

Form 603

Corporations Act 2001 Section 671B

Notice of initial substantial holder

To: Company Name/Scheme
ACN/ARSN

Image Resources NL
063 977 579

1. Details of substantial holder (1)

Name
ACN/ARSN (if applicable)

Image Resources NL (Image)
063 977 579

The holder became a substantial holder on 8/06/2016

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Fully paid ordinary shares	156,703,542	156,703,542	42%

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
Image	Relevant interest under section 608(1)(b) and (c) of the Corporations Act 2001 (Cth) by reasons of Image having the capacity to exercise negative control over the disposal of, and the right to vote attaching to, shares issued to Murray Zircon Pty Ltd in certain circumstances as a result of voluntary escrow and other restrictions contained in the Share Consideration Deed attached to this notice as Annexure A.	156,703,542 fully paid ordinary shares

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
Image	Murray Zircon Pty Ltd	Murray Zircon Pty Ltd	156,703,542 fully paid ordinary shares

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
Image	6 June 216		Non-cash consideration specified in the Share Consideration Deed attached as Annexure A.	156,703,542 fully paid ordinary shares

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
n/a	n/a

7. Addresses

The addresses of the persons named in this form are as follows:

Name	Address
Image Resources NL	Ground Floor, 23 Ventnor Avenue, West Perth WA 6005

Signature

print name Dennis Wilkins

capacity Company Secretary

sign here

date 8/06/2016

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg, a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
 - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of the relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg if the relevant interest arises because of an option) write "unknown".
- (9) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

Annexure A
Share Consideration Deed

Image Resources NL (ACN 063 977 579)

This is Annexure A of 23 pages referred to in Form 603 titled notice of initial substantial holder.

sign here



date 8 /06 /2016

print name

Dennis Wilkins, Company Secretary

Murray Zircon Pty Ltd

Image Resources NL

Share Consideration Deed

Date 8 June 2016

Parties

Murray Zircon Pty Ltd ACN 147 048 744 of Level 6 West, 50 Grenfell Street, Adelaide, South Australia 5000 (**Subscriber**)

Image Resources NL ACN 063 977 579 of Ground Floor, 23 Ventnor Avenue, West Perth, Western Australia 6005 (**Issuer**)

Background

- A Pursuant to the Asset Sale and Purchase Agreement, the Subscriber has agreed to sell, and the Issuer has agreed to purchase, certain assets.
- B As consideration for those assets and for the Subscriber entering into the Short Term Loan Agreement, and the Subscriber's parent company, OZC, entering into the Zircon Products Offtake Agreement (as defined in the Asset Sale and Purchase Agreement) and the Zircon Products Prepayment Facility Agreement, the Issuer has agreed to enter into this document whereby it will issue Shares to the Subscriber on the terms set out in this document.
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Agreed terms

1 Definitions

In this document these terms have the following meanings:

ASIC	The Australian Securities and Investments Commission.
Asset Sale and Purchase Agreement	The agreement entered into between the Issuer, OZC and the Subscriber on 8 February 2016 for the sale and purchase of certain assets of the Subscriber.
Associate	The meaning given to that term in sections 10 to 17 of the Corporations Act.
Associated Documents	The meaning given to that term in the Asset Sale and Purchase Agreement.
Associated Persons	The meaning given to that term in the Asset Sale and Purchase Agreement.

ASX	ASX Limited ACN 008 624 691 or the Australian Securities Exchange operated by it (as the context requires).
ASX Listing Rules	The listing rules of ASX and any other rules of ASX that apply while the relevant entity is admitted to the official list of ASX, each as amended or replaced from time to time and as modified by any express written waiver or exemption given by ASX.
Authorisation	Any authorisation, approval, registration, consent, permit, licence, certification or exemption from, by or with a Governmental Agency.
BOC	Bank of China Limited.
BOC Variation Letter	The document titled "FURTHER VARIATION LETTER - Term Loan Facility" dated on or about the date of this document and signed by BOC, the Subscriber, OZC, OZR and Chaodian Chen which amends and restates the document titled "LETTER OF OFFER - Term Loan Facility" dated 22 October 2012 signed by BOC, the Subscriber, OZC and OZR, which was previously amended by the document titled "VARIATION LETTER - Term Loan Facility" dated 4 November 2015 signed by BOC, the Subscriber, OZC, OZR and Chaodian Chen.
BFT Approval	All approvals required to be obtained from the Guangdong Ministry of Commerce in respect of filings required to be made to enable OZC or OZR to make available to the Subscriber (whether by investment or otherwise) any funds that may be required to be provided to the Issuer pursuant to exercise of the Funding Right.
Board	The board of Directors of the Issuer.
Business Days	A day which is not a Saturday, Sunday or bank or public holiday in Perth, Western Australia or in Adelaide, South Australia.
Chairman	The chairman of the Board from time to time.
Completion	The meaning given to that term in the Asset Sale and Purchase Agreement.
Completion Date	The meaning given to that term in the Asset Sale and Purchase Agreement.
Completion Shares	The meaning given to that term in the Asset Sale and Purchase Agreement.
Control Transaction	In relation to the Issuer, a transaction which, if completed substantially in accordance with its terms, would result in a person other than the Subscriber or any of its

Associates:

- (a) directly or indirectly acquiring a Relevant Interest or an economic interest in 20% or more of the Shares on issue or of the share capital of the Issuer;
- (b) directly or indirectly acquiring control of the Issuer;
- (c) directly or indirectly acquiring or becoming the holder of all or a substantial portion of the business or assets of the Issuer; or
- (d) otherwise acquiring or merging with the Issuer, whether by way of takeover offer, scheme of arrangement, shareholder-approved acquisition, capital reduction, buy back, sale or purchase of shares or assets, joint venture, dual listed company structure (or other synthetic merger) or other transaction or arrangement.

Corporations Act The *Corporations Act 2001* (Cth).

Decision to Mine The decision approved by a majority of the Board to incur the required costs in connection with the construction of a mining and processing operation required to commence commercial production at one or more of the Issuer's projects on the Tenements in circumstances where:

- (a) as part of that decision the Board has approved a target date for the commencement of commercial production from the relevant project that must be no later than 18 months after the date the decision is made; and
- (b) the Issuer has:
 - (i) received all Authorisations necessary or desirable in relation to the financing, construction and commencement of mining;
 - (ii) financing facilities in place and available for drawdown which are sufficient to fund all of the anticipated costs to take the project through to full-capacity production; and
 - (iii) negotiated, finalised and prepared for execution all material contracts necessary or desirable for the construction and commencement of mining, and the production of Products from the project or projects,

provided that no such Authorisation, funding agreement (including drawdown under any

financing facility) or material contract (or execution of it) is conditional on the completion of due diligence by the counterparty to that arrangement or the completion of equity funding.

Deferred Shares	The meaning given to that term in the Asset Sale and Purchase Agreement.
Director	A director of the Issuer.
Director Appointment Deed Poll	The document titled "Director Appointment Deed Poll" executed by the Issuer at Completion.
Dividend Policy	The meaning given to that term in the Asset Sale and Purchase Agreement.
Encumbrances	Any charge, lien, mortgage, pledge, assignment by way of security, secured interest, title retention arrangement, preferential right or trust arrangement or any arrangement having the same or equivalent effect and includes a security interest under the PPSA.
Equity Security	The meaning given to that term in the ASX Listing Rules.
Funding Right	The meaning given to that term in clause 4.4 .
Governmental Agency	Any government, whether federal, state, territorial, local or foreign, including any administrative or judicial body, department, commission, authority, instrumentality, tribunal, regulator, agency or entity of any such government, including ASX and ASIC.
Independent	In respect of a Director, the Director is independent for the purposes of the recommendations in Principle 2 of the ASX Corporate Governance Principles and Recommendations, as amended or replaced from time to time.
Image Director	Any Directors who were Directors before Completion and remain on the Board after Completion, and any subsequent replacements of any of them.
Loss	The meaning given to that term in the Asset Sale and Purchase Agreement.
NDRC Approval	All approvals required to be obtained from the National Development and Reform Commission of the People's Republic of China in respect of filings required to be made to enable OZC or OZR to make available to the Subscriber (whether by investment or otherwise) any funds that may be required to be provided to the Issuer pursuant to exercise of the Funding Right.

New Issue	An issue by the Issuer of new Equity Securities in the Issuer (other than a new issue to which the Funding Right does not apply under clause 4.4(d)(ii)).
Nominated Director	The meaning given to that term in clause 4.2 .
Ownership Percentage	The Subscriber's percentage Voting Power in the Issuer immediately prior to any relevant New Issue being offered.
OZC	Guangdong Orient Zirconic Ind Sci & Tech Co., Ltd, a company incorporated in the People's Republic of China and publicly listed on the Shenzhen Stock Exchange which indirectly owns 65% of the issued share capital of the Subscriber as at the date of this document.
OZR	Orient Zirconic Resources (Australia) Pty Ltd ACN 146 994 238 which owns 65% of the issued share capital of the Subscriber as at the date of this document.
PPSA	The <i>Personal Property Securities Act 2009</i> (Cth).
PRC Approvals	<p>To the extent those approvals are required in order to comply with the obligations in respect of the Funding Right and the Zircon Products Prepayment Facility Agreement, the:</p> <ul style="list-style-type: none">(a) NDRC Approval;(b) BFT Approval; and(c) SAFE Approval, <p>and any other Authorisations required to be obtained pursuant to clause 4.6(a).</p>
Products	Zircon, rutile, ilmenite, leucoxene and any other valuable heavy minerals or other minerals extracted from the relevant tenements in a saleable form.
Related Body Corporate	The meaning given to that term in the Asset Sale and Purchase Agreement.
Relevant Directors	The Image Directors and any Director who at the relevant time is Independent including, without limitation, the Chairman.
Relevant Interest	The meaning given to that term in sections 608 and 609 of the Corporations Act.
Relevant Shareholder	The meaning given to that term in clause 2.4 .
Restriction Period	The period commencing on the Completion Date and ending on the earlier of:

	(a) the date that is two years after the Completion Date; and
	(b) a Decision to Mine having occurred.
SAFE Approval	All approvals required to be obtained from the State Administration of Foreign Exchange of the People's Republic of China in respect of filings required to be made to authorise OZC to: (a) transfer through OZR any funds that the Subscriber may be required to provide to the Issuer pursuant to the Funding Right; and (b) comply with its obligations under the Zircon Products Prepayment Facility Agreement.
Seller Group	The meaning given to that term in the Asset Sale and Purchase Agreement.
Share	A fully paid ordinary share in the Issuer.
Shareholder	The holder of one or more Shares.
Short Term Loan Agreement	The meaning given to that term in the Asset Sale and Purchase Agreement.
Subsidiary	The meaning given to that term in section 46 of the <i>Corporations Act</i> .
Tenements	The meaning given to that term in the Asset Sale and Purchase Agreement.
Transaction Documents	The meaning given to that term in the Asset Sale and Purchase Agreement.
Voting Power	The meaning given to that term in section 610 of the <i>Corporations Act</i> .
XQ	XQ (HK) Enterprises Limited, a company incorporated in Hong Kong and the legal and beneficial owner of 35% of the issued share capital of the Subscriber as at the date of this document.
Zircon Products Prepayment Facility Agreement	The meaning given to that term in the Asset Sale and Purchase Agreement.

2 Consideration

2.1 Issue of Completion Shares

On the Completion Date, the Issuer must:

- (a) issue the Completion Shares to the Subscriber free from all Encumbrances;
- (b) register the Subscriber as the holder of the Completion Shares; and
- (c) deliver to the Subscriber a holding statement or such other documentation satisfactory to the Subscriber (acting reasonably) which evidences that the Completion Shares have been issued.

2.2 Issue of Deferred Shares

Subject to **clause 2.3**, if:

- (a) a Decision to Mine occurs within 2 years of the Completion Date; and
- (b) the Subscriber or any of its permitted assigns has not materially breached any Transaction Document (or any such breach was remedied within 5 Business Days of the Issuer providing notice in writing of such breach),

the Issuer must, within 5 Business Days of the Decision to Mine occurring:

- (c) issue the Deferred Shares to the Subscriber free from all Encumbrances; and
- (d) register the Subscriber as the holder of the Deferred Shares.

2.3 Extension of time period

If:

- (a) a Decision to Mine has not occurred within 2 years of the Completion Date in circumstances where:
 - (i) the Image Directors voted against any resolution of the Board regarding a Decision to Mine during those 2 years; and
 - (ii) no reasonable person would have voted against that resolution if they were a director in the Issuer's circumstances and occupied the office held by, and had the same responsibilities within the Issuer as, the Image Directors; and

(b) a Decision to Mine occurs within 3 years of the Completion Date, the period of 2 years referred to in **clause 2.2(a)** is extended to 3 years. For the avoidance of doubt, if a Decision to Mine does not occur within 2 years of the Completion Date and the circumstances in **paragraphs (i) and (ii)** above did not occur during that time, the Issuer is not required to issue the Deferred Shares to the Subscriber.

2.4 Escrow of Completion Shares

- (a) The Subscriber agrees that with effect on and from their issue, the Completion Shares will be subject to, and the Subscriber undertakes to the Issuer (on its own behalf and separately as agent and trustee for each person who is a Shareholder as at 5.00pm (Perth time) on the Completion Date (**Relevant Shareholders**)) to comply with voluntary

escrow restrictions for the Restriction Period on the terms set out in **schedule 1**.

- (b) The Subscriber acknowledges and agrees that some or all of the Shares to be issued to it under this document may be the subject of escrow restrictions imposed by ASX. Notwithstanding anything in this agreement to the contrary, the Subscriber agrees to execute, and to procure any of its Related Bodies Corporate to execute, such form of escrow agreement in respect of the Shares as may be required by the ASX and do all things necessary to comply with any other requirements of ASX in connection with those escrow restrictions.
- (c) In the event the Subscriber decides to exercise its right to transfer any or all of the Completion Shares in accordance with **paragraph 4 of schedule 1** and the Completion Shares are subject to escrow restrictions imposed by ASX, the Issuer will, upon receipt of a notice from the Subscriber, make an application for a waiver of the ASX imposed escrow restrictions to enable the proposed transfer to occur. The Issuer also agrees to provide the Subscriber with the opportunity to comment on and provide input into the application for a waiver of the ASX escrow restrictions prior to its submission.

2.5 Bound by constitution

The Subscriber agrees to be bound by the Issuer's constitution immediately on being registered as the holder of Completion Shares.

3 Obligations of the Issuer

As soon as practicable following the issue of Completion Shares and any Deferred Shares by the Issuer in accordance with this document and in any event within 2 Business Days of that issue occurring or within the timeframe otherwise permitted by the ASX Listing Rules, the Issuer must:

- (a) apply for quotation on the ASX for the Shares issued and do all things reasonably necessary to ensure that the Shares are quoted as soon as practicable after the issue occurs or within the timeframe otherwise permitted by the ASX Listing Rules and on such terms and conditions as are usual for quotation of securities; and
- (b) if a holding statement has not been delivered under **clause 2.1(c)**, take all steps to procure the delivery to the Subscriber of a holding statement evidencing that the Shares have been issued to the Subscriber (subject always to the escrow requirements of **schedule 1**) with effect from the date they were required to be issued under this document.

4 Obligations of the Subscriber

4.1 Obligations during Restriction Period

The Subscriber undertakes to the Issuer (on its own behalf and separately as agent and trustee for each Relevant Shareholder):

- (a) during the Restriction Period:
 - (i) to vote in favour of any resolutions put to Shareholders that are recommended by a majority of the Directors, other than a resolution relating to a Control Transaction required to be approved by Shareholders under Part 5.1 or Chapter 6 of the Corporations Act;
 - (ii) not to take any steps to influence or control the composition of the Board or the management or policies of the Issuer, including calling, requisitioning or seeking support for the calling or requisitioning of a general meeting of Shareholders to appoint or remove a Director other than a Nominated Director. The Subscriber undertaking under this **clause 4.1(a)(ii)** does not derogate from the Nominated Directors complying with their statutory and fiduciary duties as Issuer directors in connection with the management and policies of the Issuer, including approving the appointment, and when necessary replacement, of senior executives, setting the strategic objectives of the Issuer, overseeing management's implementation of the Issuer's strategic objectives and its performance generally and approving operating budgets and major capital expenditure;
 - (iii) subject to **clause 4.2**, to procure that the Nominated Directors do not participate in any decision of the Issuer in respect of a Transaction Document;
 - (iv) subject to **clause 4.2**, to procure that the Nominated Directors do not participate in any decision in relation to the appointment of a person to replace an Image Director on the Board; and
 - (v) subject to **clause 4.2**, not to increase its Voting Power in the Issuer without the prior written consent of the Board (disregarding any votes cast by Nominated Directors) except at any time where a meeting of Shareholders has been convened at which Shareholders will consider whether or not to approve a Control Transaction which has been recommended by a majority of the Board (disregarding Nominated Directors);
- (b) subject to **clauses 4.1(a)(i), (ii) and (iv)**, for so long as the Subscriber holds Voting Power in the Issuer of more than 20% and less than 90%, to ensure that at all times:
 - (i) during the Restriction Period, there is at least one Director on the Board who is Independent (who must be the Chairman);

- (ii) on and from the expiry of the Restriction Period, there are at least two Directors on the Board who are Independent, one of whom must be the Chairman;
 - (iii) it uses all reasonable endeavours to procure that the Issuer complies with the Director Appointment Deed Poll; and
 - (iv) it uses all reasonable endeavours to procure that the Issuer complies with the Dividend Policy;
- (c) for so long as the Subscriber has Voting Power in the Issuer of more than 20%, to provide the Issuer with at least 20 Business Days' notice of an intention to sell any securities in the Issuer and the terms on which it proposes to do so, in order for the Issuer to have the opportunity to seek and propose to the Subscriber alternative buyers of all or some of those securities on equivalent terms (including cash equivalent terms if the Subscriber proposes to sell securities in the Issuer in exchange for scrip).

4.2 Participation of Nominated Director

Each of Mr Patrick Mutz, Mr Chaodian Chen and Mr Fei Wu (or any other person who is nominated by the Subscriber and is appointed as a Director at Completion in place of them), and any subsequent replacements of any of them on the Board, are "**Nominated Directors**" for the purposes of this document except that Mr Mutz will not be considered to be a Nominated Director for the purposes of **clauses 4.1(a)(iii) to 4.1(a)(v)** (inclusive) unless a majority of the Relevant Directors determine that he should be treated as a Nominated Director (which may be made in their absolute discretion).

4.3 Enforceability

For the purposes of **clauses 2.4 and 4.1**, the Issuer is taken to be acting as agent and trustee on behalf of and for the benefit of all Relevant Shareholders and the Subscriber acknowledges and agrees that each Relevant Shareholder may enforce any undertaking in **clauses 2.4 and 4.1** against the Subscriber as if it were a party to this document.

4.4 Participation in equity raisings

- (a) For a period of 12 months after Completion, the Issuer has the right to require the Subscriber to participate, and if exercised the Subscriber must participate, in any New Issue offered during that 12 month period on the same terms as other participants in the New Issue, up to such additional number of Equity Securities as would be sufficient to enable Subscriber to maintain its Ownership Percentage (**Funding Right**). The Subscriber may satisfy its obligations under this **clause 4.4** to participate in a New Issue by appointing a sub-underwriter or other party to sub-underwrite its participation in any New Issue up to 100 per cent of the Equity Securities it is required to subscribe for pursuant to the Funding Right, provided always that the prior written consent of the Issuer to the proposed sub-underwriting or other party (on a fully informed basis) has been obtained (such consent not to be unreasonably withheld).

- (b) Where a New Issue is an issue of Equity Securities convertible into Shares (**Convertible Securities**), then the Funding Right applies to such number of the Convertible Securities to maintain the Subscriber's Ownership Percentage calculated on the basis of all such Convertible Securities issued under the New Issue being converted into Shares.
- (c) Notwithstanding anything else in this **clause 4**, the number of Shares that the Subscriber may be required to subscribe for under this **clause 4** as a result of the exercise of the Funding Right is limited to the number of Shares which will result in the Subscriber maintaining its Ownership Percentage following the New Issue.
- (d) The Parties acknowledge and agree that the Funding Right:
 - (i) has been granted to reflect the strategic relationship between the Subscriber and the Issuer arising as a result of the transactions contemplated under the Transaction Documents;
 - (ii) shall not apply to an issue by the Issuer of:
 - (A) Equity Securities issued pursuant to any asset acquisition, merger, business combination, tender offer, exchange offer, takeover or scheme of arrangement;
 - (B) new Shares, options or performance rights under an employee incentive scheme; or
 - (C) Equity Securities to a Related Body Corporate of the Subscriber;
 - (iii) may only be exercised or enforced for payment in cash; and
 - (iv) will apply in respect of each New Issue offered during the 12 month period after Completion.

4.5 Operation of the Funding Right

- (a) The Issuer may exercise the Funding Right in respect of a proposed New Issue by notifying the Subscriber in writing (**Issue Notice**) no later than 5.00pm (Perth time) on the day 5 Business Days prior to the earlier of:
 - (i) the date for the execution by the Issuer and participants of legally binding commitments in respect of the New Issue; or
 - (ii) any record date for the New Issue.
- (b) The Issue Notice must specify the:
 - (i) maximum and minimum number of Equity Securities proposed to be issued (as determined by the Issuer acting reasonably);
 - (ii) maximum and minimum number of Equity Securities that the Subscriber must subscribe for pursuant to the Funding Right (as determined by the Issuer acting reasonably);
 - (iii) maximum and minimum price per Equity Security, which shall be the same price per Equity Security as the price at which the Equity

Securities will be issued by the Issuer under the New Issue (as determined by the Issuer acting reasonably);

- (iv) date for either:
 - (A) the execution by the Issuer and participants of legally binding commitments; or
 - (B) the submission of completed application documentation and subscription amount,in respect of, and as appropriate for, the New Issue; and
 - (v) terms and conditions of the Equity Securities proposed to be issued and the material terms of any agreement required to be executed to subscribe for those Equity Securities (such as a placement letter or subscription agreement).
- (c) If the Issuer gives a valid Issue Notice to the Subscriber then the Issuer must:
- (i) provide the Subscriber with either:
 - (A) the agreement required to be executed; or
 - (B) the application documentation required to be completed and submitted by the Subscriber,whichever is applicable to the New Issue and at the same time as provided to other participants in the New Issue, to subscribe for those Equity Securities (including the final subscription price per Equity Security and the number of Equity Securities to which the Subscriber must apply or subscribe for) which, subject to any requirement to obtain prior shareholder approval as contemplated in **clause 4.5(e)**, must be in a form which is no less favourable to the Subscriber than:
 - (C) the terms specified in the Issue Notice;
 - (D) the agreements to be signed or application documents to be completed and submitted by the other participants in the New Issue,and if:
 - (E) an agreement to be executed, which provides the Subscriber at least 10 Business Days from the date of execution of the agreement to pay subscription amount to the Issuer; or
 - (F) application documentation to be completed and submitted, which provides that the Subscriber must pay the subscription amount to the Issuer in accordance with the terms of the New Issue;
 - (ii) on return by the Subscriber of the documentation referred to in **clause 4.5(c)(i)**, promptly apply for and use its reasonable

endeavours to obtain all shareholder approvals and complete all other formalities required, and the Subscriber must do all things reasonably requested by the Issuer which are necessary, to issue the Equity Securities to the Subscriber.

- (d) The Subscriber must return:
 - (i) the duly completed and executed agreement; or
 - (ii) the completed application documentation and subscription amount, referred to in **clause 4.5(c)** to the Issuer as applicable by no later than the date referred to in **clause 4.5(b)(iv)**.
- (e) The parties acknowledge that circumstances may arise where shareholder approval may be required by law or pursuant to the ASX Listing Rules before Equity Securities in the Issuer can be issued to the Subscriber under the Funding Right (including as a consequence of ASX being of the opinion that the Subscriber's relationship with the Issuer is such that ASX Listing Rule 10.11 will apply to any issue or agreement to issue Equity Securities to the Subscriber unless one of the exceptions in ASX Listing Rule 10.12 applies). In these circumstances, the parties agree that:
 - (i) the Subscriber will be treated in the same manner as other participants in the New Issue except to the extent any prior shareholder approval is required in connection with the issue of Equity Securities to the Subscriber under the Funding Right;
 - (ii) to the extent that shareholder approval is required in respect of such issue, the Issuer is not obliged to issue Equity Securities to the Subscriber pursuant to the Funding Right until that approval has been obtained; and
 - (iii) the Issuer and the Subscriber will take all reasonable steps to ensure that shareholder approval is obtained in respect of the issue of Equity Securities to the Subscriber in connection with a Funding Right as soon as possible after an Issue Notice has been given.
- (f) If the Issuer does not give a valid Issue Notice to the Subscriber within the timeframe required by **clause 4.5(a)**, then the Issuer is deemed to have waived the operation of the Funding Right in respect of the New Issue.
- (g) Unless the parties agree otherwise, the Issuer and Subscriber must re-comply with the requirements of this **clause 4.5** before proceeding with any New Issue if:
 - (i) any of the terms of the documentation referred to in **clause 4.5(c)** are materially different to that specified in the Issue Notice (with a change in issue price being deemed to be material); or

- (ii) the final number of Shares to be issued or the price at which they are to be issued as part of a New Issue is outside of the minimum and maximum range specified in the Issue Notice.

4.6 PRC Approvals

- (a) The Subscriber undertakes to the Issuer to procure that:
 - (i) any required PRC Approvals are obtained in sufficient time, and maintained, to enable each member of the Seller Group to comply with its obligations under this document and the Zircon Products Prepayment Facility Agreement, including authorising OZC to provide any necessary funding that the Subscriber is required to provide to the Issuer under the Funding Right up to an aggregate amount of \$10 million;
 - (ii) any funds transferred in connection with the Transaction Documents by OZC are transferred in accordance with any required applicable PRC Approvals;
 - (iii) if a member of the Seller Group requires an Authorisation from a Governmental Agency in the People's Republic of China in order for it to perform its obligations under a Transaction Document, that Authorisation is obtained promptly and in time for the obligation to be performed in accordance with the Transaction Document.
- (b) The Issuer may set-off any amount of Loss suffered or incurred by the Issuer (as finally adjudicated or agreed between the parties) arising from or in connection with a breach of any undertaking in **clause 4.6(a)** against any amount owing by the Issuer but unpaid under the Short Term Loan Agreement and the Issuer's obligation to pay or repay that amount under the Short Term Loan Agreement will be discharged in full following such set-off.
- (c) The maximum aggregate liability of the Subscriber to the Issuer in respect of a Loss suffered or incurred by the Issuer arising from or in connection with a breach of any undertaking in **clause 4.6(a)** is \$10,000,000.

5 General

5.1 Notices

Clause 16 of the Asset Sale and Purchase Agreement applies to this document as if repeated in this document.

5.2 Costs

Each party must bear its own legal and other costs and expenses in connection with the preparation, execution and completion of this document and of other related documentation, except for stamp duty.

5.3 Entire agreement

This document and the Transaction Documents constitute the entire agreement between the parties and supersede any prior negotiations, understandings or agreements with respect to the subject matter of this document or any term of this document.

5.4 Assignment

- (a) A party must not assign or deal with any right under this document without the prior written consent of the other parties (in its absolute discretion).
- (b) Any purported dealing in breach of this clause is of no effect.

5.5 Exercise of rights

A party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial exercise of a right, power or remedy by a party does not prevent a further exercise of that or of any other right, power or remedy. Non-exercise by a party or delay in exercising a right, power or remedy does not prevent its exercise.

5.6 Waiver, variation and consent

A provision of or a right created under this document may not be:

- (a) waived except in writing signed by the party granting the waiver; or
- (b) varied except in writing signed by the parties,

and any consent given by a party under this document will only be effective and binding if it is given or confirmed in writing signed by that party, provided in each case that after Completion (and in addition to any requirement under the law or ASX Listing Rules), any signature of the Issuer shall not be effective unless the waiver, variation or consent, and any terms or conditions related to it, have been approved by:

- (c) unanimous resolution of the Board (disregarding any votes cast by those members of the Board whose votes must be disregarded under an Associated Document or by law); or
- (d) an ordinary resolution of the shareholders of the Issuer in general meeting where any votes cast by an Associated Person must be disregarded.

5.7 Further assurances

Each party agrees, at its own expense, on the request of any other party, to do everything reasonably necessary for the purposes of or to give effect to this document and the transactions contemplated by it (including the execution of documents) and to use all reasonable endeavours to cause relevant third parties to do likewise.

5.8 Counterparts

This document may consist of a number of counterparts and, if so, the counterparts taken together constitute one document.

5.9 Governing law and jurisdiction

- (a) This document and the transactions contemplated by this document are governed by and are to be construed in accordance with the laws applicable in Western Australia.
- (b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Western Australia and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.

5.10 Construction

Unless expressed to the contrary, in this document:

- (a) words in the singular include the plural and vice versa;
- (b) any gender includes the other genders;
- (c) if a word or phrase is defined, its other grammatical forms have corresponding meanings;
- (d) 'includes' means includes without limitation;
- (e) no rule of construction will apply to the disadvantage of a party because that party drafted, put forward or would benefit from any term;
- (f) a reference to:
 - (i) a person includes a partnership, joint venture, unincorporated association, corporation, entity and a Governmental Agency;
 - (ii) a person includes the person's legal personal representatives, successors, assigns and persons substituted by novation;
 - (iii) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced;
 - (iv) a right includes a benefit, remedy, discretion or power;
 - (v) time is to local time in Perth, Western Australia;
 - (vi) '\$' or 'dollars' is a reference to Australian currency;
 - (vii) writing includes:
 - (A) any mode of representing or reproducing words in tangible and permanently visible form, including fax transmission; and
 - (B) words created or stored in any electronic medium and retrievable in perceivable form.

- (viii) this document includes all schedules and annexures to it; and
- (ix) a clause, party, schedule or annexure is a reference to a clause, or of a party, schedule or annexure to, as the case may be, this document;
- (g) if the date on or by which any act must be done under this document is not a Business Day, the act must be done on or by the next Business Day.

5.11 Headings

Headings do not affect the interpretation of this document.

5.12 Deed

This document is a deed. Factors which might suggest otherwise are to be disregarded.

Schedule 1

Voluntary escrow restrictions

1 Escrow

- (a) Subject to paragraphs 2, 3 and 4, during the Restriction Period the Subscriber must not do any of the following, without the prior written consent of the Issuer (in its absolute discretion):
 - (i) dispose of, or agree to sell, assign, transfer or otherwise dispose of the Completion Shares;
 - (ii) create, agree to, or offer to create, or permit to be created, any Encumbrance over any of the Completion Shares; or
 - (iii) do, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of, or creating any Encumbrance over, any of the Completion Shares.
- (b) If the Completion Shares are kept on any certificated sub-register maintained by the Issuer, if requested by the Issuer, the Subscriber must properly deposit the certificates for the Completion Shares with a bank or other recognised trustee approved by the Issuer for the Restriction Period.
- (c) If the Completion Shares are kept on the Issuer's issuer sponsored sub-register, subject to the terms of this **schedule 1**, the Subscriber irrevocably agrees to the application of a holding lock to the Completion Shares for the Restriction Period.
- (d) If the Completion Shares are kept on the CHESS sub-register, subject to the terms of this **schedule 1**, the Subscriber irrevocably agrees:
 - (i) to the application of a holding lock to the Completion Shares for the Restriction Period; and
 - (ii) at the request of the Issuer, to arrange for the Completion Shares to be transferred to the Issuer's issuer sponsored sub-register and for a holding lock to then be applied to the Completion Shares for the Restriction Period.
- (e) The Subscriber irrevocably appoints the Issuer as its attorney to do all things and execute all documents necessary to, in accordance with paragraph 1(d):
 - (i) facilitate the application of a holding lock; and

- (ii) to transfer the Completion Shares to the Issuer's issuer sponsored sub-register.
- (f) The Subscriber acknowledges and agrees that the Issuer may refuse to acknowledge, deal with, accept or register any sale, assignment or transfer of any of the Completion Shares during the Restriction Period.

2 Exceptions

Subject always to any escrow restrictions imposed by ASX, the restrictions set out in paragraph 1 do not apply to the extent necessary to allow:

- (a) the Subscriber to accept into a takeover bid for securities of the Issuer in the same class as the Completion Shares, on condition that:
 - (i) holders of not less than 50% of the bid class securities on issue that are not subject to escrow and to which the offer under the bid relates, have accepted into the bid; and
 - (ii) if the bid does not become unconditional, the provisions of paragraph 1 will continue to apply;
- (b) the Completion Shares to be transferred or cancelled as part of a merger by scheme of arrangement; or
- (c) the Encumbrance to be granted by the Subscriber in favour of BOC over the Completion Shares that is required by, and in accordance with, paragraph 9(6) of the BOC Variation Letter, and any disposal of Completion Shares pursuant to the terms of that Encumbrance.

3 Discretionary release

The Issuer may at any time release the Subscriber from the restrictions under paragraph 1.

4 Transfer to a Nominee

- (a) The Subscriber may at its discretion at any time (including during the Restriction Period) and at its own expense, subject to the Issuer obtaining any necessary waivers from ASX, transfer:
 - (i) up to 35% of the Completion Shares to XQ; and
 - (ii) any balance of the Completion Shares held by the Subscriber to OZR, provided OZR is a wholly-owned Subsidiary of OZC at the time of any such transfer,(each of XQ and OZR a **Nominee**) on the terms set out in, and subject to, paragraph 4(b) and the restrictions set out in paragraph 1 will not apply to such transfers.
- (b) Before the transfer of any Completion Shares to a Nominee can occur under paragraph 4(a), the Nominee, the Issuer, the Subscriber and OZC must execute and deliver a deed on terms acceptable to the Issuer (acting reasonably) (**Deed**) under which:

- (i) the Nominee agrees to be bound by the provisions of this document (excluding **clauses 2.1 to 2.3**) as if it is the "Subscriber" under this document;
- (ii) OZC and the Subscriber undertakes to the Issuer (on its own behalf and separately as agent and trustee for each Relevant Shareholder):
 - (A) to unconditionally and irrevocably guarantee the due and punctual performance of the Nominee's obligations under the Deed; and
 - (B) indemnify the Issuer and each Relevant Shareholder against any loss arising from any default or delay in the due and punctual performance of the Nominee's obligations under the Deed;
- (iii) OZC and OZR undertake to the Issuer:
 - (A) to unconditionally and irrevocably guarantee the due and punctual performance of the Subscriber's obligations under the Asset Sale and Purchase Agreement; and
 - (B) indemnify the Issuer against any loss arising from any default or delay in the due and punctual performance of the Subscriber's obligations under the Asset Sale and Purchase Agreement;
- (iv) they each agree that during the Restriction Period the restrictions in **clauses 4.1(b) and 4.1(c)** will apply to each holder of Completion Shares (whether that is the Subscriber or a Nominee) even if the holder's Voting Power in the Issuer is less than 20%; and
- (v) they each agree to do all acts, matters and things and execute and deliver all documents required to reflect and give effect to this paragraph 4(b),

and all Authorisations (including any from a Government Agency in the People's Republic of China) which the Issuer considers necessary (acting reasonably) to give effect to the transfer of Completion Shares to a Nominee; or the Deed, have been obtained either unconditionally or on conditions reasonably acceptable to the parties to the Deed and have not been withdrawn or revoked at the time of the transfer.

5 Warranties

The Subscriber represents and warrants to the Issuer that it will not do any act that would cause a breach of paragraph 1.

6 Injunctive relief

The Subscriber acknowledges and agrees that in the event of a breach or threatened breach of the terms in this **schedule 1** by the Subscriber, the Issuer

will be entitled to an injunction restraining the Subscriber from committing or threatening to commit any breach of the terms in this **schedule 1** without the need to show or prove any actual loss or damage.

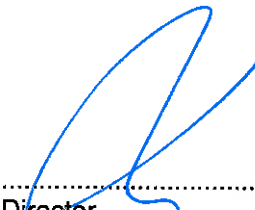
Execution

Executed as a deed.

Executed by Image Resources NL

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Company Secretary/Director
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Director
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PETER THOMAS
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Executed by Murray Zircon Pty Ltd

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Company Secretary/Director
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Director
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Execution

Executed as a deed.

Executed by Image Resources NL

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Company Secretary/Director

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