

# AustralianZircon

NL ABN 60 063 389 079

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10 November 2010

Company Announcements Platform  
ASX Limited

Dear Sir/Madam,

Australian Zircon NL (“**AZC**” or “**the Company**”) has entered into arrangements with an Australian incorporated entity that is wholly owned by a private group based in the Peoples Republic of China (“**Purchaser**”).

Pursuant to the arrangements, within 6 months the Purchaser may require AZC to assign to a corporate joint venture company (“**the Joint Venture Company**”) (which will be owned 65% by the Purchaser and 35% by AZC) the assets of AZC other than its WIM150 assets.

If the Purchaser makes this election, the consideration payable will be \$16,250,000 plus a 35% interest in the Joint Venture Company.

The Purchaser has 18 months within which to require that AZC assigns to the Joint Venture Company the WIM 150 assets subject to the right of AZC described below.

The consideration payable for the transfer of the WIM 150 assets will be \$23,750,000 plus a 35% interest in the Joint Venture Company.

If all of the asset of the Company are transferred to the Joint Venture Company, the total consideration will be \$40,000,000 plus a 35% interest in the Joint Venture Company.

AZC can give notice to the Purchaser that the litigation that AZC is involved in regarding its WIM 150 asset has been resolved to its satisfaction in which case the Purchaser has 3 months within which to elect whether it wishes AZC to assign the WIM 150 assets to the Joint Venture Company.

The conditions for any assignment to the Joint Venture Company pursuant to these arrangements include all regulatory and FIRB approvals, shareholder approvals, and all third party consents as required.

In advance of any assignment occurring, the Purchaser has advanced to the Company \$20 million which has been utilized to reduce the Company’s debt to its major creditor and shareholder DCM DECOMetal GmbH (“**DCM**”).

The Purchaser will take first ranking security over the Company’s assets to secure repayment of the loan subject to all necessary approvals. The balance of the funds owing to DCM will be secured by second ranking securities over the Company’s assets.

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In the event that the Purchaser requires AZC to sell either all its assets or the WIM150 assets to the Joint Venture Company, DCM will transfer to the Purchaser shares in AZC that currently represent 4.35% of the Company's issued capital.

Further details of the transactions will be notified as and when any appropriate developments arise under the above summarised arrangements and, in particular, to the extent that any shareholder approvals are sought in connection therewith.

Yours faithfully,



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S McEwen  
Director/Company Secretary

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