

CORPORATE GOVERNANCE STATEMENT 2015

The Company, through its Board and Executives, recognises the need to establish and maintain corporate governance policies and practices, which reflect the requirements of the market regulators and participants, and the expectations of members and others who deal with the Company.

These policies and practices remain under constant review as the corporate governance environment and good practice evolve.

This statement outlines the Company's system of governance during the financial year and the extent of the Company's compliance, as at the end of the financial year, by reference to the third edition of the ASX Corporate Governance Principles and Recommendations (CGPR) and to the Corporations Act 2001 (Cth). Readers should also refer to the Company's 2015 Annual Report.

This Statement is current as at 30 September 2015 and has been approved by the Australian Zircon NL (AZC) Board.

As at the date of publication, AZC operates as a mineral sands explorer which uses consultants for the majority of work undertaken and which, during the period of this report, concentrated on optimization of the previously developed Bankable Feasibility Study, and the ongoing development of an Environmental Effects Study. As a consequence, the structure of the company means few employees and combined roles at board level. This results in the non-compliance of several recommendations of the CGPR, the reasons for which are explained in this Corporate Governance Statement on an 'if not, why not' basis. Corporate governance documentation including charters and relevant corporate policies and codes referred to in this statement can be found on the company's website at www.auzircon.com.au/corporate-governance.

PRINCIPLE 1 LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Functions of Board and Management

The company has formalised and disclosed the roles and responsibilities of the board and those delegated to senior management.

The Board of the company is responsible for the overall corporate governance of AZC, including its ethical behavior, strategic direction, establishing goals for management and monitoring the achievement of those goals with a view to optimising company performance and maximising shareholder value.

The responsibility for the operation and administration of the consolidated entity is delegated by the Board to the Chief Executive Officer.

The role of management is to support the Chief Executive Officer and implement the running of the general operations and financial business of the company, in accordance with the delegated authority of the Board.

AZC has obligations to its stakeholders to ensure the company is managed with appropriate due diligence and that all necessary processes are implemented to minimise risk and maximise business opportunities.

To this end, all commercial arrangements, capital expenditure, operational expenditure and other commitments are appropriately documented and have been authorised by either the Chief Executive Officer or the board as appropriate.

The composition of the Board is determined in accordance with the Company's constitution and the following principles and guidelines:

- The Board should be comprised of at least three Directors with at least two Non-Executive Directors;
- The Board should be comprised of Directors with an appropriate range of qualifications and expertise; and
- The Board should meet formally at least eight times per annum and informally on an as required basis with all Directors being made aware of, and having available, all necessary information, to participate in an informed discussion of all agenda items.

The Charter of the Board and the roles and responsibilities of the board, committees and management may be found at www.auzircon.com.au/corporate-governance

1.2 Election or Re-election of directors

The membership of the Board is reviewed by the full Board, from time to time, having regard to the ongoing needs of the Company and the Company's Constitution. It is the policy of the Board that its membership should

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reflect an appropriate balance between Executive members possessing extensive direct experience and expertise in the business activities of the Company, and Non-Executive members who bring to the Board a broad range of general commercial expertise, experience and qualifications.

The Group's objective is that the Board should be of a size and composition that is conducive to effective decision making, with the benefit of a variety of perspectives and skills and in the interests of the Company.

The appointment of a new member to the Board is made after consultation at the Board. The Board undertakes appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director and provides security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. New Directors are initially appointed by the full Board and must then submit themselves to election by members of the Company at the Annual General Meeting (AGM) following their appointment.

Board renewal and succession planning is part of the Company's overall governance program and the Company remains committed to a Board which includes a mix of Non-Executive members who have outstanding track records and reputations at the highest levels of business and commerce generally.

1.3 Agreements with Directors and Senior Executives

New Directors receive a letter of appointment which sets out the main terms and conditions on which each Director is appointed. The letter of appointment conforms to the Recommendations of the ASX Corporate Governance Council.

The letter of appointment also sets out a procedure in relation to independent professional advice, at the Company's expense. Directors are able to take independent professional advice, and are required to make that advice available to the other Directors. Directors are encouraged to direct any enquiries or requests for additional information to the Company Secretary, who will facilitate a response to the query and/or provide the Director with the requested information.

Senior Executives are provided with a contract of employment which sets out the terms and conditions of their employment.

When appropriate, the performance of senior executives will be reviewed annually before the budgets are approved for the next financial year.

Induction procedures are in place to allow new senior executives to participate fully and actively in management decision-making. The induction program includes orientation in relation to:

- The company's financial position, strategies, operations and risk management policies; and
- The respective rights, duties, responsibilities and roles of the board and senior executives.

A performance evaluation for senior executives has not taken place in the reporting period.

1.4 Accountability of the Company Secretary

The Company Secretary works with the Chair, the Board and the Board Committees on all governance related issues. All Directors have access to the Company Secretary for the purpose of obtaining information or advice. The Company Secretary may also retain the services of independent advisory bodies, if requested by the Board or Board Committees. The office of the Company Secretary is responsible for the systems and processes that enable the Board to perform its role, and also provides secretariat services for each of the Board Committees. The Committee agendas, papers and minutes are available to all members of the Board.

The roles of the Company Secretary are set out in the Board Charter which is located on the Company's website at www.azircon.com.au/charters.

Details regarding the Company Secretary, including his expertise and qualifications, are set out in the Directors' Report in the 2015 Annual Report.

1.5 Diversity

The Board of the Company has formally approved a Diversity Policy in order to address the representation of women in management positions and on the Board, and to actively facilitate a more diverse and representative management and leadership structure. A copy of the Policy is available on the AZC website at www.azircon.com.au/corporate-governance

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Because of the size of the company, the Board has not undertaken a review and assessment of its current practices, including how the Board presently takes into account the diversity criteria when identifying and assessing potential Director candidates and members of senior management.

The Company values an inclusive culture where all people are able to succeed to the best of their ability. These principles also guide our employees' conduct in all their dealings with stakeholders of the Company. Diversity is regarded as important in enabling the Company to attract the broadest range of talent in the market when appropriate.

Diversity includes but is not limited to gender, age, disability, ethnicity, religion and cultural background. However, the initial emphasis by the Company is on the employment of persons who possess the most appropriate skill sets required by the company at the time.

1.6 Evaluation of the Board, its Committees and Individual Directors

The Board is committed to formally evaluating its performance, the performance of the Board Committees and individual Directors as well as the governance processes supporting the Board. The Board is committed to transparency in assessing the performance of the Board. The Board has developed an annual self assessment process and any recommendations for improvement which become apparent from that review, are discussed by the board. During the year, because of the size of the company and the current state of its development, an assessment was not undertaken.

1.7 Evaluation of Senior Executives

Because of the size and current status of the Company, an established process of objective setting and performance review of all staff is not being followed and no review was undertaken during the year.

1.8 Workplace Health, Safety and the Environment

The Company is committed to ensuring the safety and wellbeing of all employees, its clients, customers, and members of the public. The Company provides ongoing training across the organisation, with respect to its legal obligations, and specific training as to operational risks in the field. The Company values the environment and recognises the responsibility to protect our surroundings. Operations are managed in an environmentally responsible manner.

PRINCIPLE 2

STRUCTURE THE BOARD TO ADD VALUE

2.1 Nomination Committee

Because of the size and current status of the company, the Board does not have a separate Nomination Committee. Instead, the whole of the board undertakes the role of the Nominations Committee. Directors consider that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. As a result, the full board undertakes the identification, selection, recommendation and appointment, of the Board, the Directors and the Senior Executives, as well as the ongoing evaluation and review of their performance.

The Board did not meet during the financial year to consider the appointment of further non-executive directors.

2.2 Board Skills

The AZC objective is to have an appropriate mix of experience and expertise on its Board and Committees so that the Board is able to effectively discharge its corporate governance and oversight responsibilities. This mix is described in the Board skills matrix as follows:

Expertise	Experience
Financial knowledge and experience <ul style="list-style-type: none">• Legal, governance and compliance• Strategy• Commercial acumen• Risk management• Health and safety• Sustainability• Remuneration and nominations	Industry <ul style="list-style-type: none">• Contract Management• Exploration and mining management• Construction Services

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<ul style="list-style-type: none"> • Government relations • Executive leadership 	
	Market <ul style="list-style-type: none"> • Product development for base mineral sands products
	Geographic <ul style="list-style-type: none"> • Australia • China • Rest of World

2.3 Independent Directors

The composition of the Board is set out in the table below:

Name	Position	Independent
Jeremy Shervington	Chair/Non-Executive Director	Yes
Gerhard Kornfeld	Non-Executive Director	No
Thomas Styblo	Non-Executive Director	No
Johann Jacobs	Non-Executive Director	Yes

Biographies of the Directors and the length of their tenure are included in the section on the Board of Directors in this Annual Report.

The Board considers that it should include significant representation by Directors who are capable and willing to make decisions which are in the best interests of members, free from interests and influences which conflict with that duty, and are also independent of management.

The Board continually assesses the independence of each Director in accordance with the interests they have disclosed, and such other factors as the Board determines are appropriate.

In making this determination, the Board is seeking to assess whether Directors are:

- Independent of management;
- Free of any business or other relationship that could materially interfere or be perceived to materially interfere with their unfettered and independent judgement; and
- Capable of making decisions without bias and which are in the best interests of all members.

A Non-Executive Director will not be regarded as an independent director if that Director:

- Is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- Within the last three years has been employed in an Executive capacity by any member of the Company, or been a Director after ceasing to hold any such employment;
- Within the last three years has been a partner or a senior management Executive with audit responsibilities of a firm which has acted in the capacity of statutory auditor of any member of the Company;
- Within the last three years has been a principal, employee or consultant of a material professional adviser to any member of the Company;
- Is a principal, employee or associate of a material supplier to, or material customer of, any member of the Company;
- Has a material contractual relationship with any member of the Company other than as a Director of the Company; and

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- Has any interest, or business, or other relationship, which could materially interfere with the Director's ability to act in the best interests of the Company, and independently of management.

As regarding the Non-Executive Directors, applying the criteria set out in the Board Charter, the Board has made the following determinations:

- Mr Gerhard Kornfeld is not independent because he is employed by the company's major shareholder;
- Mr Thomas Styblo is not independent given that he undertakes significant activities on behalf of the major shareholder; and
- Mr Jeremy Shervington and Mr Johann Jacobs are both considered to be independent Directors.

The Board, in its role as the Nomination Committee, which did not meet during the year, has come to the conclusion that the balance of skills and experience required for Board members for the size and development of the Company is appropriate. The Board is confident that each Non-Executive Director brings independent judgement to bear on Board decisions.

That conclusion was reached based on the Board's knowledge of the significant contributions made by each Director to the business of the Board, and its Committees. This includes the willingness of the Directors to debate issues openly and constructively and freely express their views and opinions on matters being considered by the Board, including occasions where those views are contrary to those expressed by the Executive Directors and management.

Each Non-Executive Director has signed a letter of appointment which, amongst other things, places an onus on each independent Director to promptly and fully disclose to the Board any matter or circumstance which may impact on their status as an independent Director, or the likely perception of their status, as an independent member of the Board. Where the Board concludes that a Director has lost their status as an independent Director, that determination will be advised to the market.

The Board Charter discloses a process for selection and appointment of new Directors and re-election of incumbent Directors.

Recommendations regarding future appointment of additional Directors will be made and considered by the Board, having regard to:

- The assessment made on the skill set required to discharge the responsibilities of the Board, compared with the skills currently represented on the Board;
- The current strategic direction of the Company, and the consequent need to consider skills which may be required in the future; and
- The suitability of available candidates, identified in the context of a detailed description of the role and capabilities required, for a particular appointment.

Recommendations made will be considered by the Board, which retains an unfettered discretion on the appointment of a Director to fill a casual vacancy or act as an additional Director, prior to the formal election of that Director, by the members of the Company at a General Meeting.

2.4 Majority Independence

The Board currently has four members. Of these, two are independent Non-Executive Directors. These Directors are considered by the Board to be independent of management and free of any business or other relationship, or any other circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement. However, because of the size of the board, there are an equal number of independent and non-independent directors.

2.5 Chair and Independence

Council recommends that listed companies should have an independent Director as Chair, and that the roles of Chair and Chief Executive Officer should not be held by the same person.

Mr Jeremy Shervington is the Chair of the Board and is considered to be independent by the Board, having regard to the guidelines for independence. Mr Graham Seppelt is the acting Chief Executive Officer.

2.6 Professional Development of Directors

Upon appointment, a new Director undertakes an induction program specifically designed to their needs, to assist in familiarising them with issues relating to the current business before the Board.

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New Board members are provided with the opportunity to experience the operations of the Company, and to meet and discuss all aspects of the Company's operations with key members of Executive Management. As part of the induction program, access is provided to information in areas such as; operations, finance, treasury, and risk management, to assist the new Board member as required.

On an ongoing basis, Directors are provided with periodic updates on legal and corporate developments, particularly those pertaining to matters relating to the responsibilities of boards and directors generally, health and safety, changes to the Corporations Act 2001 (Cth), corporate governance principles, tax and accounting developments, and other matters of interest. Management conducts regular briefing sessions with the Board and Board Committees on operational, financial, treasury, legal, and tax issues of relevance to the Board.

PRINCIPLE 3

PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

3.1 Code of Conduct Compliance Manual

As part of the Company's ongoing commitment to high standards of ethical conduct, the Company is committed to continually developing a Compliance Manual which provides detailed guidance to employees on the current laws applicable in the jurisdiction in which they work, the standards of conduct, and the procedures to be adopted to comply with those laws. The Compliance Manual has been supplemented by seminars and information memoranda to help employees understand the legal requirements with which the Company must comply. The Code of Conduct policy can be found on the Company's web site at www.auzircon.com.au/corporate-governance

PRINCIPLE 4

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Audit and Compliance

Committee Composition

The Board has established an Audit Committee to ensure that an effective internal control framework exists to safeguard the assets of the business and to ensure the integrity and reliability of financial and management reporting systems.

The composition of the Audit Committee is as set out in the Directors' Report, comprises all of the Non-Executive Directors, of which two are considered to be independent, with Mr Johann Jacobs, an independent Director, chairing this Committee.

The Committee met during the financial year, per the details set out in the Directors' Report.

Audit Committee Charter

The Audit Committee operates under a charter to enable it to fulfil its corporate governance and monitoring responsibilities. The Audit Committee meets with external auditors at least twice each year (and more frequently if required), to review the adequacy of existing external audit arrangements, and the scope of the audit. The external auditors have a direct line of communication at any time to either the Chair of the Audit Committee, or the Chair of the Board.

The Audit Committee reports to the Board after each Committee meeting, and the minutes of each Audit Committee meeting are included in the Board papers.

The external auditors, the Managing Director and the Chief Financial Officer are invited to attend Audit Committee meetings at the discretion of the Committee.

A copy of the Audit Committee charter is available on the www.auzircon.com.au/corporate-governance website.

4.2 Declaration by Chief Executive Officer and Chief Financial Officer

Before it approves the entity's financial statements for a financial period, The board receives from the CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

4.3 Attendance of External Auditor at Annual General Meeting

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The Board ensures that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

PRINCIPLE 5

MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Continuous Disclosure Policy

The Company's Continuous Disclosure Policy underlines the Company's commitment to ensuring that the Company's members, and the market, are provided with high quality, relevant and accurate information in a timely manner; and that investors are able to trade in Company securities in a market which is efficient, competitive and informed, as well as ensuring that market participants have an equal opportunity to review and assess information disclosed by the Company. The Company is also committed to complying with continuous disclosure obligations contained in the applicable ASX Listing Rules, and the Corporations Act 2001 (Cth).

The Policy includes a vetting and authorisation process so that all disclosures are factual, do not omit material matters, and are expressed in a clear and objective manner. The Policy also outlines how the Company identifies and distributes information to members and the market generally.

The Continuous Disclosure Policy appears on the www.auzircon.com.au/corporategovernance/policies website.

PRINCIPLE 6

RESPECT THE RIGHTS OF MEMBERS

6.1 Communications with Members

The Company is committed to providing all members with comprehensive, timely, and equal access to information about its activities, to enable them to make informed investment decisions.

The Company employs a wide range of communication approaches, including direct communications with members, and publication of all relevant company investor information on the www.auzircon.com.au/investorrelations website.

The Company uses its corporate website as a means of providing information to members, and the broader investment community. A section of this website is dedicated to AZC's investors. Media releases, investor presentations and interim and full-year financial reports are available for review on the www.auzircon.com.au/investorrelations website.

These announcements, presentations and reports are placed on the website immediately after they have been released to the ASX. An archive of announcements, presentations, and reports is retained on the www.auzircon.com.au/investorrelations website.

Also available for review on the www.auzircon.com.au/investorrelations website are notices of members' meetings, and explanatory documents issued by the Company in respect of those meetings. A copy of the Chair's address to the AGM, the AGM presentation, and the outcome of voting on the items of business, are posted to the website following the AGM.

Members are encouraged to attend the AGM held each year, and to use these opportunities to ask questions and vote on important matters affecting the Company, including the election of Directors, the receipt of annual financial statements, and the advisory vote on the remuneration report. The external auditor attends the AGM and is available to answer questions.

The Company encourages members to access the Annual Report online to assist with the Company's commitment to the environment, as well as being more cost efficient. A printed copy of the Annual Report will only be sent to those members who have made an election to receive it. Otherwise members will be notified when the Annual Report is available to be accessed online at the www.auzircon.com.au/investorrelations website.

Members are also encouraged to provide the Company with their email address, so that they can be notified when the Annual Report is available online, and also to be kept updated on other member communications.

The Company works closely with its share registrar to monitor and review the potential to increase the use of electronic means of communicating with its investors.

The Communications Policy is available on the www.auzircon.com.au/corporategovernance/policies website.

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PRINCIPLE 7

RECOGNISE AND MANAGE RISK

7.1 Risk oversight and management and internal control

The entire Board is responsible for monitoring and reviewing the corporate policies for identifying and managing relevant risks associated with the business of the Company, and the adequacy of the Company's practices and procedures in implementing those policies. This involves monitoring and reviewing:

- The Company's policies regarding risk oversight and risk management;
- The appropriateness of the risk management and internal control systems adopted by the Company; and
- The Company's continuing processes for:
 - The identification of material workplace health and safety, financial, legal, and operational risks associated with the conduct of the business of the Company;
 - The maintenance of appropriate internal control systems designed to manage key risk areas;
 - Assessing the above matters in conjunction with management and the external auditors; and
 - Monitoring and reporting against compliance with the risk management policies.

Operating a company undertaking technical exploration services involves risks of various kinds particularly as the company utilises a contractor based environment. These risks need to be balanced with the Company's business and management. The Company's objective is to ensure that those business risks are identified and assessed, and that, where it is practical and economical, steps are taken to mitigate the impact of any risk which may eventuate.

7.2 Management of material business risks

The Board has delegated specific risk related responsibilities to the Managing Director, who, in turn, has delegated these responsibilities to management.

Each Senior Executive, and all managers, are responsible for:

- Assisting in the formulation of all aspects of the risk management process;
- Overseeing the implementation of the Company's policies and procedures by ensuring that all phases of the process of identification, assessment, control, review and reporting are reflected appropriately in the business processes of the Company; and
- Implementing appropriate systems for confirming compliance with all relevant laws and other regulatory obligations.

The Managing Director reports to the Board on an annual basis on the effectiveness of the Company's management of its material risks.

7.3 Internal Audit Function

The Company does not have an internal audit function, with the role of the internal audit function being undertaken by the entire Board.

7.4 Material Exposure to Economic, Environmental and Social Sustainability Risks

Sustainability is the integration of environmental, social and governance factors into the Company's decision making to create short and long term shareholder value.

For AZC, sustainability enables us to intelligently weigh the economic, environmental, social and governance aspects against the long-term ability to prosperously sustain the business. By adopting sustainable practices and implementing them throughout the entire organisation, we have developed a business model that creates greater customer value. .

Some of the practices which AZC employs to manage those risks include:

- Working cooperatively and effectively with our business partners; and
- Safe work practices and all aspects of occupational health and safety.

PRINCIPLE 8

REMUNERATE FAIRLY AND RESPONSIBLY

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The Company's remuneration policy is designed to attract and retain high calibre Directors and Senior Executives, capable of meeting the specific management needs of the Company.

The Company's current remuneration objectives and policies regarding determination of base pay and long term equity linked incentives are explained in the Remuneration Report, which forms part of the Directors' Report in the 2015 Annual Report.

Details of the remuneration of all Directors are set out in the Remuneration Report.

8.1 Remuneration Committee

Because of the size and current status of the company, the Board does not have a separate Remuneration Committee. Instead, the whole of the board undertakes the role of the Remuneration Committee. Directors consider that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. As a result, the full board undertakes the identification, selection, recommendation and appointment, of the Board, the Directors and the Senior Executives, as well as the ongoing evaluation and review of their performance.

The Board did not meet during the financial year to consider the appointment of further non-executive directors.

8.2 Structure of Non-Executive Directors' Remuneration

Fees paid to Non-Executive Directors are determined by the Board, within the current maximum aggregate limit set by members of the Company. Current fees and salaries are fully disclosed in the Remuneration Report section of the Directors' Report. Directors' fees are reviewed annually by the Remuneration Committee, and by the Board, taking into consideration the level of fees paid to Non-Executive Directors by companies of a similar size and stature.

Non-Executive Directors receive their fees in cash. The Non-Executive Directors do not participate in schemes designed for the remuneration of Executives, but they do receive rights which may be converted to equity. The gross fee received by Non-Executive Directors is inclusive of any contribution that the Company is obliged to pay pursuant to the superannuation guarantee legislation. There are no retirement schemes or retirement benefits for Non-Executive Directors, other than statutory benefits for Non-Executive Directors.

8.3 Equity Linked Executive Remuneration

The Company has a policy to preclude its Senior Executives from entering into transactions to limit their economic risk from investing in Company shares, options, or rights, where those entitlements are unvested. The Company makes Senior Executives aware of their obligations in relation to financial commitments against shares issued under the Executive securities plan, and has requested that they take sufficient independent, professional advice in relation to their individual financial position. The Company does not provide advice.