights, with a vesting price of \$1.20 each after the Consolidation.

After the Consolidation, there will be approximately 987,500 Rights as follows:

- 395,000 Tranche 1 Rights to vest when the Company's share price reaches \$1.20;
- and
- 592,500 Tranche 3 Rights to vest when the Company's share price reaches \$3.00.

The Consolidation will not result in any change to the substantive rights and obligations of existing holders of Rights.

(d) **Fractional entitlements**

Where the Consolidation (and associated consolidation of the Company's Options and Rights) results in an entitlement to a fraction of a Share, Option or Right (as applicable), that fraction will be rounded up to the nearest whole number of Shares, Options or Rights.

(e) **Holding statements**

Taking effect from the date of the Consolidation, all existing holding statements will cease to have any effect, except as evidence of entitlement to a certain number of securities on a post-Consolidation basis. New holding statements will be issued to security holders, who are encouraged to check their holdings after the Consolidation.

(f) **Taxation**

The Consolidation should not result in a capital gains tax event for Australian tax residents. The cost base of the Shares held after the Consolidation will be the sum of the cost bases of the original Shares pre-Consolidation. The acquisition date of Shares held after the Consolidation will be the same date as the date on which the original Shares were acquired.

This Explanatory Memorandum does not however consider the tax implications in respect of Shares or other securities held on revenue account, as trading stock or by non-resident Shareholders. Shareholders should consider their own circumstances and seek their own professional advice in relation to their tax position. Neither the Company nor any of its officers or employees assume any liability or responsibility for advising Shareholders or other security holders about the tax consequences of the proposed Share Consolidation.

**(g) Effect on Capital Structure**

The effect of the Consolidation on the capital structure of the Company will be as follows (ignoring the effect of fractional entitlements):

Resolution and Issue	Pre-consolidation			Post-consolidation		
	Shares	Options	Rights	Shares	Options	Rights
Current capital structure	1,437,354,886	26,000,000	9,875,000	143,735,488	2,600,000	987,500
Issue of Options (Resolutions 6, 7, 8, 9 and 10)	-	60,000,000	-	-	6,000,000	-
<b>TOTAL</b>	1,437,354,886	86,000,000	9,875,000	143,735,488	8,600,000	987,500

**(h) Indicative timetable**

If approved by Shareholders, the proposed Consolidation will take effect on 18 November 2014. The following is an indicative timetable (subject to change) of the key events:

Key Event	Indicative Date
Annual General Meeting	3 November 2014
Notification to ASX of results of Annual General Meeting	3 November 2014
Last day for trading in pre-consolidated securities	5 November 2014
Trading in the consolidated securities on a deferred settlement basis commences	6 November 2014
Last day to register transfers on a pre-consolidation basis	10 November 2014
Registration of securities on a post-consolidation basis	11 November 2014
Despatch of new holding statements Deferred settlement trading ends	17 November 2014
Normal trading starts	18 November 2014

**(i) Board Recommendation**

The Board unanimously recommends that Shareholders vote in favour of Resolution 11.

The chair intends to vote undirected proxies in favour of Resolution 11.

Resolution 11 is an ordinary resolution.

## **RESOLUTION 12 – Election of Director, Mr Graham Ascough**

Mr Graham Ascough was appointed as a non-executive Director and Chairman of the Company on 29 November 2013 (after last year's annual general meeting).

Under the terms of the Company's Constitution, a director appointed to fill a casual vacancy or as an addition to the board holds office until the next following general meeting and is then eligible for re-election. Accordingly, Mr Ascough offers himself for election to the Board at this Meeting.

### **Mr Graham Ascough – Chairman**

BSc, PGeo, MAusIMM

Graham Ascough is a senior resources executive with more than 25 years of industry experience evaluating mineral projects and resources in Australia and overseas. He is currently non-executive Chairman of three ASX listed companies in addition to Avalon Minerals Ltd: Phoenix Copper Limited, Mithril Resources Limited and Musgrave Minerals Limited.

Mr Ascough, a geophysicist by training, has had broad industry involvement playing a leading role in setting the strategic direction for companies, completing financing and in implementing successful exploration programmes. He was also a Councillor of the South Australian Chamber of Mines and Energy and Chair of its Exploration Committee from 2006 ~ 2012 and has strong ties to the SA Resources industry. He is a member of the Australian Institute of Mining and Metallurgy and is a Professional Geoscientist of Ontario, Canada.

Mr Ascough was the Managing Director of Mithril Resources Ltd from October 2006 until June 2012. Prior to joining Mithril in 2006, he was the Australian Manager of Nickel and PGM Exploration at the major Canadian resources house, Falconbridge Limited, which was acquired by Xstrata Plc in 2006.

### **Board Recommendation**

The Board (other than Mr Ascough) unanimously recommends that Shareholders vote in favour of Resolution 12.

## **RESOLUTION 13 – Election of Director, Mr Don Hyma**

Mr Don Hyma was appointed as a non-executive Director of the Company on 19 March 2014 (after last year's annual general meeting).

Under the terms of the Company's Constitution, a director appointed to fill a casual vacancy or as an addition to the board holds office until the next following general meeting and is then eligible for re-election. Accordingly, Mr Hyma offers himself for election to the Board at this Meeting.

### **Mr Don Hyma - Non-Executive Director**

BSc, MSc, PEng, IED

Mr Hyma is a mining industry executive with more than 25 years of progressive capital project experience in the resource sector in Canada, Chile, New Caledonia and Australia. His experience includes direct involvement in delivering numerous major projects, taking them from studies through to implementation, for several multi-national resource companies in the nickel, copper and iron ore industries.

Mr Hyma holds a BSc in Mining Engineering and an MSc in Mineral Processing, along with an International Executive Management Diploma (INSEAD). Based in Perth, Mr Hyma currently provides independent advisory services to several multi-national trading and resource companies. Previously, Mr Hyma was Vice-President – Expansion Projects for the Iron Ore Company of Canada and General Manager, Mine and Infrastructure Projects for Rio Tinto Iron Ore. Mr Hyma has also held senior management and engineering roles at Falconbridge Limited working on the Koniombo nickel, Raglan nickel and Collahuasi copper projects.

### **Board Recommendation**

The Board (other than Mr Hyma) unanimously recommends that Shareholders vote in favour of Resolution 13.

## **RESOLUTION 14 – Election of Director, Mr Malcolm Norris**

Mr Malcolm Norris was appointed as the CEO/Managing Director of the Company, effective 1 April 2014 (after last year's annual general meeting).

Under the terms of the Company's Constitution, a director appointed to fill a casual vacancy or as an addition to the board holds office until the next following general meeting and is then eligible for re-election. Accordingly, Mr Norris offers himself for election to the Board at this Meeting.

### **Mr Malcolm Norris - Chief Executive Officer and Managing Director**

MSc, Grad Dip App Fin, MAICD, FAusIMM, A Fin

Mr Norris is a senior mining industry professional with extensive experience in business management, mineral exploration, development of new business opportunities and asset transactions. His roles have covered a wide range of commodities, geographic locations and management of global portfolios of projects in both large and small organisations.

Mr Norris holds an MSc in Geology and a Graduate Diploma in Applied Finance. He has more than 30 years of industry experience and in the last 15 years has focused primarily on corporate roles. Most recently he was CEO and Managing Director at SolGold PLC where he focussed on implementing significant change, building a new team and new portfolio, along with interacting with investors (Australia, UK, Europe, and North America), and raising equity to grow the company.

### **Board Recommendation**

The Board (other than Mr Norris) unanimously recommends that Shareholders vote in favour of Resolution 14.

## **RESOLUTION 15 – Re-election of Director – Mr Paul Niardone**

In accordance with the Company's Constitution, Mr Paul Niardone retires by rotation and, being eligible, offers himself for re-election as a Director of the Company. Mr Paul Niardone was appointed as a non-executive Director of the Company on 10 February 2012 and was elected as a non-executive, independent Director on 15 November 2012.

Paul is Chairman of the Company's Remuneration Committee and is a member of the Audit and Financial Risk Committee. He was the Executive Director and founder of Professional Public Relations (WA), the largest PR and communications firm in Western Australia. Paul was the founding Chairman of Bellevue Resources Limited and has experience in marketing and strategic planning in both the Government and private sectors. He has been a member of the Australian Marketing Institute, the Institute of Management Consultants and the Institute of Company Directors. Currently Mr Niardone is the CEO of the Ausnet Group, a real estate and financial services group of companies with AU\$2 billion of property sales and a AU\$1 billion loan book.

### **Board Recommendation**

The Board (excluding Mr Paul Niardone) recommends that Shareholders vote in favour of Resolution 15.

## **SPECIAL BUSINESS**

### **RESOLUTION 16 - Approval of 10% Placement Facility**

#### **Purpose of resolution**

The purpose of this Resolution 16 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 16 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 16 for it to be passed.

The Board recommends that Shareholders vote in favour of this Resolution 16.

## 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 \$11.5 million (on the basis of the Company's share price of \$0.008 on 16 September 2014).

If Shareholders approve Resolution 16, 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 1,437,354,886 Shares and therefore has a capacity to issue:

- a) Subject to obtaining shareholder approval under Resolutions 2 to 10 (inclusive), 215,603,233 Equity Securities (pre-Consolidation) (21,560,323 Equity Securities post-Consolidation) under Listing Rule 7.1; and

- b) subject to Shareholder approval being sought under this Resolution 143,735,486 Equity Securities (pre-Consolidation) (14,373,548 Equity Securities post-Consolidation) 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:

**(i) *Minimum Price***

The Equity Securities will be issued at an issue price of not less than 75% of the volume weighted average price for the Company's Equity Securities 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.

**(ii) *Risk of voting dilution***

If Resolution 16 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.

**(iii) *Date of issue***

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 16 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).

(iv) **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.

(v) **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.

(vi) **Previous approval of 10% Placement Facility under Listing Rule 7.1A**

The Company previously obtained shareholder approval under Listing Rule 7.1A at its 2013 AGM.

On 5 August 2014, the Company issued 120,360,489 shares, being the full 10% capacity available as approved. Details of this issue are as follows:

Date of issue:	5 August 2014
Number issued:	120,360,489
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:	Sophisticated investor applicants as determined by the Board. The allottees were not related parties.
Price:	\$0.008
Discount to market price (if any):	35%
<i>For cash issues</i>	
Total cash consideration received:	\$1,870,000
Amount of cash consideration spent:	\$230,000
Use of cash consideration:	For working capital requirements
Intended use for remaining amount of cash (if any):	For working capital requirements

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

On 18 November 2013, the Company issued 376,236,975 shares, the details of which are as follows:

Date of issue:	18 November 2013
Number issued:	376,236,975
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:	Issue to shareholders pursuant to a non- renounceable, pro-rata entitlement Rights Issue
Price:	\$0.01
<i>For cash issues</i>	
Total cash consideration received:	\$3,762,370
Amount of cash consideration spent:	All
Use of cash consideration:	To provide funds to be used to: <ol style="list-style-type: none"> <li>1. fund short-term cash flow requirements to meet the Company's ongoing operating costs and the costs of advisers engaged by the Company in connection with its general corporate activities, the Takeovers Panel proceedings and the re-opened Rights Issue; and</li> <li>2. fund the Company's ongoing operating costs until the end of December 2013, during which the Company is actively seeking out, and investigating, opportunities to fund the next stage of development of the Company's Viscaria Copper-Iron Project in Sweden.</li> </ol>

On 1 October 2013, the Company issued 212,303,648 shares, the details of which are as follows:

Date of issue:	1 October 2013
Number issued:	212,303,648
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:	Issue of shares being pro-rata entitlements pursuant to a non- renounceable Rights Issue: <ul style="list-style-type: none"> <li>• 111,841,380 fully paid ordinary shares to Tan Sri Abu Sahid Bin Mohammed;</li> <li>• 72,701,435 fully paid ordinary shares to Dato Lim Heng Suan; and</li> <li>• 27,760,833 fully paid ordinary shares to Dato Siew Mun Chuang</li> </ul>
Price:	\$0.01
<i>For cash issues</i>	
Total cash consideration received:	\$2,123,036
Amount of cash consideration spent:	All

Use of cash consideration:	Pursuant to the Interim orders made by the Takeovers Panel on 27 September 2013 – fund short-term cash flow requirements to meet the Company's ongoing operating costs.
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### **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. No existing shareholder's votes will therefore be excluded under the voting exclusion in the Notice of Meeting.

The Board believe that the resolution under Resolution 16 is in the best interests of the Company and unanimously recommends that shareholders vote in favour of this Resolution.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 16.

## 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 16.

**10% Placement Period** has the meaning given in the Explanatory Memorandum for Resolution 16.

**Annual General Meeting** or **Meeting** means the meeting convened by the Notice.

**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** 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.

**Consolidation** means the consolidation of the existing securities of the Company on a one-for-ten basis (rounded up to the nearest whole number), which consolidation is proposed to become effective in accordance with the indicative timetable set out in Resolution 11.

**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 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		
		\$0.004 (pre-Consolidation) \$0.04 (post-Consolidation) 50% decrease in Issue Price	\$0.008 (pre-Consolidation) \$0.08 (post-Consolidation) Issue Price	\$0.016 (pre-Consolidation) (\$0.16 (post-Consolidation) 100% Increase in Issue Price
<b>Current Variable A</b> 1,437,354,886 Shares (pre-Consolidation)  143,735,488 Shares (post-Consolidation)	<b>10% Voting Dilution</b>	143,735,488 Shares (pre-Consolidation)  14,373,548 Shares (post-Consolidation)	143,735,488 Shares (pre-Consolidation)  14,373,548 Shares (post-Consolidation)	143,735,488 Shares (pre-Consolidation)  14,373,548 Shares (post-Consolidation)
	<b>Funds raised</b>	\$574,942	\$1,149,884	\$2,299,768
<b>50% increase in current Variable A</b> 2,156,032,329 Shares (pre-Consolidation)  215,603,232 Shares (post-Consolidation)	<b>10% Voting Dilution</b>	215,603,232 Shares (pre-Consolidation)  21,560,323 Shares (post-Consolidation)	215,603,232 Shares (pre-Consolidation)  21,560,323 Shares (post-Consolidation)	215,603,232 Shares (pre-Consolidation)  21,560,323 (post-Consolidation)
	<b>Funds raised</b>	\$862,413	\$1,724,826	\$3,449,652
<b>100% increase in current Variable A</b> 2,874,709,772 Shares (pre-Consolidation)  287,470,977 Shares (post-Consolidation)	<b>10% Voting Dilution</b>	287,470,977 Shares (pre-Consolidation)  28,747,097 Shares (post-Consolidation)	287,470,977 Shares (pre-Consolidation)  28,747,097 Shares (post-Consolidation)	287,470,977 Shares (pre-Consolidation)  28,747,097 Shares (post-Consolidation)
	<b>Funds Raised</b>	\$1,149,884	\$2,299,768	\$4,599,535

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 \$0.008, being the closing price of the Company's Shares on ASX on the date of this Notice of Meeting.
- (iii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (iv) No Options (including any Options 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.
- (viii) The current shares on issue are the Shares on issue as at 16 September 2014.
- (ix) The issue price is \$0.008, being the closing price of the Shares on the ASX on 16 September 2014.
- (x) The table has been prepared on both a pre-Consolidation basis and on a post-Consolidation basis (assuming that Resolution 11 is passed).

**ANNEXURE A – TERMS AND CONDITIONS OF  
CEO/MANAGING DIRECTOR OPTIONS**

1. Each Option entitles the holder to one ordinary share in the Company.
2. Each of 15,000,000 Options (on a pre-Consolidation basis) will be exercisable at a price, rounded up to the next whole cent, 50% above the closing price of the Company's shares on the date Shareholder approval for the grant of the Options is given with an exercise period of 3 years commencing on the date Shareholder approval is granted and expiring on the third anniversary of that date (**Exercise Period 1**).
3. Each of 25,000,000 Options (on a pre-Consolidation basis) will be exercisable at a price, rounded up to the next whole cent, 100% above the closing price of the Company's shares on the date Shareholder approval for the grant of the Options is given with an exercise period of 5 years commencing on the date Shareholder approval is granted and expiring on the fifth anniversary of that date (**Exercise Period 2**).
4. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price per Option in cleared funds.
5. The Company will not apply to ASX for official quotation of the Options.
6. The Company will make application for official quotation on ASX of new shares allotted on exercise of the Options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the Options will qualify for dividends declared after the date of their allotment.
7. Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the optionholder dies, the legal personal representative of the deceased optionholder may:
  - (i) elect to be registered as the new holder of the Options;
  - (ii) whether or not he becomes so registered, exercise those Options in accordance with the terms and conditions on which they were granted; and
  - (iii) if the deceased has already exercised Options, pay the exercise price in respect of those Options.
8. An optionholder may only participate new of securities to holders of ordinary shares in the Company if the Option has been exercised and shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
9. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
10. If the Company makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

A = the new exercise price of the Option; O = the old exercise price of the Option;

E = the number of underlying ordinary shares into which one Option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stock market of ASX during the five trading days immediately preceding the ex-rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded Option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

11. If, during the currency of the Options the issued capital of the Company is reorganised, those Options will be reorganised to the extent necessary to comply with ASX Listing Rules.

## ANNEXURE B – TERMS AND CONDITIONS OF NON-EXECUTIVE DIRECTOR OPTIONS

1. Each Option entitles the holder to one ordinary share in the Company.
2. Each of the Options will be exercisable at a price, rounded up to the next whole cent, 50% above the closing price of the Company's shares on the date Shareholder approval for the grant of the Options is given.
3. Each Option is exercisable in whole or in part at any time during the period commencing on the date of issue (following Shareholder approval) and expiring on the third anniversary of that date (**Exercise Period A**). Options not exercised before the expiry of the Exercise Period will lapse.
4. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price per Option in cleared funds.
5. The Company will not apply to ASX for official quotation of the Options.
6. The Company will make application for official quotation on ASX of new shares allotted on exercise of the Options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the Options will qualify for dividends declared after the date of their allotment.
7. Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the optionholder dies, the legal personal representative of the deceased optionholder may:
  - (i) elect to be registered as the new holder of the Options;
  - (ii) whether or not he becomes so registered, exercise those Options in accordance with the terms and conditions on which they were granted; and
  - (iii) if the deceased has already exercised Options, pay the exercise price in respect of those Options.
8. An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the Option has been exercised and shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
9. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
10. If the Company makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

Where:

A = the new exercise price of the Option;

O = the old exercise price of the Option;

E = the number of underlying ordinary shares into which one Option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stock market of ASX during the five trading days immediately preceding the ex-rights date or ex-traded Option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

11. If, during the currency of the Options the issued capital of the Company is reorganised, those Options will be reorganised to the extent necessary to comply with ASX Listing Rules.