

29 October 2015

# ASX ANNOUNCEMENT



## ANNUAL GENERAL MEETING

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

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

The Company's 2015 Annual Report is also being dispatched to those shareholders who have requested a hard copy.

Electronic copies of the Annual General Meeting material and the 2015 Annual Report are available on the Company's website.

Gavin Leicht

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 LTD  
ACN 123 184 412**

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

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**Date of Meeting**

Thursday 26 November 2015

**Time of Meeting**

11.30am

(Brisbane time)

**Place of Meeting**

BDO Offices

Level 10

12 Creek Street

("Blue Tower")

Brisbane Qld 4000

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

Notice is hereby given that the Annual General Meeting of Shareholders (**Meeting**) of Avalon Minerals Ltd ACN 123 184 412 (**Company**) will be held at **11.30am (Brisbane time) on Thursday 26 November 2015** at the offices of BDO, Level 10, 12 Creek Street, Brisbane, Queensland.

**AGENDA**

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

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

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

**ORDINARY BUSINESS**

**Financial Statements and Reports**

To receive the financial report of the Company and its controlled entities for the year ending 30 June 2015, together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

**RESOLUTION 1: Adoption of Remuneration Report**

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

*'That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2015.'*

**RESOLUTION 2: Ratification of prior issues 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 12,000,000 ordinary shares at an issue price of \$0.035 (3.5 cents) as set out in the Explanatory Memorandum.'*

**RESOLUTION 3: Ratification of prior issue of Options**

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 allotment of 4,200,000 options as set out in the Explanatory Memorandum.'*

**RESOLUTION 4: Approval of Employee Performance Rights Plan**

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 Performance Rights Plan (EPRP) on the terms set out in the Explanatory Memorandum.'*

**RESOLUTION 5: Issue of Performance Rights to Mr Malcolm Norris**

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

*'That, subject to the passing of Resolution 4, for the purposes of section 208 of the Corporations Act 2001 (Cth), Listing Rule 10.14 and for all other purposes, approval is given to the issue by the Company of a total of 1,994,000 Performance Rights under the EPRP to Mr Malcolm Norris (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.'*

#### **RESOLUTION 6: Re-election of Director, Mr Crispin Henderson**

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 Crispin Henderson who retires by rotation and being eligible, be re-elected as a Director of the Company.'*

#### **SPECIAL BUSINESS**

#### **RESOLUTION 7: Approval of 10% Placement Facility**

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

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

#### **How to Vote**

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

#### **Voting entitlement**

In accordance with regulation 7.11.37 of the *Corporations Regulations 2001 (Cth)*, the Board has determined that the Shareholders who are on the Company's share register at 7.00 pm (Brisbane time) on 24 November 2015 (being not more than 48 hours before the Meeting on 26 November 2015) will be taken, for the purposes of the Meeting, to be entitled to attend and vote at the Meeting. If you are not the registered holder of a relevant share at that time, you will not be entitled to vote at the Meeting.

#### **Voting at the Meeting**

Ordinary resolutions require the support of more than 50% of the votes cast. Special resolutions require the support of at least 75% of the votes cast. All the Resolutions at this Meeting, other than Resolution 7, are ordinary resolutions. Resolution 7 is a special resolution.

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

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

## Voting Exclusion Statements

### (a) Resolution 1

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

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

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

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

### (b) Resolutions 2 and 3

The Company will disregard any votes cast on Resolutions 2 and 3 by a person who participated in the issue and an associate of that person.

However, the Company will not disregard a vote if:

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

### (c) Resolution 4

- (i) For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 4 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 Listing Rules, the Company will disregard any votes cast on Resolution 4 by any Director of the Company (except one who is ineligible to participate in the Employee Performance Rights Plan) and any associates of that Director of the Company.

However, subject always to paragraph (c)(i) above, 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.

(d) **Resolution 5**

(i) For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 5 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 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 Performance Rights Plan) and any associates of that Director of the Company.

However, subject always to paragraph (d)(i) above, 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.

(e) **Resolution 7**

The Company will disregard any votes cast on Resolution 7 by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if Resolution 7 is passed.

However, the Company will not disregard a vote if:

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

## Proxies

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

To be valid the appointment of a proxy (made using a properly completed and executed Proxy Form) must be received by the Company no later than 11.30am (Brisbane time) on 24 November 2015.

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, 4 and 5 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, 4 and 5 by marking the appropriate box on the Proxy Form.

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

## Corporate Representative

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

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

By order of the Board



Gavin Leicht  
Company Secretary  
23 October 2015

## **EXPLANATORY MEMORANDUM GENERAL INFORMATION**

This Explanatory Memorandum contains an explanation of, and information about, the Resolutions to be considered at the Annual General Meeting of Shareholders of Avalon Minerals Ltd to be held on **Thursday 26 November 2015**.

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

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

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

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

The information contained in this Explanatory Memorandum has been prepared by the Company and is the responsibility of the Company. Other than the information set out in this Explanatory Memorandum, the Directors believe that there is no other information that could reasonably be required by Shareholders to consider Resolutions 1 to 7 (inclusive).

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

### **ORDINARY BUSINESS**

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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).



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

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### **Remuneration Report**

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

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

### **“Two Strikes”**

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

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

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

The Company did not receive a Strike at its 2014 Annual General Meeting and as a result, if the Remuneration Report receives a Strike at this Meeting, the Company will not be required to put a Spill Resolution. However, if the Remuneration Report receives a Strike at this Meeting and a second Strike at the 2016 Annual General Meeting, the Company is then required to put a Spill Resolution.

### **Proxies**

Resolution 1 is an ordinary resolution.

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

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

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

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

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### **Background**

This Resolution seeks ratification by Shareholders of the issue of the following shares for the purposes of Listing Rule 7.4:

- 12,000,000 Shares at an issue price of \$0.035 (3.5 cents) on 17 June 2015

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**).

A note to Listing Rule 7.4 provides that the issue of securities made under Listing Rule 7.1 and Listing Rule 7.1A can be ratified by shareholders under Listing Rule 7.4. If Shareholders ratify the issue of securities, the issue will not reduce the Company's placement capacity under Listing Rule 7.1 and Listing Rule 7.1A.

Accordingly, Resolution 2 seeks Shareholder approval under Listing Rule 7.4 for and ratification of the issue of 12,000,000 Shares issued under the Company's annual 15% placement capacity under Listing Rule 7.1 to provide flexibility for the Company to issue equity securities under the 15% placement capacity under Listing Rule 7.1 in the next 12 months without the requirement to obtain Shareholder approval.

### **Listing Rule disclosure**

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

<b>Required disclosure</b>	
Number of securities allotted	12,000,000 Shares issued under the Company's annual 15% placement capacity under Listing Rule 7.1
Issue price	\$0.035 (3.5 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 17 June 2015.
Names of Allottees	12,000,000 shares to Wyntorc SA
Use of funds	To progress the Company's Viscaria Copper Project in northern Sweden and for working capital.

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

## RESOLUTION 3 – Ratification of the prior issue of Options

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### **Background**

This Resolution seeks ratification by Shareholders of the issue of a total of 4,200,000 Options to employees of the Company for the purposes of Listing Rule 7.4. The Options were offered to the employees upon commencement of employment with the Company and were issued in accordance with the terms of their employment contract.

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**).

The 15% Threshold applies to ‘equity securities’ which according to the Listing Rule definition, includes an ‘option over an issued or unissued security’. On this basis, the 4,200,000 Options to employees count towards the 15% Threshold unless Shareholder approval is subsequently obtained in accordance with Listing Rule 7.4.

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 securities 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 total 4,200,000 Options to the employees 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>	
<i>Number of securities allotted</i>	Total of 4,200,000 options.
<i>Issue terms</i>	The issue price per Option is Nil.  The exercise price and expiry period for the Options are as follows: (i) 2,100,000 Options exercisable at \$0.06 per option, (expiry – 1,800,000 options expire on 5 May 2018; 300,000 options expire on 29 May 2018); and (ii) 2,100,000 Options exercisable at \$0.08 per option, (expiry – 1,800,000 options expire on 5 May 2020; 300,000 options expire on 29 May 2020)
<i>Name of allottees</i>	Gavin Leicht (1,000,000 options at \$0.06 and 1,000,000 options at \$0.08); Bruce Rohrlach (800,000 options at \$0.06 and 800,000 options at \$0.08); and Damien Mizow (300,000 options at \$0.06 and 300,000 options at \$0.08).
<i>Terms of the securities</i>	The terms and conditions of the Options issued to the employees under Resolution 3 are set out in Annexure A to this Explanatory Memorandum.
<i>Use of funds</i>	The issue of the Options did not raise any money.  If all the Options are exercised by the employees, additional funds will be raised. The funds will be put towards the Company’s general working capital requirements and exploration activities at the relevant time.

**Recommendation:** The Board unanimously recommends that Shareholders vote in favour of Resolution 3.

## RESOLUTION 4 – Approval of Employee Performance Rights Plan

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### **Background**

This resolution seeks Shareholder approval for the implementation of an Employee Performance Rights Plan (EPRP).

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 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 Remuneration Committee and the Board have undertaken a review of peer companies to ensure that the type of plan and the nominal dollar value of grants under the plan are consistent with these peer companies.

The EPRP 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 EPRP in accordance with Listing Rule 7.2, exception 9, which will enable securities issued under the EPRP 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 Performance Rights under the EPRP 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 EPRP during the period of three years from the date of the Annual General Meeting.

No issues of Performance Rights to non-executive directors can be made under the EPRP.

No issues of Performance Rights to executive directors can be made under the EPRP without separate Shareholder approval under the Listing Rules.

At this time, no securities have been issued under the EPRP. The Company proposes to issue up to a maximum of 8,500,000 Performance Rights to existing employees (including 1,994,000 Performance Rights to the Managing Director subject to Resolution 5) no later than 26 February 2016 (3 months after the date of the Annual General Meeting).

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

### **Summary of EPRP Rules**

<b>Eligibility</b>	<p>Any person, including an Executive Director, who is engaged in full time or part time employment (including contractors) of the Company or an associated body corporate of the Company or any person acquiring and holding any EPRP share or option for the benefit of any such person.</p> <p>If an Executive Director is to participate in the EPRP, the issues of Performance Rights to the Executive Director will be subject to first obtaining shareholder approval.</p> <p><u>Non-Executive Directors are not eligible to participate in the EPRP.</u></p>
<b>Performance Conditions</b>	<p>Vesting conditions may be imposed by Directors for each grant under the Plan. These vesting conditions may differ for each grant of Performance Rights under the Plan, as they consider appropriate.</p>

<b>Grant of Performance Rights</b>	Unless the Board otherwise determines, all Performance Rights are to be offered to Participants for no consideration. The offer must be in writing and specify, amongst other things, the number of Performance Rights for which the Participant may apply, any conditions to be satisfied before vesting, and the expiry date (if any) (as determined by the Board).
<b>Performance Right Limit</b>	The maximum number of Performance Rights the Board may grant under this Plan (including any Rights previously issued under this Plan within the last 3 years) is 5% of the ordinary shares of the Company on issue as at the Invitation.
<b>Vesting</b>	The Performance Rights may vest, subject to the performance related vesting conditions imposed by the Board, prior to the expiry date. The Company will apply for official quotation of any Shares issued on vesting of any Share Rights.
<b>Lapse</b>	Unless the Board otherwise determines, the Performance Rights shall lapse in accordance with specific offer terms or events contained in the EPRP 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 Performance Rights the participant will hold the Shares free of restrictions. The Shares will rank equally in all respects with all other ordinary shares on issue except as regards any rights attaching to ordinary shares by reference to a Record Date before the date of their allotment.</p> <p>Should the Company undergo a reorganisation or reconstruction of capital or any other such change, the terms of the Performance Rights will be reorganised in the manner provided for by the Listing Rules.</p> <p>Subject to the terms and conditions of a grant of Performance Rights and Applicable Laws, in the event of a change of control, all Performance Rights will automatically vest and convert to ordinary shares.</p> <p>A holder of Performance Rights 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 Performance Rights.</p> <p>If there is a bonus share issue of securities, the number of shares over which Performance Rights are exercisable will be increased by the number of shares which the Participant would have received if the Performance Rights had been exercised before the record date for the bonus issue.</p>
<b>Assignment</b>	The Performance Rights are not transferable or assignable without the prior written approval of the Board.
<b>Administration</b>	The EPRP 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 EPRP.
<b>Termination and amendment</b>	The Board has, subject to certain restrictions contained in the EPRP, the Corporations Act, the Listing Rules or the Company's Constitution, the discretion or power to alter, modify or add to the EPRP.

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

**RESOLUTION 5 – Approval to issue up to 1,994,000 Performance Rights to CEO/Managing Director, Malcolm Norris or his nominee.**

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***Background***

The Board is seeking Shareholder approval for Resolution 5 referred to in the accompanying Notice of Meeting for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.14.

***Corporations Act***

Chapter 2E of the Corporations Act regulates related party transactions. Pursuant to section 228, Mr Norris is a related party of the Company given he is a director of the Company.

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 Performance Rights proposed under Resolution 5 is an example of giving a financial benefit to a related party under the Corporations Act. It is on this basis that approval to Resolution 5 is being sought.

***Listing Rules***

Listing Rule 10.14 requires a listed company to obtain Shareholder approval by ordinary resolution prior to the issue of equity securities under an employee incentive scheme to a director of the entity. The definition of ‘equity securities’ under the Listing Rules includes a ‘right to a share or unit or option’. Further, as noted above, Mr Norris is a director of the Company, hence Shareholder approval under Listing Rule 10.14 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 Performance Rights issued under Resolution 5 provided Shareholder approval is obtained under Listing Rule 10.14. If Shareholder approval is given under Listing Rule 10.14, approval is not required under Listing Rule 7.1.

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

Details of the proposed issues under Resolution 5 as required by the Corporations Act and further expanded upon in ASIC Regulatory Guide 76 (Related Party Transactions) and Listing Rule 10.15 are as follows:

<b>Required disclosure</b>	
Proposed allottees	Mr Malcolm Norris, or his nominee
Nature of relationship with Avalon	Mr Malcolm Norris is a related party of the Company because of his role as CEO/Managing Director.
Maximum number of securities to be issued	Subject to Shareholder approval, it is proposed that Mr Norris will be issued up to 1,994,000 Performance Rights to subscribe for new ordinary shares in the Company. For the purposes of relying on the Shareholder approval obtained for this Resolution, all Performance Rights will be issued no later than 1 month after this Annual General Meeting.
Issue Price	Nil
Eligibility	Non-Executive Directors are not eligible to participate in the EPRP. Mr Malcolm Norris, or his nominee, is the only person referred to in Listing Rule 10.14 entitled to participate in the EPRP, and has received no prior Performance Rights under the plan.
Terms of issue	The terms and conditions of the Performance Rights to be issued to Mr Norris under Resolution 5 are set out in Annexure B to this Explanatory Memorandum. Each Performance Right proposed to be granted entitles the holder to subscribe for one new ordinary share in the Company, upon satisfying the performance conditions. Shares issued on vesting of the Performance Rights will rank equally in all respects with the existing fully paid ordinary shares in the Company. There are no Loans associated with the Issue.

Use of funds	No funds will be raised on the initial issue of the Performance Rights to Mr Norris as they are being granted for no consideration.
Performance Conditions, and expiry date	<p>In relation to Mr Norris, the Performance Rights to be issued and the performance conditions required for vesting are as follows:</p> <p>(i) 1,994,000 Performance Rights, 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) Performance Conditions for Vesting of:</p> <p>a) Tranche 1 – 33.33% or 664,600 performance rights to vest upon the Closing Price of Avalon Shares being \$0.08 or more for 10 consecutive trading days;</p> <p>b) Tranche 2 – 33.33% or 664,600 performance rights to vest upon Total Shareholder Return (TSR) performance as measured against the ASX Small Resources Index, as follows:</p> <ul style="list-style-type: none"> <li>• Performance below the index no shares will vest.</li> <li>• Performance equal to the index will see 50% vest, increasing linearly with outperformance of the index by up to 25%, such that 100% of shares will vest should Avalon's performance be greater than 25% above the index performance.</li> <li>• Testing will be annually on the anniversary of grant date; and</li> </ul> <p>c) Tranche 3 – 33.34% or 664,800 performance rights to vest upon the Closing Price of Avalon Shares being \$0.12 or more for 10 consecutive trading days.</p>
Why the Performance Rights are being issued to the allottees	<p>The primary purpose of the issue of the Performance Rights is to provide cost effective remuneration and incentives for Mr Norris in his role as Managing Director and reflects what the Board considers to be appropriate in the circumstances.</p> <p>It is considered appropriate to grant the Performance Rights to Mr Norris as a means of:</p> <ul style="list-style-type: none"> <li>• retaining his services by providing a competitive remuneration package;</li> <li>• providing incentives linked to the performance of the Company, thereby aligning his interests more closely with that of the Company; and</li> <li>• providing him with an opportunity to acquire equity in the Company.</li> </ul> <p>It is further considered that the performance of Mr Norris and the performance and value of the Company will be closely related.</p> <p>Mr Norris brings 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 Performance Rights are in the best interests of the Company and promote the interests of the Company on the basis that the Managing Director will be increasingly committed to improving the performance of the Company for the benefit of Shareholders.</p>
Why the number of Performance Rights and value of the Performance Rights was chosen	<p><i>Why the number of Performance Rights?</i></p> <p>The number of Performance Rights was chosen following a review of similar organisations to be market competitive. The Performance Rights will be granted as a key component of the Managing 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 the Managing Director and the performance and value of the Company will be closely related.</p> <p><i>What is the value of the Performance Rights?</i></p> <p>Pitcher Partners, as independent valuers, has determined that the total value of the Performance Rights to be issued to Mr Norris is (as at the date of the Valuation) \$57,028.</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 Mr Norris was appropriate and aligned his interests with that of all Shareholders.</p>

<p>Why the three performance related vesting conditions were chosen</p>	<p>The three performance related vesting conditions were chosen in order to closely align rewards for performance of key employees with the achievement of the Company's growth and strategic objectives for the 2016 financial year and beyond, to deliver superior performance that creates shareholder value.</p> <p><i>Closing share price \$0.08 or more for 10 consecutive days?</i>  This vesting condition was chosen as it represents a share price more than double the highest share price in the six months to the end of the 2015 financial year, and a premium of 167% on the closing price at 30 June 2015 of \$0.03.  This price target also reflects the highest price paid by shareholders for any Equity issues since the end of 2013, being \$0.08 in August 2014 (post consolidation).</p> <p><i>TSR Performance against the ASX Small Resources Index?</i>  This vesting condition was chosen as it represents the performance of the Company against a relevant index of resource companies, comparing the growth of the Company with the growth of the index. No shares will vest under this condition unless the Company's performance is equal to or above that of the index.</p> <p><i>Closing share price \$0.12 or more for 10 consecutive days?</i>  This vesting condition was chosen as it represents a share price equal to 4 times the closing price at 30 September 2015 of \$0.03 (a premium of 300%) and also reflects the highest point the Company's share price has reached in the 12 months to the end of the 2015 financial year.</p>
<p>Valuation of the financial benefit</p>	<p>The Company engaged Pitcher Partners to undertake valuations of the Performance Rights proposed to be issued to Mr Norris. Pitcher Partners valued the Performance Rights using the Monte Carlo simulation for the valuation of the tranches with share price hurdles (Tranches 1 and 3) and for Tranche 2, a combination of correlated Monte Carlo Simulation (to simultaneously simulate the performance of the Company's share price and the ASX Small Resources Index taking into account the correlation between the two) and a trinomial lattice to value these relative performance plans.</p> <p>The valuation models use the following variables to determine the value of the Performance Rights:</p> <ol style="list-style-type: none"> <li>a) value of the underlying asset – share price of \$0.03 being the closing share price on ASX as at the date of the Valuation;</li> <li>b) vesting conditions – as referred to above;</li> <li>c) expected volatility of the share price – 140% as calculated by Hoadley's volatility calculator for a 3 year period;</li> <li>d) expected volatility of the ASX Small Resources Index – 28%;</li> <li>e) correlation between the share price and the index – calculated by converting the stock prices into log returns and then calculating the correlation between the returns of 0.08;</li> <li>f) risk free rate – the Australian Government 3 year bond rate as at 4 August 2015 of 1.91%;</li> <li>g) time to maturity – the Performance Rights expire 3 years from the date of issue; and</li> <li>h) expected dividend yield – Nil, given the Company is a mineral exploration company with no history of paying dividends.</li> </ol> <p>Based on the assumptions outlined above, Pitcher Partners calculated the value of the Performance Rights to be \$57,028, with a total value for each Tranche as follows:</p> <ul style="list-style-type: none"> <li>• Tranche 1 – \$0.0284 per Share Right = \$18,875</li> <li>• Tranche 2 – \$0.03 per Share Right = \$19,938</li> <li>• Tranche 3 – \$0.0274 per Share Right = \$18,216</li> </ul> <p>However it is important for Shareholders to note that this stated value of the Performance Rights may go up or down at any time despite the Valuation. This is because the value of the Performance Rights 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>



	The Board believes, having taken appropriate expert advice on the matter, that the valuation and use of the Monte Carlo simulation was appropriate in the circumstances. The Board has not used any other valuation model in proposing the terms or number of Performance Rights.																
Directors' interest in the outcome	Other than the interests that Mr Norris has in the resolution, none of the other Directors have an interest in the outcome of Resolution 5.																
Date of issue of the Performance Rights	If Resolution 5 is passed, the Performance Rights to be issued to Mr Norris (or his nominee) will be issued no later than one month after the date of the Meeting.																
Disclosure of total remuneration package	<p>As noted above, the Performance Rights are proposed to be issued to Mr Norris as a means of providing cost effective remuneration and incentives for him in his role as Managing Director. These Performance Rights are proposed to be part of the annual remuneration of Mr Norris, under the proposed Employee Performance Rights Plan (Resolution 4), with the annual value being subject to the discretion of the Board and also subject to shareholder approval.</p> <p>The remuneration and emoluments from the Company for Mr Norris for current financial year are:</p> <table border="1"> <thead> <tr> <th>Related party</th> <th>Current financial year remuneration*</th> </tr> </thead> <tbody> <tr> <td>Mr Malcolm Norris</td> <td>\$294,300 per annum comprised of a salary of \$270,000 per annum and superannuation of 9.5% 1,994,000 Performance Rights per Resolution 5</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 9.5% 1,994,000 Performance Rights per Resolution 5												
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 9.5% 1,994,000 Performance Rights per Resolution 5																
Securities held in the Company	<p>The relevant current interests (i.e. before Resolution 5 is approved) of Mr Norris 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>5,529,998</td> <td>4,000,000</td> <td>NIL</td> </tr> </tbody> </table> <p>If Resolution 5 is approved by shareholders, the relevant interests (i.e. after the Resolution is approved) of Mr Norris 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>5,529,998</td> <td>4,000,000</td> <td>1,994,000</td> </tr> </tbody> </table> <p>* Assumes 100% acceptance of available Rights Issue Shares as per Rights Issue announced 16 October 2015</p>	Related party	Shares	Options	Performance Rights	Mr Malcolm Norris	5,529,998	4,000,000	NIL	Related party	Shares	Options	Performance Rights	Mr Malcolm Norris	5,529,998	4,000,000	1,994,000
Related party	Shares	Options	Performance Rights														
Mr Malcolm Norris	5,529,998	4,000,000	NIL														
Related party	Shares	Options	Performance Rights														
Mr Malcolm Norris	5,529,998	4,000,000	1,994,000														
Dilution effect the issue of the Performance Rights will have on existing Shareholders	<p>If all the Performance Rights granted to Mr Norris vest, a total of 1,994,000 Shares would be allotted and issued. This would increase the total number of Shares on issue from 382,756,995* to 384,750,995 (assuming no other Performance Rights or Shares are issued), with the effect that the shareholding of existing Shareholders would be diluted by 0.5%.</p> <p>* Assumes 100% acceptance of available Rights Issue Shares as per Rights Issue announced 16 October 2015</p>																

The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the Performance Rights and Share Options issued to Mr Norris, assuming that Shareholders pass Resolution 5:

Current shares issued	382,756,995*
Shares issued assuming all existing Options are exercised	4,000,000
Shares issued assuming exercise of all the Performance Rights referred to in Resolution 5	1,994,000
<b>Total shares</b>	<b>388,750,995</b>
Dilution effect	1.6%

\* Assumes 100% acceptance of available Rights Issue Shares as per Rights Issue announced 16 October 2015

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

The passing of Resolution 5 is conditional upon, and subject to, the passing of Resolution 4. Accordingly, if you intend to vote in favour of Resolution 5 you should also vote in favour of Resolution 4.

Mr Norris 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. 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 5.

**Recommendation:** The Board, with Mr Norris abstaining, unanimously recommend that Shareholders vote in favour of Resolution 5.

## **RESOLUTION 6 – Re-election of Director – Mr Crispin Henderson**

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In accordance with the Company's Constitution, Mr Crispin Henderson retires by rotation and, being eligible, offers himself for re-election as a Director of the Company. Mr Crispin Henderson was appointed as an independent, non-executive Director on 25 March 2013 (Chairman between 25 March 2013 and 29 November 2013).

Crispin is Chairman of the Company's Audit and Financial Risk Committee and is a member of the Remuneration and Nomination Committee. He was Vice Chairman of Ameriprise Financial's Global Asset Management business. Prior to taking on that role, he was Chairman and Chief Executive Officer of Threadneedle Asset Management Holdings Limited, a wholly owned subsidiary of Ameriprise Financial, and the UK holding company of Threadneedle Investments. Crispin first joined Threadneedle in 2002 as Chief Operating Officer, became Managing Director in 2006 and CEO in 2007.

Prior to joining Threadneedle, Crispin worked for 35 years at PricewaterhouseCoopers, being a partner in the firm for 24 years, providing consulting, advisory and auditing services to major financial services clients. During this time, Crispin led teams in, among other areas, business strategy, operational assessment and risk management. Between 1978 and 1984, Crispin was seconded to PwC's Singaporean office, where he founded and grew a then PwC heritage firm with regional responsibilities.

**Recommendation:** The Board (excluding Mr Crispin Henderson) recommends that Shareholders vote in favour of Resolution 6.

## SPECIAL BUSINESS

### RESOLUTION 7 – Approval of 10% Placement Facility

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#### *Purpose of resolution*

The purpose of this Resolution 7 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 7 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 7 for it to be passed.

The Board recommends that Shareholders vote in favour of this Resolution 7.

#### *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 \$7.2 million (on the basis of the Company's share price of \$0.03 on 30 September 2015).

If Shareholders approve Resolution 7, 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 255,171,330 Shares and therefore has a capacity to issue:

- a) Subject to obtaining shareholder approval under Resolutions 2 to 5 (inclusive), 18,047,921 Equity Securities under Listing Rule 7.1; and
- b) Subject to Shareholder approval being sought under this Resolution 7,980,096 Equity Securities under Listing Rule 7.1A.

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

**(v) Minimum Issue Price**

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

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

**(vi) 10% Placement Period**

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

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

**(10% Placement Period).**

**Specific information required by Listing Rule 7.3A**

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

**7.3A.1 Minimum Price**

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

**7.3A.2 Risk of voting dilution**

If Resolution 7 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table in Appendix 1 to this Explanatory Memorandum. There is a risk that:

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

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

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

#### **7.3A.3**            *Date of issue*

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 7 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

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

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

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

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

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

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

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

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

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

The Company previously obtained shareholder approval under Listing Rule 7.1A at its 2014 AGM.

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

- a) The Company has issued 122,235,722 Equity Securities in the 12 months following its 2014 AGM, representing 83% of the total number of Equity Securities on issue at the commencement of that 12 month period.
- b) Details of the Equity Securities is as follows:

On 16 October 2015, the Company issued 14,851,852 shares (issued under the 10% capacity under Listing Rule 7.1A).

Date of issue:	16 October 2015
Number issued:	14,851,852
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:	\$0.027
Discount to market price (if any):	0.7%
<i>For cash issues</i>	
Total cash consideration received:	\$401,000
Amount of cash consideration spent:	\$NIL
Use of cash consideration:	
Intended use for remaining amount of cash (if any):	To progress the Company's Viscaria Copper Project in Sweden and for working capital requirements.

On 17 June 2015, the Company issued 12,000,000 shares, the details of which are as follows:

Date of issue:	17 June 2015
Number issued:	12,000,000
Class/Type of equity security:	Ordinary shares
Summary of terms:	Issued upon the same terms and conditions as existing quoted ordinary shares.
Names of persons who received securities or basis on which those persons was determined:	Wyntorc SA. – Sophisticated investor as determined by the Board.
Price:	\$0.035
Discount to market price (if any):	25% Premium to market
<i>For cash issues</i>	
Total cash consideration received:	\$420,000
Amount of cash consideration spent:	\$NIL
Use of cash consideration:	
Intended use for remaining amount of cash (if any):	To progress the Company's Viscaria Copper Project in Sweden and for working capital requirements.

On 8 May 2015, the Company issued 50,000,000 shares, as approved by shareholders at a General Meeting held 28 April 2015, the details of which are as follows:

Date of issue:	8 May 2015
Number issued:	50,000,000
Class/Type of equity security:	Ordinary shares
Summary of terms:	Issued upon the same terms and conditions as existing quoted ordinary shares.
Names of persons who received securities or basis on which those persons was determined:	Sophisticated investor applicants as determined by the Board. The allottees were not related parties.
Price:	\$0.025
Discount to market price (if any):	NIL
<i>For cash issues</i>	
Total cash consideration received:	\$1,250,000
Amount of cash consideration spent:	\$NIL
Use of cash consideration:	
Intended use for remaining amount of cash (if any):	To progress the Company's Viscaria Copper Project in Sweden and for working capital requirements.

On 10 March 2015, the Company issued 33,583,870 shares (incorporating 14,473,561 shares, issued under the 10% capacity under Listing Rule 7.1A), as approved by shareholders at the General Meeting held on 28 April 2015), the details of which are as follows:

Date of issue:	10 March 2015
Number issued:	33,583,870
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. <ul style="list-style-type: none"> <li>• The allottees were not related parties.</li> </ul>
Price:	\$0.025
Discount to market price (if any):	NIL
<i>For cash issues</i>	
Total cash consideration received:	\$839,597
Amount of cash consideration spent:	All
Use of cash consideration:	To progress the Company's Viscaria Copper Project in Sweden and for working capital requirements.



On 19 November 2014, the Company issued 1,000,000 shares, following approval obtained at the AGM, the details of which are as follows:

Date of issue:	19 November 2014
Number issued:	1,000,000
Class/Type of equity security:	Ordinary shares
Summary of terms:	Issued upon the same terms and conditions as existing quoted ordinary shares.
Names of persons who received securities or basis on which those persons was determined:	<ul style="list-style-type: none"> <li>• Mr Graham Ascough (Chairman) 500,000;</li> <li>• Mr Malcolm Norris (CEO) 500,000</li> </ul>
Price:	\$0.08
<i>For cash issues</i>	
Total cash consideration received:	\$80,000
Amount of cash consideration spent:	All
Use of cash consideration:	To progress the Company's Viscaria Copper Project in Sweden and for working capital requirements.

During the previous 12 months, the Company issued 10,800,000 unlisted options, the details of which are as follows:

Date of issue:	29 May 2015
Number issued:	600,000
Class/Type of equity security:	Unlisted Options
Summary of terms:	300,000 options exercisable at \$0.06 cents per option, expiry 29 May 2018; and 300,000 options exercisable at \$0.08 cents per option, expiry 29 May 2020
Names of persons who received securities or basis on which those persons was determined:	Options issued to employees pursuant to terms of contract
Price:	NIL
Discount to market price (if any):	NIL
Value:	\$10,312 <sup>^</sup>
Date of issue:	8 May 2015
Number issued:	3,600,000
Class/Type of equity security:	Unlisted Options
Summary of terms:	1,800,000 options exercisable at \$0.06 cents per option, expiry 5 May 2018; and 1,800,000 options exercisable at \$0.08 cents per option, expiry 5 May 2020
Names of persons who received securities or basis on which those persons was determined:	Options issued to employees pursuant to terms of contract
Price:	NIL
Discount to market price (if any):	NIL
Value:	\$61,871 <sup>^</sup>

Date of issue:	10 March 2015
Number issued:	2,000,000
Class/Type of equity security:	Unlisted Options
Summary of terms:	1,000,000 options exercisable at \$0.06 cents per option, expiry 12 January 2018; and 1,000,000 options exercisable at \$0.08 cents per option, expiry 12 January 2020
Names of persons who received securities or basis on which those persons was determined:	Options issued to employees pursuant to terms of contract
Price:	NIL
Discount to market price (if any):	NIL
Value:	\$28,927 <sup>^</sup>

On 19 November 2014, the Company issued 4,600,000 unlisted options, following approval obtained at the 2014 AGM, the details of which are as follows:

Date of issue:	19 November 2014
Number issued:	4,600,000
Class/Type of equity security:	Unlisted Options
Summary of terms:	600,000 options exercisable at \$0.06 cents per option, expiry 3 November 2017; 1,500,000 options exercisable at \$0.06 cents per option, expiry 3 November 2017; and 2,500,000 options exercisable at \$0.08 cents per option, expiry 3 November 2019
Names of persons who received securities or basis on which those persons was determined:	<ul style="list-style-type: none"> <li>• Viaticus Capital 600,000;</li> <li>• Mr Malcolm Norris (CEO) 4,000,000</li> </ul>
Price:	NIL
Value:	\$185,974 <sup>^</sup>

<sup>^</sup> The value of the options is measured 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.

The Trinomial Lattice Model uses the following variables to determine the value of an Option:

- a) value of the underlying asset;
- b) exercise price of the Option;
- c) expected volatility of the share price;
- d) risk free rate;
- e) time to maturity;
- f) exercise multiple; and
- g) expected dividend yield.

In respect of valuing the Options, a reliable estimate is required to be made of the average time to exercise, and an 'exercise multiple' approach was adopted and assessed fair values at three different multiples (4, 5 and 6 times) of the exercise price, with the midpoint of 5 times selected.

On 16 October 2015, the Company announced a Non-Renounceable Rights Issue for eligible shareholders to purchase 1 new share for every 2 shares held in the Company, with the offer closing date being 9 November 2015. No shares in relation to this Rights Issue have been issued as at the date of the Notice.

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

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

**Recommendation:** The Board believe that the resolution under Resolution 7 is in the best interests of the Company and unanimously recommends that shareholders vote in favour of this Resolution.

## GLOSSARY

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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 7.

**10% Placement Period** has the meaning given in the Explanatory Memorandum for Resolution 7.

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

**Applicable Law** means each of:

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

**ASIC** means the Australian Securities and Investments Commission.

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

**Board** means the current board of directors of the Company.

**Chairman** means the Chairman of the Board.

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

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

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

**Constitution** means the constitution of the Company currently in force.

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

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

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

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

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

**Listing Rules** means the official listing rules of the ASX.

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

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

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

**Proxy Form** means the proxy form accompanying the Notice.

**Resolution** means a resolution as set out in the Notice.

**Share** means a fully paid ordinary share in the Company.

**Shareholder** means a holder of a Share in the Company.

**Shareholding** means the aggregate of shares held by a Shareholder.

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

**VWAP** means volume weighted average market price.

## APPENDIX 1

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

The table also shows:

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

Variable ‘A’ in Listing Rule 7.1A.2		Dilution		
		\$0.015 50% decrease in Issue Price	\$0.03 Issue Price	\$0.06 100% Increase in Issue Price
<b>Current Variable A*</b> 382,756,995 Shares	<b>10% Voting Dilution</b>	38,275,700 Shares	38,275,700 Shares	38,275,700 Shares
	<b>Funds raised</b>	\$ 574,136	\$ 1,148,271	\$ 2,296,542
<b>50% increase in current Variable A</b> 574,135,493 Shares	<b>10% Voting Dilution</b>	57,413,549 Shares	57,413,549 Shares	57,413,549 Shares
	<b>Funds raised</b>	\$ 861,203	\$ 1,722,406	\$ 3,444,813
<b>100% increase in current Variable A</b> 765,513,990 Shares	<b>10% Voting Dilution</b>	76,551,399 Shares	76,551,399 Shares	76,551,399 Shares
	<b>Funds Raised</b>	\$ 1,148,271	\$ 2,296,542	\$ 4,593,084

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.

\* Assumes 100% acceptance of available Rights Issue Shares as per Rights Issue announced 16 October 2015.

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 PLUS assumption of 100% acceptance of Shares available under the Rights Issue announced 16 October 2015.
- (ii) The current issue price is \$0.03, being the closing price of the Company's Shares on ASX on 30 September 2015.
- (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.

**ANNEXURE A**  
**TERMS AND CONDITIONS OF OPTIONS**

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1. Each Option entitles the holder to one ordinary share in the Company.
2. Each of 1,800,000 Options exercisable at \$0.06 cents per option, expiry 5 May 2018.
3. Each of 1,800,000 Options exercisable at \$0.08 cents per option, expiry 5 May 2020.
4. Each of 300,000 Options exercisable at \$0.06 cents per option, expiry 29 May 2018.
5. Each of 300,000 Options exercisable at \$0.08 cents per option, expiry 29 May 2020.
6. 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.
7. The Company will not apply to ASX for official quotation of the Options.
8. 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.
9. 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.
10. 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.
11. 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.
12. 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.
13. 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  
CEO/MANAGING DIRECTOR PERFORMANCE RIGHTS**

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1. Each Performance Right entitles the holder to one ordinary share in the Company on the vesting of the Performance Right.
2. A Performance Right will only vest if:
  - a) the Vesting Conditions applicable to that Performance Right are satisfied;
  - b) the Vesting Conditions applicable to that Performance Right are waived by the Board; or
  - c) a Change of Control event occurs.
3. 1,994,000 Performance Rights issued to the CEO/Managing Director are subject to the following performance related vesting conditions:
  - a) 33.33% or 664,600 performance rights to vest upon the Closing Price of Avalon Shares being \$0.08 or more for 10 consecutive trading days;
  - b) 33.33% or 664,600 performance rights to vest upon Total Shareholder Return ("TSR") performance as measured against the ASX Small Resources Index, as follows:
    - Performance below the index no shares will vest.
    - Performance equal to the index will see 50% vest, increasing linearly with outperformance of the index by up to 25%, such that 100% of shares will vest should Avalon's performance be greater than 25% above the index performance.
    - Testing will be annually on the anniversary of grant date; and
  - c) 33.34% or 664,800 performance rights to vest upon the Closing Price of Avalon Shares being \$0.12 or more for 10 consecutive trading days.
4. Unless the Board determines otherwise in its absolute discretion, a Performance Right will lapse upon the earliest to occur of:
  - a) if a Performance Rights Holder purports to transfer or grant a security interest over a Performance Right that Performance Right will immediately lapse;
  - b) cessation of employment;
  - c) fraudulent or dishonest actions;
  - d) winding up of the Company;
  - e) the Vesting Conditions in respect of a Performance Right not being met within any applicable period;
  - f) any date specified in the relevant Invitation by which the Performance Rights will automatically lapse; or
  - g) the 3 year anniversary of the Grant Date (subject to testing of vesting conditions).
5. Unless otherwise determined by the Board, if a Performance Rights Holder ceases to be an Eligible Employee, any Performance Rights of that Performance Rights Holder that have not as at that time already vested to Shares automatically lapse. In the case of cessation of employment due to death or ill health, the Board may determine that any of that Performance Rights Holder's Performance Rights vest, and the terms on which those Performance Rights vest. If the Board does not make such a determination within 3 months of the Performance Rights Holder ceasing to be an Eligible Employee, the Performance Rights of that Performance Rights Holder will be deemed to have lapsed on the date the Performance Rights Holder ceased to be an Eligible Employee.
6. Any shares that vest will be subject to Avalon's Security Trading Policy which states certain closed periods where trading in shares is prohibited. The Policy also requires all employees to seek approval from the Company Secretary and/or Chairman to trade in the Company's shares.

7. The Company will not apply to ASX for official quotation of the Performance Rights.
8. The Company will make application for official quotation on ASX of new shares allotted on vesting of the Performance Rights. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted pursuant to Performance Rights will qualify for dividends declared after the date of their allotment.
9. Performance Rights can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the Performance Rights Holder dies, the legal personal representative of the deceased Performance Rights Holder may:
  - a) elect to be registered as the new holder of the Performance Rights;
  - b) whether or not he becomes so registered, exercise those Performance Rights Holder in accordance with the terms and conditions on which they were granted; and
  - c) if the deceased has already exercised Options, pay the exercise price in respect of those Options.
10. 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 Performance Rights are exercisable will be increased by the number of ordinary shares which the holder of the Performance Rights would have received if the Performance Rights had vested before the record date for the bonus issue.
11. If, during the currency of the Performance Rights the issued capital of the Company is reorganised, those Performance Rights will be reorganised to the extent necessary to comply with ASX Listing Rules.
12. Subject to the terms and conditions of a grant of a Performance Right and the applicable laws, if a Change of Control occurs, all Performance Rights will immediately vest.