



AVALON MINERALS LTD

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NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 9.30 am on Thursday, 18 November 2010 (WST) at The Celtic Club, 48 Ord Street, West Perth 6005, Western Australia.

This Notice 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 2010 Annual Report can be accessed on the Company's web site at 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 (08) 9322 2752.

Avalon Minerals Ltd

ABN 68 123 184 412

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of the Company will be held at 9.30 am on Thursday, 18 November 2010 at The Celtic Club, 48 Ord Street, West Perth 6005 Western Australia ("Meeting").

The Proxy Form forms part of this Notice of Annual General Meeting ("Notice").

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company at 5.00 pm on 16 November 2010 (WST).

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to Avalon Minerals Ltd, PO Box 165, West Perth, WA 6872; or
- (b) facsimile to (08) 9322 2827,

so that it is received not later than 9:30am (WST) on Tuesday, 16 November 2010.

Proxy Forms received later than this time will be invalid.

AGENDA

ORDINARY BUSINESS

1. Financial Statements and Reports

To receive the financial report of the Company and its controlled entities for the year ending 30 June 2010 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

2. Resolution 1: Directors' Remuneration

To consider, and if thought fit, pass the following 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 2010."

3. Resolution 2: Re-election of Director – Mr Gary Steinepreis

To consider, and if thought fit, pass as an ordinary resolution the following:

"That Mr Gary Steinepreis who retires in accordance with Article 13.2 of the Constitution and, being eligible, offers himself for re-election, be re-elected as a director."

4. Resolution 3: Re-election of Director – Mr David McSweeney

To consider, and if thought fit, pass as an ordinary resolution the following:

"That Mr David McSweeney who retires in accordance with Article 13.2 of the Constitution and, being eligible, offers himself for re-election, be re-elected as a director."

5. Resolution 4: Approval of Employee Share Option Plan

To consider, and if thought fit, pass as an ordinary resolution the following:

"That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is hereby given for the grant of options under the Company's Employee Share Option Plan, and the issue of fully paid ordinary shares in the capital of the Company pursuant to those options, from time to time upon the terms and conditions specified in the rules of the Employee Share Option Plan (which are summarised in the Explanatory Statement) as an exception to ASX Listing Rule 7.1"

Voting Exclusion Statement

In accordance with ASX Listing Rules 7.2 (Exception 9(b)) and 14.11, the Company will disregard any votes cast on this Resolution by a director of the Company (except a director who is ineligible to participate in any employee incentive scheme in relation to the Company) or by an associate of the director. However, the Company need not disregard a vote if it is cast by a person as a 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.

By Order of the Board

Desmond Kelly
Company Secretary
8 October 2010

Avalon Minerals Ltd

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EXPLANATORY MEMORANDUM

Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at The Celtic Club 48 Ord Street, West Perth, Western Australia on 18 November 2010 at 9.30 am.

The purpose of this Explanatory Memorandum is to provide information the Board believes is material to Shareholders in relation to the Resolutions. The Explanatory Memorandum explains the Resolutions and identifies the Directors' decisions for putting them to Shareholders.

1. Financial Statements and Reports

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2010 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 financial report to Shareholders unless specifically requested to do so. The Company's annual financial report can be found on its website at www.avalonminerals.com.au.

2. Resolution 1 – Directors' Remuneration

Pursuant to section 250R (2) of the Corporations Act the Company is required to put the Remuneration Report to the vote of Shareholders. The Annual Report for the year ended 30 June 2010 contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive director, specified executives and non-executive directors.

The provisions of the Corporations Act provide that Resolution 1 need only be an advisory vote of Shareholders.

Accordingly Resolution 1 is advisory only and does not bind the Directors of the Company. Of itself, a failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements in the Remuneration Report, however the board will take the outcome of the vote into consideration when considering the remuneration policy.

The Chairman of the Meeting will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

3. **Resolution 2 – Re-election of Director – Mr Gary Steinepreis**

The Constitution requires that at the Annual General Meeting in every year, one-third of the Directors for the time being shall retire from office.

The Constitution provides that a Director who retires is eligible for re-election. Pursuant to the Constitution Mr Steinepreis will retire, and being eligible, seek re-election.

A Brief CV of Mr Steinepreis is contained in the Annual Report.

4. **Resolution 3 – Re-election of Director – Mr David McSweeney**

The Constitution requires that a director is not required to seek re-election whilst he holds the position of Managing Director. Mr McSweeney held the position of Managing Director until 18 August 2010 at which date the Company appointed Mr Andrew Munckton to this position. Mr McSweeney remains in the role of Executive Chairman of the Company.

Pursuant to the Constitution Mr McSweeney will retire, and being eligible, will seek re-election.

A Brief CV of Mr McSweeney is contained in the Annual Report.

5. **Resolution 4 – Approval of Employee Share Option Plan**

On 7 February 2007, the Board established the Employee Share Option Plan of Avalon Minerals Ltd (“ESOP”).

Listing Rule 7.1

Listing Rule 7.1 provides, in summary that, subject to certain conditions, the Company must not issue or agree to issue equity securities, including options, in any 12 month period equal to more than 15% of the Shares of the Company at the beginning of the 12 month period, except with prior Shareholder approval in general meeting of the precise terms and conditions of the proposed issue.

Exception to Listing Rule 7.1

One of the exceptions to Listing Rule 7.1 is Listing Rule 7.2 (Exception 9(b)), which provides that Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme if, within 3 years before the date of the issue, shareholders have approved the issue of securities under the employee incentive scheme as an exception to Listing Rule 7.1.

Resolution 4 seeks Shareholder approval under Listing Rule 7.2 (Exception 9(b)), for the grant of Options under the ESOP (and the issue of Shares on exercise of those options) from time to time as an exception to Listing Rule 7.1 for a period of 3 years commencing on the date of the Meeting without being required to count those securities as part of, and without reducing, the number of securities which the Company can issue under its annual 15% limit. The impact is that for a period of three years the grant of Options, or issue of Shares upon exercise of Options, will be excluded from the number of securities used to determine the Company’s annual 15% limit in each rolling 12 month period.

In accordance with Listing Rule 7.2 (Exception 9(b)), the following information is disclosed to Shareholders for the purposes of Resolution 4:

- (a) a summary of the terms and conditions of the ESOP is set out in the Schedule attached to the Notice. A copy of the full terms of the ESOP will be sent free of charge to any shareholder upon request;
- (b) since 7 February 2007, 15,800,000 Options have been granted under the ESOP. Since its inception 1,700,000 Options granted under the ESOP have been exercised; and
- (c) a voting exclusion statement in respect of Resolution 4 is included in the Notice.

Enquiries

Shareholders are requested to contact the Company Secretary on (+61 8) 9322 2752 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

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

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Company means Avalon Minerals Ltd (ABN 68 123 184 412).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Eligible Participant means full or part time employees, directors and consultants of the Company or an Associated Body Corporate.

Exercise Condition means in respect of an Option, any condition set out in the Offer which must be satisfied before that Option can be exercised or any other restriction on exercise of that Option specified in the Offer or in these Rules.

Explanatory Statement means the explanatory statement accompanying the Notice.

Lapsing Date means, in respect of an Option, the date which the Board determines in its discretion with respect to that Option at the time of the grant of that Option.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Statement and the Proxy Form.

Offer means an offer made to an Eligible Participant to subscribe for one or more Options under the Scheme.

Option means an option granted pursuant to these Rules to subscribe for one Share upon and subject to the terms of these Rules and the terms of the Offer.

Option Exercise Price means the exercise price of an Option, as determined in accordance with the terms of the ESOP.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE – TERMS AND CONDITIONS OF ESOP

The following is a summary of the key terms and conditions of the ESOP to be adopted by Shareholders pursuant to Resolution 4:

- (a) **Entitlement to Participate:** the Board will determine in its discretion who is entitled to participate in the ESOP and issue an invitation to that person. The Board will consider factors such as skills, experience, length of service with the Company, record of employment and potential contribution to growth and profitability of the Company.
- (b) **Exercise Price:** the Board will determine in its discretion the exercise price of the Options.
- (c) **Lapsing Date:** the lapsing date of an Option issued under the ESOP is at the date that the Board determines in its discretion at the time of the grant of that Option (**Lapsing Date**).
- (d) **Lapsing of Options:** the options of any participant in the ESOP will lapse immediately, and all rights in respect of the relevant person's Options will be lost where:
 - (i) the relevant person ceases to be an employee or director of, or to render services to, the company for any reason whatsoever and the Exercise Conditions have not been met;
 - (ii) the Exercise Conditions are unable to be met;
 - (iii) the Lapsing Date has passed, or
 - (iv) the relevant person ceases to be an employee or director of, or to render services to, the Company for any reason whatsoever and the Exercise Conditions have been met and the Lapsing Date has not passed and the relevant person has not exercised their Options within 90 days from the date that they cease to be an employee or director of, or to render services to, the Company,whichever is earlier.
- (e) **Exercise of Options:** Options granted under the ESOP are exercised by delivering to the Company's secretary (at a time when the Options may be exercised):
 - (i) the certificate for the Options or, if the certificate for the Options is destroyed or lost, a declaration to that effect, accompanied by an indemnity in favour of the Company against any loss, costs or expenses which might be incurred by the Company as a consequence of its relying on the declaration;
 - (ii) a notice in the form set out in the ESOP addressed to the Company and signed by the participant stating that the participant exercises the Options and specifying the number of Options being exercised and specifying the subregister of the Company in which the Shares are to be recorded in; and
 - (iii) payment to the Company of the an amount equal to the Option Exercise Price multiplied by the number of Options which are being exercised unless there is no exercise price payable in respect of the Options being exercised.
- (f) **Quotation:** the Company will make an application for the Shares issued as a result of the Options being exercised to be quoted in accordance with the Listing Rules.
- (g) **New Issues:** There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

AVALON MINERALS LTD

ABN 68 123 184 412

PROXY FORM

By delivery:

Level 2, 91 Havelock St West Perth WA 6005

By post:

PO Box 165 West Perth WA 6872

By facsimile:

+61 8 9322 2827

I/We

¹

of

being a Shareholder/Shareholders of the Company and entitled to

votes in the Company, hereby appoint ²

or failing such appointment the chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 9.30 am on 18 November 2010 (WST) at The Celtic Club 48 Ord Street West Perth, Western Australia and at any adjournment thereof in the manner indicated below or, in the absence of indication, as he thinks fit. If 2 proxies are appointed, the proportion or number of votes this proxy is authorised to exercise is * []% of the Shareholder's votes*/ [] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

If the Chair of the Annual General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolutions 1 to 4** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the Annual General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 1 to 4 and that votes cast by the Chair of the Annual General Meeting for Resolutions 1 to 4 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 1 to 4 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 to 4. The Chairman of the Meeting intends to vote undirected proxies in favour of each of the resolutions.

INSTRUCTIONS AS TO VOTING ON RESOLUTIONS

The proxy is to vote for or against the Resolution referred to in the Notice as follows:

		For	Against	Abstain
Resolution 1	Approval of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Reappointment of Director - Mr Gary Steinepreis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Reappointment of Director - Mr David McSweeney	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Authorised signature/s This section **must** be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

¹Insert name and address of Shareholder

² Insert name and address of proxy

*Omit if not applicable

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that meeting, the representative of the body corporate to attend the meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Perth office (Level 2, 91 Havelock St West Perth Western Australia 6005, or by post to GPO Box 165 West Perth WA 6872 or facsimile (08) 9322 2827 if faxed from within Australia or +618 9322 2827 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the Meeting (WST).
