



AVALON MINERALS LTD

A B N 6 8 1 2 3 1 8 4 4 1 2

NOTICE OF GENERAL MEETING

The General Meeting of the Company will be held at 9.00 am on 3 May 2011 (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.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 9322 2752.

Avalon Minerals Ltd

ABN 68 123 184 412

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of the Company will be held at 9.00 am on 3 May 2011 at The Celtic Club, 48 Ord Street, West Perth 6005 Western Australia.

The Explanatory Memorandum provides additional information on matters to be considered at the General Meeting. The Explanatory Memorandum and Proxy Form form part of this Notice of General Meeting.

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 9.00am (WST) on 1 May 2011.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

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

VOTING BY PROXY

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 the Company on facsimile number (+61 8) 9322 2827,

so that it is received not later than 9:00am (WST) on 1 May 2011. **Proxy Forms received later than this time will be invalid.**

AGENDA

ORDINARY BUSINESS

1. **Resolution 1: Ratification of Prior Issue of Shares**

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

"That, in accordance with ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue and allotment of 22,841,542 Shares at an issue price of 18 cents per Share in accordance with the terms and conditions as set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. 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.

2. **Resolution 2: Re-election of Director – Mr Amro Al Khadra**

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

"That, for the purposes of Clause 13.3 of the Constitution and for all other purposes, Mr Amro Al Khadra who retires in accordance with the Constitution and, being eligible, offers himself for re-election, be re-elected as a director."

3. **Resolution 3: Issue of Director Options to Mr Andrew Munckton**

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

"That, for the purposes of Section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 1,500,000 Tranche A Director Options and 1,500,000 Tranche B Director Options to Mr Andrew Munckton (or his nominee), on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Andrew Munckton (or his nominee) or any of his associates. 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.

4. **Resolution 4: Issue of Director Options to Mr David McSweeney**

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

"That, for the purposes of Section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 300,000 Tranche A Director Options and 300,000 Tranche B Director Options to Mr David McSweeney (or his nominee), on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr David McSweeney (or his nominee) or any of his associates. 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.

5. **Resolution 5: Issue of Director Options to Tan Sri Abu Sahid Bin Mohamed**

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

"That, for the purposes of Section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 300,000 Tranche A Director Options and 300,000 Tranche B Director Options to Tan Sri Abu Sahid Bin Mohamed (or his nominee), on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Tan Sri Abu Sahid Bin Mohamed (or his nominee) or any of his associates. 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.

6. **Resolution 6: Issue of Director Options to Mr Stephen Stone**

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

"That, for the purposes of Section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 300,000 Tranche A Director Options and 300,000 Tranche B Director Options to Mr Stephen Stone (or his nominee), on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Stephen Stone (or his nominee) or any of his associates. 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.

7. **Resolution 7: Issue of Director Options to Mr Amro Al Khadra**

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

"That, for the purposes of Section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 300,000 Tranche A Director Options and 300,000 Tranche B Director Options to Mr Amro Al Khadra (or his nominee), on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Amro Al Khadra (or his nominee) or any of his associates. 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

Paul Bridson
Company Secretary
24 March 2011

Avalon Minerals Ltd

A B N 6 8 1 2 3 1 8 4 4 1 2

EXPLANATORY MEMORANDUM

Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at a General Meeting to be held at The Celtic Club 48 Ord Street, West Perth, Western Australia on 3 May 2011 at 9.00am (WST).

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. Resolution 1 - Ratification of Prior Issue of Shares

1.1 General

On 10 January 2011, the Company issued 22,841,542 Shares as part of a placement as announced to ASX on 10 January 2011.

The subscriber pursuant to this issue was not a related party of the Company.

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Share Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

1.2 Specific Information required by Listing Rule 7.5

Listing Rule 7.5 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to Listing Rule 7.4:

- (a) the 22,841,542 Shares were allotted and issued on 10 January 2011 to Peakville Investments Ltd;

- (b) the Shares were issued at an issue price of 18 cents per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) a total of \$4.111 million was raised to fund completion of the Bankable Feasibility Study of the Sweden based Viscaria Copper-Iron Ore Project, Viscaria regional exploration, general working capital requirements and to pay for the costs of the issue; and
- (e) a voting exclusion statement is included in the Notice.

2. Resolution 2 – Re-election of Director – Mr Amro Al Khadra

The Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Any Director so appointed holds office only until the next following general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting. Mr Al Khadra was appointed by the Directors.

Mr Amro Al Khadra will retire in accordance with clause 13.3 of the Constitution and, being eligible, seeks re-election.

3. Resolutions 3 to 7 – Approval to Issue Director Options

3.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 5,400,000 Options (**Director Options**) to Messrs Munckton, McSweeney, Abu Sahid Mohamed, Stone and Al Khadra (**Related Parties**) on the terms and conditions set out below.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The grant of the Director Options to the Related Parties requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and as Directors, Messrs Munckton, McSweeney, Abu Sahid Mohamed, Stone and Al Khadra are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to the Related Parties.

3.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the related parties are Messrs Munckton, McSweeney, Abu Sahid Mohamed, Stone and Al Khadra and they are related parties by virtue of being Directors;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
 - (i) 1,500,000 Tranche A Director Options and 1,500,000 Tranche B Director Options to Mr Andrew Munckton;
 - (ii) 300,000 Tranche A Director Options and 300,000 Tranche B Director Options to Mr David McSweeney;
 - (iii) 300,000 Tranche A Director Options and 300,000 Tranche B Director Options to Tan Sri Abu Sahid Bin Mohamed;
 - (iv) 300,000 Tranche A Director Options and 300,000 Tranche B Director Options to Mr Stephen Stone; and
 - (v) 300,000 Tranche A Director Options and 300,000 Tranche B Director Options to Mr Amro Al Khadra.
- (c) the Director Options will be granted to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;
- (d) the Director Options will be granted for nil consideration, accordingly no funds will be raised;
- (e) the terms and conditions of the Tranche A Director Options are set out in Schedule 1; and
- (f) the terms and conditions of the Tranche B Director Options are set out in Schedule 2;
- (g) the value of the Director Options and the pricing methodology is set out in Schedule 3;
- (h) the relevant interests of the Related Parties in securities of the Company are set out below;

Related Party	Shares	Options
Mr Andrew Munckton	978,000	1,500,000 ¹
Mr David McSweeney	14,526,282	-
Tan Sri Abu Sahid Bin Mohamed	41,638,344	-
Mr Stephen Stone	1,385,942	-
Mr Amro Al Khadra	-	-

¹ 500,000 Options exercisable at \$0.30 each on or before 31 January 2013 and 1,000,000 Options exercisable at \$0.40 each on or before 31 January 2014.

- (i) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
Mr Andrew Munckton ¹	\$329,750	\$113,540
Mr David McSweeney	\$245,550	\$234,415
Tan Sri Abu Sahid Bin Mohamed ²	-	-
Mr Stephen Stone	\$40,000	\$35,000
Mr Amro Al Khadra ³	\$13,333	-

¹ Mr Munckton was appointed as General Manager on 1 February 2010 and was appointed Managing Director on 18 August 2010.

² The director's fees for Tan Sri Abu Sahid Bin Mohamed totalling \$35,000 for the previous financial year and \$40,000 for the current financial year were paid to his alternate, Mr Ahmad Hisham Kamaruddin.

³ Mr Amro Al Khadra was appointed as Non-Executive Director on 1 March 2011.

- (j) if the Director Options granted to the Related Parties are exercised, a total of 5,400,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 209,238,002 to 214,638,002 (assuming that no other Options are exercised and no other Shares other than those contemplated by the Resolutions of this Notice of Meeting are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 2.52%, comprising 1.40% by Mr Munckton and 0.28% by each of the other directors.

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.

- (k) the trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	Date
Highest	29 cents	14 and 15 February 2011
Lowest	15 cents	20 to 27 July 2010
Last	24 cents	23 March 2011

- (l) the primary purpose of the grant of Director Options to Mr Munckton is to provide cost effective consideration to Mr Munckton for his ongoing commitment and contribution to the Company in his capacity as Managing Director. The Board (other than Mr Munckton) considered the extensive experience and reputation of Mr Munckton within the resources industry, the current market price of Shares and current market practices when determining the number and exercise price of the Director Options to be issued to him. In addition, the Board considers the grant of the Director Options to Mr Munckton to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- (m) the primary purpose of the grant of Director Options to Mr McSweeney is to provide cost effective consideration to Mr McSweeney for his ongoing commitment and contribution to the Company in his capacity as Chairman. The Board (other than Mr McSweeney) considered the extensive experience and reputation of Mr McSweeney within the resources industry, the current market price of Shares and current market practices when determining the number and exercise price of the Director Options to be issued to him. In addition, the Board considers the grant of the Director Options to Mr McSweeney to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- (n) the primary purpose of the grant of Director Options to Tan Sri Abu Sahid Bin Mohamed is to provide cost effective consideration to Tan Sri Abu Sahid Bin Mohamed for his ongoing commitment and contribution to the Company in his capacity as Non-Executive Director. The Board (other than Tan Sri Abu Sahid Bin Mohamed) considered the extensive business experience and reputation of Tan Sri Abu Sahid Bin Mohamed, the current market price of Shares and current market practices when determining the number and exercise price of the Director Options to be issued to him. In addition, the Board considers the grant of the Director Options to Tan Sri Abu Sahid Bin Mohamed to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed;

- (o) the primary purpose of the grant of Director Options to Mr Stone is to provide cost effective consideration to Mr Stone for his ongoing commitment and contribution to the Company in his capacity as Non-Executive Director. The Board (other than Mr Stone) considered the extensive experience and reputation of Mr Stone within the resources industry, the current market price of Shares and current market practices when determining the number and exercise price of the Director Options to be issued to him. In addition, the Board considers the grant of the Director Options to Mr Stone to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- (p) the primary purpose of the grant of Director Options to Mr Amro Al Khadra is to provide cost effective consideration to Mr Amro Al Khadra for his ongoing commitment and contribution to the Company in his capacity as Non-Executive Director. The Board (other than Mr Amro Al Khadra) considered the extensive business experience and reputation of Mr Amro Al Khadra, the current market price of Shares and current market practices when determining the number and exercise price of the Director Options to be issued to him. In addition, the Board considers the grant of the Director Options to Mr Amro Al Khadra to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- (q) the Board acknowledges the grant of Director Options to Tan Sri Abu Sahid Bin Mohamed, Mr Stephen Stone and Mr Amro Al Khadra is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options to Tan Sri Abu Sahid Bin Mohamed, Mr Stephen Stone and Mr Amro Al Khadra reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves;
- (r) Mr Andrew Munckton 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 for the reasons set out in paragraph (l) above. The Board (other than Mr Andrew Munckton) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (s) Mr David McSweeney 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 for the reasons set out in paragraph (m) above. The Board (other than Mr David McSweeney) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;

- (t) Tan Sri Abu Sahid Bin Mohamed declines to make a recommendation to Shareholders in relation to Resolution 5 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 5, recommend that Shareholders vote in favour of Resolution 5 for the reasons set out in paragraph (n) above. The Board (other than Tan Sri Abu Sahid Bin Mohamed) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (u) Mr Stephen Stone 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 for the reasons set out in paragraph (o) above. The Board (other than Mr Stephen Stone) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and
- (v) Mr Amro Al Khadra 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 for the reasons set out in paragraph (p) above. The Board (other than Mr Amro Al Khadra) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

4. 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.

5. Glossary

\$ means Australian dollars.

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.

Explanatory Memorandum means the explanatory memorandum accompanying the Notice of Meeting.

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

New Project means a minerals or mining project outside of the currently identified projects of Viscaria and Adak which meets the Company's growth plans to become a mid tier resources Company.

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

Option means an option to acquire a Share with the terms and conditions set out in Schedules 1 & 2.

Optionholder means a holder of an Option.

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.

Tranche A Options means an option to acquire a Share with the terms and conditions set out in Schedule 1.

Tranche B Options means an option to acquire a Share with the terms and conditions set out in Schedule 2.

Viscaria BFS means the Bankable Feasibility Study into the ability of the Company's Viscaria Copper-Iron Ore Project in Northern Sweden to proceed to development and construction.

Viscaria Project means the Company's Viscaria Copper-Iron Ore Project in Northern Sweden

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

SCHEDULE 1 – TERMS AND CONDITIONS OF TRANCHE A DIRECTOR OPTIONS

The Tranche A Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Tranche A Director Option gives the Optionholder the right to subscribe for one Share.
- (b) The Tranche A Director Options will vest on or before 27 April 2012 (**Vesting Date**) subject to the satisfactory completion of the following performance hurdles:
 - completion of the Viscaria BFS to the satisfaction of the Board, or
 - the acquisition of a new project as the Company's second tier project, to the satisfaction of the Board (**New Project**),and if the Director is still employed with the Company in the capacity as Director as at the Vesting Date.
- (c) If the performance hurdles are not met by the Vesting Date, then the Tranche A Options will lapse on the Vesting Date.
- (d) The Tranche A Director Options will expire at 5.00pm (WST) on 27 April 2014 (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (e) The amount payable upon exercise of each Tranche A Director Option will be \$0.30 (**Exercise Price**).
- (f) The Tranche A Director Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (g) An Optionholder may exercise their Tranche A Director Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;
- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (i) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice.
- (j) The Director Options are not transferable.
- (k) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
- (l) The Company will not apply for quotation of the Director Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (m) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

- (n) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.
- (o) A Director Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director Option can be exercised.

SCHEDULE 2 – TERMS AND CONDITIONS OF TRANCHE B DIRECTOR OPTIONS

The Tranche B Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Tranche B Director Option gives the Optionholder the right to subscribe for one Share.
- (b) The Tranche B Director Options will vest on or before 27 April 2013 (**Vesting Date**) subject to the satisfactory completion of the following performance hurdles:
- Commencement of development of the Viscaria Project, or
 - The completion of the Pre Feasibility Study into the New Project acquired during the vesting period of the Tranche A options,
- and if the Director is still employed with the Company in the capacity as Director as at the Vesting Date.
- (c) If the performance hurdles are not met by the Vesting Date, then the Tranche B Options will lapse on the Vesting Date.
- (d) The Tranche B Director Options will expire at 5.00pm (WST) on 27 April 2015 (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (e) The amount payable upon exercise of each Tranche B Director Option will be \$0.30 (**Exercise Price**).
- (f) The Tranche B Director Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (g) An Optionholder may exercise their Tranche B Director Options by lodging with the Company, before the Expiry Date:
- (iii) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
 - (iv) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;
- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (i) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice.
- (j) The Director Options are not transferable.
- (k) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
- (l) The Company will not apply for quotation of the Director Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (m) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

- (n) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.

- (o) A Director Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director Option can be exercised.

SCHEDULE 3 – VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to the Related Parties pursuant to Resolutions 3 to 7 have been valued by management.

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the Director Options were ascribed values, as follows:

Assumptions:		
Valuation date	9 March 2011	9 March 2011
Market price of Shares	24.5 cents	24.5 cents
Exercise price	30 cents	30 cents
Expiry date	27 April 2014	27 April 2015
Risk free interest rate	6.25%	6.25%
Volatility	90%	90%
Indicative value per Director Option	\$0.1373	\$0.1568
Total Value of Director Options	\$370,682	\$423,280
- Mr Andrew Munckton	\$205,934	\$235,156
- Mr David McSweeney	\$41,187	\$47,031
- Tan Sri Abu Sahid Bin Mohamed	\$41,187	\$47,031
- Mr Stephen Stone	\$41,187	\$47,031
- Mr Amro Al Khadra	\$41,187	\$47,031

Note: The Director Options are unlisted and as such the valuations noted above are not necessarily the market prices for taxation purposes.

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 General Meeting of the Company to be held at 9.00 am on 3 May 2011 (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 7** 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 7 and that votes cast by the Chair of the Annual General Meeting for Resolutions 1 to 7 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 7 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 to 7.

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	Ratification of Prior Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director – Mr Amro Al Khadra	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval to Issue Options to Mr Andrew Munckton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval to Issue Options to Mr David McSweeney	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval to Issue Options to Tan Sri Abu Sahid Bin Mohamed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval to Issue Options to Mr Stephen Stone	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval to Issue Options to Mr Amro Al Khadra	<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

²Insert 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 PO 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).

