

AustralianZircon

NL ABN 60 063 389 079

NOTICE OF ANNUAL GENERAL MEETING

AND

EXPLANATORY MEMORANDUM

Important Information

This is an important document that should be read in its entirety. If you do not understand this document you should consult your professional advisor without delay.

If you wish to discuss any aspect of this document with the Company please contact Mr Graham Seppelt on telephone (+61 8) 7325 6500

For personal use only

AUSTRALIAN ZIRCON NL
ACN 063 389 079

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2014 Annual General Meeting of the members of Australian Zircon NL will be held at 52 Ord Street, West Perth at 11am (Perth time) on 21 November 2014 to consider the following business and, to consider and, if thought fit, to pass the following Resolutions:

AGENDA

FINANCIAL & OTHER REPORTS

To receive and consider the financial report for the year ended 30 June 2014 and the accompanying Directors' Report, Directors' Declaration and Auditor's Report.

RESOLUTION 1 – RE-ELECTION OF MR THOMAS STYBLO

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

“That Mr Thomas Styblo, having retired in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect.”

RESOLUTION 2 – 2014 REMUNERATION REPORT

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

“That the Remuneration Report that forms part of the Directors' Report for the financial year ended 30 June 2014, be adopted.”

The Remuneration Report is set out in the Directors' Report in the Annual Report for the year ended 30 June 2014. Please note that the vote on Resolution 2 is advisory only and does not bind the Directors or the Company.

Voting Exclusion: In relation to voting on or after 1 August 2011, whether the resolution relates to a time before, on or after that date, Section 250BD of the Corporations Act will prevent Key Management Personnel and their Closely Related Parties from voting undirected proxies on a resolution connected with Key Management Personnel remuneration.

Pursuant to subsections 250R(4), (7), (8), (9) and (10) of the Corporations Act, subject to subsection 250R(5), members of Key Management Personnel (and their Closely Related Parties) will be prohibited from voting – either personally or by undirected proxy – on Resolution 2 at the Annual General Meeting.

Subsection 250R(5) of the Corporations Act provides that a member of the Key Management Personnel details of whose remuneration are included in the remuneration report (and their Closely Related Parties) (“**the voter**”) may cast a vote on Resolution 2 at the Annual General Meeting as a proxy if the vote is not cast on behalf of such a member of the Key Management Personnel (or their Closely Related Parties) and either:

- The voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- The voter 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.

If you appoint the Chairman of the Annual General Meeting as your proxy, and you do not direct your proxy how to vote on Resolution 2 on the proxy form, you will be expressly authorising the Chairman of the Annual General Meeting to exercise your proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chairman of the Annual General Meeting.

RESOLUTION 3 - APPROVAL OF THE AZC INCENTIVE PLAN

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

“That, the establishment and operation of an Employee Incentive Scheme be approved by Shareholders for the purposes of Listing Rule 7.2 Exception 9, and for all other purposes, to be called the AZC Incentive Plan, for the provision of Incentives to employees (including Directors) of and consultants to the Company and its subsidiaries on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: For the purposes of the Listing Rules, the Company will disregard any votes cast on this Resolution by any Director and any of their Associates except any Director who is ineligible to participate in the AZC Incentive Plan. However, the Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with Section 250BD of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel, or a Closely Related Party of such a member.

A vote may be cast by such a person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) The person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) The person is the Chairman and appointment of the Chairman as proxy does not specify the way the proxy is to vote on the Resolution, but expressly authorises the Chairman to exercise the proxy even if the resolution is connected with the remuneration of a member of Key Management Personnel.

RESOLUTION 4 - APPROVAL FOR THE ISSUE OF SECURITIES UNDER THE AZC INCENTIVE PLAN TO JEREMY SHERVINGTON OR HIS NOMINEE

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

“That, subject to the passage of Resolutions 3, 5, 6 and 7, for the purposes of Listing Rule 10.14, Chapter 2E of the Corporations Act and for all other purposes, Shareholders authorise and approve the issue of Securities under the AZC Incentive Plan by the Company to Jeremy Shervington or his nominee on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: For the purposes of the Listing Rules, the Company will disregard any votes cast on this Resolution by the Directors and any of their Associates except any Director who is ineligible to participate in the AZC Incentive Plan and, for the purposes of Section 224 of the Corporations Act the Company will disregard any votes cast by or on behalf of Jeremy Shervington or his Associates.

However, the Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with Section 250BD of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel, or a Closely Related Party of such a member.

A vote may be cast by such a person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) The person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) The person is the Chairman and appointment of the Chairman as proxy does not specify the way the proxy is to vote on the Resolution, but expressly authorises the Chairman to exercise the proxy even if the resolution is connected with the remuneration of a member of Key Management Personnel.

RESOLUTION 5 - APPROVAL FOR THE ISSUE OF SECURITIES UNDER THE AZC INCENTIVE PLAN TO DR GERHARD KORNFELD OR HIS NOMINEE

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

“That, subject to the passage of Resolutions 3, 4, 6 and 7, for the purposes of Listing Rule 10.14, Chapter 2E of the Corporations Act and for all other purposes, Shareholders authorise and approve the issue of Securities under the AZC Incentive Plan by the Company to Gerhard Kornfeld or his nominee on the terms and conditions set out in the Explanatory Memorandum,”

Voting Exclusion: For the purposes of the Listing Rules, the Company will disregard any votes cast on this Resolution by the Directors and any of their Associates except any Director who is ineligible to participate in the AZC Incentive Plan and, for the purposes of Section 224 of the Corporations Act the Company will disregard any votes cast by or on behalf of Gerhard Kornfeld or his Associates.

However, the Company will 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

- (a) 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.

In accordance with Section 250BD of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel, or a Closely Related Party of such a member.

A vote may be cast by such a person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) The person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) The person is the Chairman and appointment of the Chairman as proxy does not specify the way the proxy is to vote on the Resolution, but expressly authorises the Chairman to exercise the proxy even if the resolution is connected with the remuneration of a member of Key Management Personnel.

RESOLUTION 6 - APPROVAL FOR THE ISSUE OF SECURITIES UNDER THE AZC INCENTIVE PLAN TO THOMAS STYBLO OR HIS NOMINEE

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

“That, subject to the passage of Resolutions 3, 4, 5 and 7 for the purposes of Listing Rule 10.14, Chapter 2E of the Corporations Act and for all other purposes, Shareholders authorise and approve the issue of Securities under the AZC Incentive Plan by the Company to Thomas Styblo or his nominee on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: For the purposes of the Listing Rules, the Company will disregard any votes cast on this Resolution by the Directors and any of their Associates except any Director who is ineligible to participate in the AZC Incentive Plan and, for the purposes of Section 224 of the Corporations Act the Company will disregard any votes cast by or on behalf of Thomas Styblo or his Associates.

For personal use only

However, the Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with Section 250BD of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel, or a Closely Related Party of such a member.

A vote may be cast by such a person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) The person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) The person is the Chairman and appointment of the Chairman as proxy does not specify the way the proxy is to vote on the Resolution, but expressly authorises the Chairman to exercise the proxy even if the resolution is connected with the remuneration of a member of Key Management Personnel.

RESOLUTION 7 - APPROVAL FOR THE ISSUE OF SECURITIES UNDER THE AZC INCENTIVE PLAN TO JOHANN JACOBS OR HIS NOMINEE

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

"That, subject to the passage of Resolutions 3, 4, 5 and 6, for the purposes of Listing Rule 10.14, Chapter 2E of the Corporations Act and for all other purposes, Shareholders authorise and approve the issue of Securities under the AZC Incentive Plan by the Company to Johann Jacobs or his nominee on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion: For the purposes of the Listing Rules, the Company will disregard any votes cast on this Resolution by the Directors and any of their Associates except any Director who is ineligible to participate in the AZC Incentive Plan and, for the purposes of Section 224 of the Corporations Act the Company will disregard any votes cast by or on behalf of Johann Jacobs or his Associates.

However, the Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with Section 250BD of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel, or a Closely Related Party of such a member.

A vote may be cast by such a person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) The person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) The person is the Chairman and appointment of the Chairman as proxy does not specify the way the proxy is to vote on the Resolution, but expressly authorises the Chairman to exercise the proxy even if the resolution is connected with the remuneration of a member of Key Management Personnel.

DATED this 6th day of October 2014.

BY ORDER OF THE BOARD

J D Shervington
Chairman

Notes:

Definitions

Terms which are used in this Notice and which are defined in Section 6 of the Explanatory Memorandum have the meanings ascribed to them therein.

Address

If you have recently changed your address or if there is an error in the name and address used for this Notice please notify the Company Secretary. In the case of a corporation, notification is to be signed by a director or company secretary.

Voting Entitlement

The Board has determined that a Shareholder's entitlement to vote at the Meeting will, in accordance with the Corporations Act, be the entitlement of that Shareholder set out in the register of members as at 6pm Perth time on the 19th day of November 2014.

This means that any Shareholder registered at 6pm Perth time on the 19th day of November 2014 is entitled to attend and vote at the Meeting.

Proxies

A member entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the member at the Meeting. A proxy need not be a member. If the member is entitled to cast 2 or more votes at the Meeting the member may appoint 2 proxies. If a member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes. A form of proxy is attached with this notice.

A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of this appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

A proxy's authority to speak and vote for a Shareholder at the Meeting is suspended if the Shareholder is present at the Meeting.

The proxy form must be signed and dated by the Shareholder or the Shareholder's attorney. Joint Shareholders must each sign.

In accordance with section 250BA of the Corporations Act, the Company specifies the following information for the purposes of receipt of proxy appointments. To vote by proxy, please complete and sign the proxy form enclosed with this Notice as soon as possible and either:

- Return the proxy form by post to Australian Zircon NL, PO Box 8242 Station Arcade, Adelaide, SA 5000; or
- Return the proxy form by delivery to Australian Zircon NL, Suite H4.6, Level 4, 172 North Terrace, Adelaide, SA 5000 ; or
- Send the proxy form to Australian Zircon NL on facsimile number +61 (0) 8 8212 6818.

To be effective a completed proxy form must be received by the Company by **no later than 11 am (Perth Time) on 19th November 2014.**

Where the proxy form is executed under power of attorney, the power of attorney must be lodged in like manner as the proxy.

Bodies Corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of a company's shareholders. The appointment may be a standing one.

Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

AUSTRALIAN ZIRCON NL
ACN 063 389 079

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of a Notice convening the 2014 Annual General Meeting of Australian Zircon NL to be held at 11am on 21 November 2014 at 52 Ord Street, West Perth, Western Australia, 6005. This Explanatory Memorandum is to assist Shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the Resolutions proposed. Certain terms used in the Notice and this Explanatory Memorandum are defined in Section 6.

1. AGENDA ITEM 1

As required by Section 317 of the Corporations Act 2001, the Company's financial report for the year ended 30th June 2014 and the accompanying Directors' report, Directors' declaration and auditor's report will be laid before the Meeting. Neither the Corporations Act nor the Company's Constitution requires a vote on the reports. However, shareholders will have an opportunity to ask questions about the reports at the AGM.

2. RESOLUTION 1

Mr Thomas Styblo having retired in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

Mr Styblo holds an Executive Master of Laws (LL.M.) and a Masters Degree in Economic and Social Sciences. He is a non executive director having been appointed on 22 February 2012.

Mr Styblo is an executive of the Company's largest shareholder DCM Decometal GmbH, and is responsible for the legal and commercial aspects of DCM's mining investments as well as the management of DCM's Australian resources investments.

The other Directors unanimously support the re-election of Mr Thomas Styblo under Resolution 1.

The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 1.

3. RESOLUTION 2

Shareholders are asked to adopt the Company's remuneration report. The remuneration report is set out in the Directors' report in the 2014 annual report. The remuneration report:

- (a) Describes the policies behind and the structure of the remuneration arrangements of the Company and the link between the remuneration of Directors and executives and the Company's performance.
- (b) Sets out the remuneration arrangements in place for each Director and for the other Key Management Personnel of the Company.
- (c) Explains the differences between the base remuneration for non executive Directors and executives.

A reasonable opportunity for discussion of the remuneration report will be provided at the Annual General Meeting. The vote on this resolution is advisory only, and does not bind the Directors or the Company.

Under the Corporations Act if:

- (a) At an Annual General Meeting ("**the Later AGM**") at least 25 % of the votes cast on a resolution that the remuneration report be adopted are against the adoption of the remuneration report; and
- (b) At least 25% of the votes cast at the immediately preceding Annual General Meeting ("**the Earlier AGM**") on a resolution that the remuneration report be adopted under sub-section 250R(2) of the Corporations Act were against the adoption of the remuneration report; and
- (c) No "Spill Resolution" was put at the Earlier AGM;

then a "Board Spill" resolution must be put at the Later AGM. The "Board Spill" resolution must be that:

- a specially convened general meeting ("**the Spill Meeting**") be held within 90 days; and

- all Directors who were Directors of the Company when the resolution by the Directors to make the Directors' report considered at the Later AGM was passed and who are not a managing director of the Company who may continue to hold office indefinitely without being re-elected to the office in accordance with the Listing Rules cease to hold office immediately before the end of the Spill Meeting and resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting must be put to the vote at the Spill Meeting.

At the Company's AGM held on 25 October 2013, less than 25% of the votes cast in respect of the remuneration report were against the adoption of the remuneration report.

Board commentary in relation to Resolution 2

At the Company's 2013 AGM 95.2% of eligible votes cast were in favour of the remuneration report for the 2013 financial year with 4.8% against. The Company received no questions at the 2013 AGM in relation to its remuneration practices.

The Board takes seriously the need to ensure that executive and Board remuneration achieves an appropriate balance between the interests of Shareholders and the need to attract and retain executives and Board members who have the skills and expertise necessary to advance the Company's interests as a whole.

The Board has confirmed its view that the Company's remuneration structure is reasonable and appropriate.

Members of Key Management Personnel (and their Closely Related Parties) will be prohibited from voting – either personally or by undirected proxy – on Resolution 2 at the Annual General Meeting.

The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 2.

4. RESOLUTION 3 – AZC INCENTIVE PLAN

Background

Resolution 3 seeks Shareholder approval for a new employee, consultant and director incentive plan, the AZC Incentive Plan. The Board will be responsible for administering the AZC Incentive Plan in accordance with the Plan Rules and the terms and conditions of the specific grants to participants under the AZC Incentive Plan. A copy of the AZC Incentive Plan can be obtained by contacting the Company.

In summary eligible participants are all the employees of and consultants to the Company or its subsidiaries (including all the Directors). Eligible participants may be invited by the Board to apply for an "Incentive" which is the right to subscribe for one Share. An Incentive is a conditional contract between the holder of the Incentive and the Company whereby the Company has contracted to issue a Share to the Incentive holder, the performance of which is conditional on certain performance related hurdles or "vesting conditions" being achieved by the Company or the holder of the Incentive over a certain time interval. Completion of a certain amount of continuous employment with the Company or its subsidiaries may also form a vesting condition as well as a requirement that a consultant continues to be retained for a continuous length of time.

Each Incentive will have an issue price and an exercise price, both of which could be nil, and will be subject to a set period within which it may be exercised being no more than 5 years after the date the Incentive is issued. An Incentive is capable of being exercised when any specified vesting conditions set out in the letter of invitation by the Board have been satisfied.

When an Incentive is issued with a nil exercise price it is called a Performance Right. A certificate will be issued by the Company for each Incentive applied for and issued. When the vesting conditions have been satisfied and if an Incentive is then exercised by the holder of the Incentive, the Company is obliged to issue one Share to the holder of the Incentive.

Different rules apply for the lapse of Incentives, where an Incentive holder dies or termination of employment with the Company occurs for various reasons, or where a change of control occurs in relation to the Company as defined in the AZC Incentive Plan. On a reconstruction of the Company's share capital or on a bonus issue taking place, the Incentives are adjusted appropriately. The AZC Incentive Plan permits unilateral amendment by the Company to the terms of Incentives which have been granted, in certain situations such as to take into account adverse tax effects, but

generally the terms of grant of the Incentives require the agreement of the Company and the Incentive holder.

Any Shares issued under the Plan will rank equally with those Shares on issue and traded on ASX at the time of issue.

Outline of the Plan

This Section gives a brief outline of how the Board intends to implement initial participation under the rules of the proposed Plan.

Participation

Carefully designed, performance linked, equity plans are widely considered to be very effective in providing long term incentives to staff. They are also used to attract and retain staff by providing them with the opportunity to participate in the creation of a valuable personal asset – a financial stake in the Company.

As part of the Company's strategy, the Board wishes to be in a position to grant Performance Rights under the Plan to employees (including Directors) and consultants to achieve the objectives outlined above. A Performance Right is a right to be issued a Share upon satisfaction of certain performance conditions that are attached to the Performance Right, as determined by the Board.

In accordance with the requirements of the Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the Plan.

Overview of the Plan rules and terms and conditions

The Board is cognizant of general Shareholder concern that long-term equity based rewards for staff should be linked to the achievement by the Company of a performance condition. Performance Rights granted under the Plan to eligible participants will be subject to performance conditions as determined by the Board from time to time. These performance conditions must be satisfied in order for the Performance Rights to vest. Upon Performance Rights vesting, Shares are automatically issued.

The Board considers the Plan a crucial mechanism to encourage and retain high level executive, employee and contractor performance. The Board intends to implement the Plan, and set the performance conditions, in a manner designed to incentivise and reward high level executive, management and employee performance.

The main features of the Plan (and the terms and conditions to be attached to the Plan) are summaries as follows:

Eligible Participants: The eligible participants under the Plan are full time employees and part time employees of, consultants to and contractors of the Company and its subsidiaries (including Directors) ("**Eligible Employees**") who are determined by the Board to be eligible participants for the purposes of the Plan. In accordance with the Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the Plan and be granted Performance Rights.

Individual Limits: The Plan does not set out a maximum number of Shares that may be made issuable to any one person or company.

Consideration Payable: Performance Rights will be issued for no consideration and no amount will be payable upon exercise thereof.

Offer and Performance Conditions: The Performance Rights issued under the Plan to eligible participants may be subject to performance conditions, determined by the Board from time to time and expressed in a written offer letter ("**Offer**") made by the Company to the eligible participant which is subject to acceptance by the eligible participant within a specified period. The performance conditions may include one or more of (i) service to the Company of a minimum period of time (ii) achievement of specific performance conditions by the participant and/or by the Company (iii) a vesting period following satisfaction of performance conditions before the Performance Rights vest, or (iv) such other performance conditions as the Board may determine and set out in the Offer. The Board in its absolute discretion determines whether performance conditions have been met.

Expiry Date and Lapse: Performance Rights may have an expiry date as the Board may determine in its absolute discretion and specified in the Offer. The Board is not permitted to extend an expiry date without shareholder approval.

If a performance condition of a Performance Right is not achieved by the expiry date then the Performance Rights will lapse. A Performance Right will also lapse if the Board determines the participant ceases to be an Eligible Employee for the purposes of the Plan for any reason (other than as a result of retirement, disability, bona fide redundancy or death).

Forfeiture: If a participant acts fraudulently or dishonestly or is in breach of his or her obligations to the Company, the Board will have the discretion to deem any Performance Rights to have lapsed and deem any Performance Rights that have become Shares to be forfeited.

Assignment: Without prior approval of the Board, Performance Rights may not be transferred, assigned or novated, except, upon death, a participant's legal personal representative may elect to be registered as the new holder of such Performance Rights and exercise any rights in respect of them.

Takeover Bid or Change of Control: If a Change of Control occurs, unless any Takeover Bid to which the Change of Control relates also includes an equivalent offer to the holder to acquire all or a substantial portion of the Incentives, any Incentives granted under this Plan will vest.

Alteration in Share Capital: Appropriate adjustments will be made to the number of Performance Rights in accordance with the Listing Rules in the event of a reconstruction of the share capital of the Company, such as a share consolidation, share split or other reduction of capital.

Pro Rata Issue of Securities: If Shares are offered pro rata for subscription by the Company's Shareholders by way of a rights issue during the currency of and prior to exercise of any Performance Right, there will be no adjustment to the exercise price of the Performance Rights.

Bonus Issue: If Shares are issued pro rata to the Company's Shareholders by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment) involving capitalisation of reserves or distributable profits, the number of Performance Rights to which each holder is entitled will be adjusted in the manner determined by the Board to ensure that no advantage or disadvantage accrues to the holder as a result of such action.

Participation in other Opportunities: There are no participation rights or entitlements inherent in the Performance Rights through the Company.

Termination, Suspension or Amendment: The Board may terminate, suspend or amend the Plan at any time subject to any resolution of the Company required by the Listing Rules.

ASIC class order and case by case relief: Notwithstanding any other provisions of the Plan every covenant or other provision set out in any class order relief exemption or modification granted from time to time by ASIC in respect of the Plan pursuant to its power to exempt or modify the Corporations Act and required to be included in the Plan in order for that exemption or modification to have full effect, is deemed to be contained in the Plan.

Listing Rule 7.2 Exception 9

Listing Rule 7.1 provides that a company must not, without prior approval of Shareholders, issue securities if the securities will by themselves or when aggregated with the securities issued by a company during the previous twelve months, exceed 15% of the number of securities on issue at the commencement of that twelve month period. Shareholder approval of the AZC Incentive Plan is sought under Listing Rule 7.2 Exception 9 so that any securities issued under the Plan will be excluded from the calculation of the maximum number of new securities that can be issued by the Company in any twelve month period for a period of three years from the date of Shareholder approval. Shareholder approval for the establishment of the Plan will serve to limit the restrictive effect of Listing Rule 7.1 on any further issues of securities under the Plan in the next twelve months and the Shareholder approval remains effective for the next three year period.

In accordance with the requirements of Listing Rule 7.2 Exception 9(b) the following information is provided:

- (a) The material terms of the Plan are summarised above.
- (b) This is the first approval sought under Listing Rule 7.2 Exception 9 with respect to the Plan.
- (c) No securities have been issued under the Plan.

(d) A voting exclusion statement has been included in the Notice in respect of Resolution 3.

The Board is not competent to consider or recommend Resolution 3 to Shareholders other than for the purposes of putting Resolution 3 to Shareholders in accordance with Section 195 of the Corporations Act. All of the Directors may be eligible to participate in the Plan and, therefore, all of the Directors and their Associates are excluded from voting in relation to Resolution 3.

The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 3.

5. RESOLUTIONS 4 TO 7 (INCLUSIVE) – APPROVAL FOR THE ISSUE OF SECURITIES UNDER THE AZC INCENTIVE PLAN TO RELATED PARTIES

Resolutions 4 to 7 (inclusive) seek Shareholder approval for the issue of Incentives to the Directors of the Company. The Incentives are proposed to be issued under the Plan subject to Shareholders approving the establishment of the Plan pursuant to Resolution 3.

Shareholder approval is sought under Listing Rule 10.14 and under Chapter 2 E of the Corporations Act both regulating the provision of financial benefits including the issue of securities to related parties of the Company.

The Performance Rights to be issued pursuant to Resolutions 4 – 7 inclusive will be issued on the following performance conditions:

Each Incentive may only be exercised if:

- The ordinary securities of the Company have been reinstated to quotation on ASX on or before the 1st day of January 2016; and
- The holder of the Incentive (or in the case of the holder being a nominee, the Director on whose behalf the nominee holds the relevant Incentives) must not have ceased to be a Director of the Company more than 6 months prior to the date on which the ordinary securities of the Company are reinstated to quotation on ASX.

Listing Rule 10.11

Listing Rule 10.11 provides that, subject to various exceptions, a Company must not issue equity securities to a related party without the approval of the holders of ordinary securities. One exception, Exception 4, is an issue of securities under an employee incentive scheme made with the approval of holders of ordinary securities under Listing Rule 10.14.

Shareholders should note that the issue of securities pursuant to Resolutions 4 - 7 will not be included in the 15% calculation for the purposes of Listing Rule 7.1 as approval is being obtained under Listing Rule 10.11.

For the purposes of Listing Rule 10.14, the following information is provided in relation to the issue of 6.5 million Securities pursuant to Resolution 4 to 7 inclusive.

The name of all persons referred to in Rule 10.14 entitled to participate in the scheme

The recipients of the Incentives will be Mr J Shervington, Dr G Kornfeld, Mr T Styblo and Mr J Jacobs or their respective nominees.

The maximum number of securities that may be acquired by all persons for whom approval is required

The maximum number of Securities that may be acquired by all persons for whom approval is required pursuant to Resolutions 4 to 7 is 6.5 million Incentives as follows:

Mr J Shervington – 2 million

Dr G Kornfeld – 1.5 million

Mr T Styblo – 1.5 million

Mr J Jacobs – 1.5 million

The date on which the entity will issue the securities, which must be no later than 12 months after the date of the Meeting

The Incentives will be issued not later than 1 month after the date of the Meeting and it is anticipated that all the Incentives will be issued on the same date.

If the person is not a director, a statement of the relationship between the person and the director that requires approval to be obtained

All recipients are Directors.

The price for each security to be acquired under the scheme

No price will be paid for the Incentives upon their issue, or for the Shares upon exercise of the corresponding Performance Rights.

The name of all persons referred to in Rule 10.14 who received securities under the scheme since the last approval, the number of securities received and acquisition price

No persons have received securities under the Plan.

The terms of any loan in relation to the acquisition

There are no loans in relation to the acquisition.

A voting exclusion statement

A voting exclusion statement with regards to Resolutions 4 - 7 is included in the Notice.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Corporations Act prohibits a public company from giving a financial benefit to a related party unless one of the exceptions to Section 208 applies or shareholders have approved the giving of that benefit to the related party.

A "financial benefit" is defined in the Corporations Act in broad terms and includes a public company, issuing securities, and buying an asset from a related party.

Each of the Directors, are "related parties" for the purposes of the Corporations Act.

The proposed issue of Incentives pursuant to Resolutions 4 - 7 involves the provision of a financial benefit to related parties of the Company.

Section 210 of the Corporations Act provides that a company does not need to obtain shareholder approval to give a financial benefit to a related party if the giving of the financial benefit would be reasonable in the circumstances if the party and the entity were dealing at arm's length (or on terms less favourable than arm's length).

Notwithstanding the above, the Board is of the view that it is prudent to seek Shareholder approval under Section 208 of the Corporations Act for the issue of Incentives as contemplated by Resolutions 4 - 7.

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

- (a) obtain the approval of members in the way set out in Section 217 and 227; and
- (b) give the benefit within 15 months after the approval.

In accordance with Chapter 2E, and in particular Section 219 of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed issue of Incentives as contemplated by Resolutions 4 - 7:

The related parties to whom the resolutions would permit the financial benefit to be given

The related parties are Messrs J Shervington, G Kornfeld, T Styblo and J Jacobs Directors of the Company.

The nature of the financial benefit

The financial benefit proposed to be given is the granting of the Incentives (and ultimately the issue of Shares if the Incentives are exercised under the Plan to the Related Parties as detailed above for no issue price). The Board wishes to retain the services of the existing Directors while the Company progresses through the next important stage of the development of its main asset the WIM150 mineral sands project in Victoria. The Company has limited resources and is currently reliant upon its major shareholder, DCM Decometal GmbH, for its ongoing funding. The Board, therefore, wishes to conserve its expenditure and is unable to pay Board members the appropriate remuneration in cash. As a result the Board wishes to put to Shareholders for their consideration the AZC Incentive Plan as a means of supplementing the cash payments made to Directors and as an incentive for Board members to continue to assist the Company with the development and recapitalisation required.

Directors' recommendation and basis of recommendation

The Directors have considered the proposal only for the purpose of resolving to put the matter to Shareholders for the purpose of Section 195 of the Corporations Act. All the Directors are precluded from making a recommendation because they all have an interest in the outcome of the Resolutions proposing the issue of Incentives to the Directors. The Directors are not aware of any information other than as is contained in this Notice that might be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 4 – 7.

Directors' and Proposed Directors' interest in the outcome

Mr Shervington's interest in the outcome of Resolution 4 is that he will be issued 2 million Incentives for no issue price.

Dr Kornfeld's interest in the outcome of Resolution 5 is that he will be issued 1.5 million Incentives for no issue price.

Mr Styblo's interest in the outcome of Resolution 6 is that he will be issued 1.5 million Incentives for no issue price.

Mr Jacobs' interest in the outcome of Resolution 7 is that he will be issued 1.5 million Incentives for no issue price.

Directors' remuneration packages

In the last financial year the Directors received the following remuneration from the Company:

Year Ended 30 June 2014

	Cash Salary & Fees	Superannuation	Security Based Payment	Total
	\$	\$	\$	\$
Mr J Shervington *	107,663	-	-	107,663
Dr G Kornfeld	80,589	-	-	80,589
Mr T Styblo	39,000	-	-	39,000
Mr J Jacobs	45,000	-	-	45,000

* This includes legal fees of \$59,663 for legal services provided in the ordinary course of business during the year by a legal practice controlled by Mr Shervington.

In the current financial year, the Directors will receive remuneration from the Company in accordance with the 2014 financial year rates above and it is expected that a legal practice controlled by Mr Shervington will receive arms length fees for legal services provided.

Related parties existing interests

Messrs Shervington, Kornfeld, Styblo and Jacobs currently have interests in the following securities of the Company:

Mr Shervington has a relevant interest in 1,216,230 fully paid shares and 900,000 partly paid shares. Messrs. Kornfeld and Styblo are executives of DCM Decometal GmbH which owns 1,067,479,114 Shares in the Company.

Dilution

The effects of the issue of the 6.5 million Incentives to the Directors will, if the 6.5 million Performance Rights were to vest and be exercised resulting in the issue of 6.5 million Shares, be to dilute the shareholding of existing Shareholders by approximately 0.44% assuming that there were no other changes to the issued capital of the Company prior to the date of issue of those 6.5 million Shares.

Trading history

The last trading price of Shares on ASX was \$0.027 prior to trading in the Company's Shares being suspended from quotation on 20 August 2009.

Valuation of financial benefit

The financial benefit which is being provided by the Company to the Directors under Resolutions 4 to 7 (inclusive) is 6.5 million Incentives. The value of the 6.5 million Shares that might be issued if the Incentives are exercised at a nil issue price based on the last share price of \$0.027 is \$175,500 (\$54,000 for the 2 million Incentives under Resolution 4 and \$40,500 for each of the 1.5 million Incentives under Resolutions 5, 6 and 7). However, it should be noted that the assets of the Company are vastly different now compared to the assets at 20 August 2009. As at today's date the Company has a net deficiency of assets versus liabilities in its balance sheet due to the existence of loan liabilities owing to its major Shareholder and creditor, DCM Decometal. However, it should also be noted that if the relevant performance conditions are met thereby enabling the Incentives to be exercised, the Company's ordinary securities will have been reinstated to quotation on ASX and its financial position will have improved, to an extent that is at this stage unknown, by that time. The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolutions 4 to 7 (inclusive).

6. DEFINITIONS

In this Explanatory Memorandum:

- "**ASIC**" means Australian Securities and Investments Commission;
- "**Associates**" has the meaning given in Section 10 to 15 of the Corporations Act;
- "**ASX**" means ASX Limited ACN 008 624 691;
- "**Chairman**" means the chairman of the Meeting;
- "**Closely Related Parties**" has the meaning ascribed to it in Section 9 of the Corporations Act;
- "**Company**" means Australian Zircon NL ACN 063 389 079;
- "**Constitution**" means the constitution of the Company as amended from time to time;
- "**Corporations Act**" means the Corporations Act 2001 (Cth);
- "**Director**" means a director of the Company;
- "**Explanatory Memorandum**" means this explanatory memorandum;
- "**Incentives**" means the Securities referred to in Resolutions 4 to 7;
- "**Key Management Personnel**" has the meaning ascribed to it in Section 9 of the Corporations Act;
- "**Listing Rules**" means the official listing rules of the ASX;
- "**Meeting**" means the meeting of Shareholders convened by this Notice;
- "**Notice**" and "**Notice of Meeting**" means the notice of meeting to which this Explanatory Memorandum is attached;
- "**Performance Right**" means an Incentive that is issued with a nil exercise price;
- "**Plan**" means the AZC Incentive Plan;
- "**Plan Rules**" means the rules in relation to the Plan which are summarised in Section 4;
- "**Related Party**" has the meaning ascribed to it in Section 228 of the Corporations Act;
- "**Resolution**" means a resolution set out in this Notice and "**Resolutions**" has a corresponding meaning;
- "**Section**" means a section of this Explanatory Memorandum;
- "**Securities**" has the meaning ascribed to it in the Listing Rules and includes the Incentives;
- "**Share**" means an ordinary fully paid share in the capital of the Company and "**Shareholder**" has a corresponding meaning.

AUSTRALIAN ZIRCON NL
ABN 60 063 389 079
PROXY FORM

Australian Zircon NL
 PO Box 8242
 Station Arcade
 South Australia, 5000
 Fax Number: +8 8212 6818
 Email: seppelt@bold.net.au

I/We _____
 of _____
 being a shareholder(s) of Australian Zircon NL hereby appoint _____
 of _____
 or failing him/her _____
 of _____

or failing him/her the Chairman as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 11am, 21 November 2014 at 52 Ord Street, West Perth, Western Australia 6005 and at any adjournment thereof in respect of []% of my/our shares or, failing any number being specified, **ALL** of my/our shares in the Company. If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is []%. (An additional proxy form will be supplied by the Company on request.)

If you wish to indicate how your proxy is to vote, please tick the appropriate places below. If no indication is given on a Resolution, the proxy may abstain or vote at his or her discretion.

I/we direct my/our proxy to vote as indicated below:

<u>Number</u>	<u>Resolution</u>	<u>For</u>	<u>Against</u>	<u>Abstain</u>
1	Re-election of Mr Thomas Styblo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	2014 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Approval of AZC Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Approval for the issue of securities under the AZC Incentive Plan to Jeremy Shervington or his nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Approval for the issue of securities under the AZC Incentive Plan to Dr Gerhard Kornfeld or his nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Approval for the issue of securities under the AZC Incentive Plan to Thomas Styblo or his nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Approval for the issue of securities under the AZC Incentive Plan to Johann Jacobs or his nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Proxies given by a natural person must be signed by each appointing shareholder or the shareholder's attorney duly authorised in writing. Proxies given by companies must be executed in accordance with section 127 of the Corporations Act or signed by the appointor's attorney duly authorised in writing. The Chairman intends to vote all undirected proxies in favour of each Resolution.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolution and votes cast by him 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 Chairman will not cast your votes on the Resolution and your votes will not be counted in calculating the required majority if a poll is called on the Resolution.

Please turn over for signature page.

For personal use only

