

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM

Date of Meeting:	Tuesday 20 November 2012
Time of Meeting:	3.30 pm
Place of Meeting:	The Celtic Club (President's Meeting Room) 48 Ord Street, WEST PERTH WA 6005

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Zenith Minerals Limited will be held at The Celtic Club (President's Meeting Room), 48 Ord Street, West Perth, Western Australia, at 3.30 pm (AWST) on Tuesday 20 November 2012.

AGENDA

ORDINARY BUSINESS

Agenda Item 1 - Financial Statements and Reports

To receive and consider the Annual Financial Report, together with the Directors' and Auditor's Reports for the year ending 30 June 2012. **Note: There is no requirement for Shareholders to approve these reports**

Resolutions

1. Adoption of Remuneration Report

To consider and, if thought fit, to pass, the following resolution as a non-binding resolution:

"That, for the purposes of section 250R(2) of the Corporations Act 2001 and for all other purposes, the Company adopts the Remuneration Report contained in the Annual Report for the year ending 30 June 2012."

Please note that in accordance with section 250R(2) of the Corporations Act 2001, the vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any of the key management personnel listed in the Remuneration Report and any of their closely related parties. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form) or 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).

2. Re-election of Directors

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

"That, for all purposes, Gary Ernest Comb, who retires as a Director of Zenith Minerals Limited, pursuant to the Constitution and being eligible, offers himself for re-election, is re-elected as a Director of the Company."

3. Approval for the issue of 1,000,000 options to Managing Director, Mr Neil Martin

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

"That for the purposes of Listing Rule 10.14 of the ASX Listing Rules, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue 1,000,000 Options to Mr Neil Martin (or his nominee) pursuant to Zenith Minerals Limited's

Share Option Plan on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 3 by Directors and any of associates of Directors, and if ASX has expressed an opinion under ASX Listing Rule 10.14.3 that approval is required for participation in an employee incentive scheme by anyone else, that person and any associates of that person. However, the Company need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- 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.

Explanatory Statement

The Explanatory Statement accompanying this Notice of Annual General Meeting is incorporated in and comprises part of this Notice of Annual General Meeting.

Proxies

Please note that:

- (a) a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

Corporate Representative

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

Entitlement to attend and vote

For the purposes of voting at this Annual General Meeting, a Shareholder's voting entitlement will be taken to be the entitlement of the Shareholder shown on the register of Shareholders at 3.30 pm AWST on Sunday 18 November 2012.

BY ORDER OF THE BOARD

Alex Dermedgoglou
Company Secretary

19 October 2012

Explanatory Statement

This Explanatory Statement accompanying this Notice of Annual General Meeting is incorporated in and comprises part of this Notice of Annual General Meeting.

Agenda Item 1 - Financial Statements and Reports

The Annual Financial Report as at 30 June 2012 (including the financial statements, Directors' Reports and Auditor's Report) is tabled for information of shareholders. There is no requirement for Shareholders to approve these reports. However, time will be allowed during the annual general meeting for consideration by Shareholders of the financial statements and the associated Directors' and Auditor's Reports.

Resolution 1 - Adoption of Remuneration Report

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

Under changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, then the Company's subsequent Remuneration Report must explain the Board's proposed action in response or, if the Board does not propose any action, the Board's reasons for not making any changes. The Board will take into account the outcome of the vote when considering the remuneration policy, even if it receives less than a 25% "no" vote. If the Company's remuneration report receives at least 25% of the votes cast against its adoption at two consecutive annual general meetings (that is 'two strikes'), the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting (**Spill Meeting**) to consider the appointment of Directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the Spill Meeting within 90 days of that second annual general meeting. All of the Directors who were in office when the Company's Directors' Report was approved, other than the Managing Director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting, those persons whose election or re-election as Directors is approved will be the Directors of the Company. Further information will be provided on the Spill Resolution and Spill Meeting for any annual general meeting at which the Company may face a 'second strike'.

The remuneration reports sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2012.

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

Directors' recommendations

The Board (excluding key management personnel whose remuneration is included in the Remuneration Report and closely related parties of those key management personnel) unanimously recommend Shareholders vote in favour of this Resolution.

The Chairman intends to vote all available proxies to the extent expressly authorised in favour of this Resolution.

Resolution 2 – Re-election of Directors

Pursuant to Listing Rule 14.4 and clause 14.4 of the Company's Constitution, Directors must retire by rotation at least once every three years. For this reason, Gary Ernest Comb retires as a Director of the Company and offers himself for re-election.

Directors' recommendations

The Directors (other than Mr Comb) unanimously recommend that Shareholders vote in favour of Resolution 2.

Resolution 3 - Approval for the issue of 1,000,000 ESOP options to Managing Director, Mr Neil Martin

Resolution 3 seeks Shareholder approval to grant and issue 1,000,000 ESOP Options to Mr Neil Martin (or his nominee) on the terms and conditions set out in the **Annexure** to this Explanatory Statement. The ESOP Options will be issued under the Company's employee share option plan and will be exercisable at a price that is 45% greater than the volume weighted average price (**VWAP**) of the Shares on ASX for the 20 trading days prior to the date of issue of the ESOP Options. The ESOP Options will expire 45 months after date of issue with 100% to vest immediately shareholder approval to grant and issue the options is received. The grant of the ESOP Options is designed to incentivise the recipients and align the Board and senior staff in the setting and achievement of the Company's objectives, by participating in the future growth and prosperity of the Company through share ownership. The grant of the ESOP Options to Mr Neil Martin, who is an executive director, is to provide an incentive for future services he will provide to the Company.

The Directors have determined the exercise price in light of the price of the Company's Shares in the period prior to issuing the ESOP Options to Mr Martin. The directors consider that an exercise price 45% above the VWAP of the Company's Shares on ASX for the 20 trading days prior to issuing the ESOP Options to Mr Martin, is appropriate.

The ASX Listing Rules and the Corporations Act set out a number of regulatory requirements which must be satisfied. These are summarised below.

ASX Listing Rules 10.11 and 10.14

ASX Listing Rule 10.11 provides a general restriction against issuing securities (including an option) to a related party of the company without shareholder approval. As the Director is a related party of the Company, shareholder approval under the Listing Rules is required.

ASX Listing Rule 10.14 provides that a company must not issue equity securities (including options to acquire shares) to a director of the company under an employee incentive scheme unless the issue has been approved by shareholders by ordinary resolution. If approval is given by shareholders under Listing Rule 10.14, separate approval is not required under Listing Rules 10.11 or 7.1. Shareholders should note that the issue of ESOP Options to the Director is not included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.15 requires the following information to be provided for an approval under ASX Listing Rule 10.14:

- (a) the ESOP Options will be granted to Mr Neil Martin (or his nominee);
- (b) if Resolution 3 is passed by Shareholders, the maximum number of ESOP Options to be granted to the related party (or his nominee) is 1,000,000;
- (c) the ESOP Options will be issued for no consideration, accordingly no funds will be raised from the grant of the ESOP Options and any funds raised from the exercise of the ESOP Options will be used for general working capital purposes;
- (d) no ESOP Options were issued to a related party of the company or persons referred to in Listing Rule 10.14 since the Company adopted its Share Option Plan;
- (e) Eligible participants under the Company's Employee Share Option are full-time or part-time employees or directors of the Company or an Associated Body Corporate who are invited by the Board to participate in the ESOP;
- (f) the ESOP Options will be allotted and issued not later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules);
- (g) no loan is being provided by the Company to Mr Neil Martin for the acquisition of the ESOP Options; and
- (h) the ESOP Options will be issued to Mr Neil Martin on the terms and conditions set out in the **Annexure**.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a "financial benefit" to a "related party" unless one of the exceptions to the section apply or shareholders have in general meeting approved the giving of that financial benefit to the related party.

For the purposes of Chapter 2E, a Director is a related party of the Company.

Resolution 3 provide for the grant of ESOP Options to Mr Neil Martin, Managing Director of the Company (or his nominee), which is a financial benefit for the purposes of Chapter 2E of the Corporations Act, and, therefore, requires prior shareholder approval.

Information requirements for Chapter 2E of the Corporations Act

Pursuant to Sections 217 to 227 of the Corporations Act, the Company provides the following information to Shareholders in respect of the proposed financial benefit to be given to Mr Neil Martin:

- (a) if Resolution 3 is passed by Shareholders, the related party to whom the financial benefit will be given is Mr Martin (as director of the Company);
- (b) the nature of the financial benefit proposed to be given to the Director is the grant of ESOP Options in the Company for no consideration on the terms and conditions set out in the **Annexure** to this Explanatory Statement;
- (c) as at the date of this Notice, Mr Neil Martin (or his nominee) holds no relevant interests in the securities in the Company.
- (d) If the ESOP Options the subject of this Resolution are exercised, the Company's issued share capital will increase by 1,000,000 Shares representing 1.2% of the issued share capital of the Company (assuming no other securities are issued or exercised), diluting other Shareholders by a corresponding amount.

Other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors

(a) *Valuation of ESOP Options*

The ESOP Options are not to be quoted on ASX and as such have no actual market value. The ESOP Options are capable of being converted to Shares by the payment of the exercise price (detailed above) per ESOP Option and accordingly have a value at the date of grant. If the Company's shares are trading at a higher price than the exercise price at the time of exercise, the effect will be to give an immediate financial benefit to the Director who has exercised their ESOP Options.

It is a requirement of ASIC that a dollar value be placed on financial benefits to be issued to a company's directors and for which shareholder approval is required.

The Black Scholes Valuation method is regarded as acceptable by ASIC as a valuation model where the ESOP Options cannot be readily valued by some other means because the proposed options are not to be quoted on ASX and as such have no actual market value. In determining the value of the proposed ESOP Options under Resolution 3, the following assumptions will be applied:

- price volatility of the Shares (determined after taking into account the life of the ESOP Options (45 months) and the general volatilities applying to the small cap mineral companies);
- the risk free rate of interest as at 20 November 2012;
- no dividends will be paid by the Company before the expiry date of the Options;
- 20 trading day VWAP share price for the period ending 20 November 2012;
- the market price of shares as at 20 November 2012); and
- the ESOP Options will be transferable but not listed on ASX.

Directors' recommendations

In respect of Resolution 3, all Directors recommend that Shareholders vote in favour of Resolution 3, save for Mr Neil Martin who has an interest in the outcome of Resolution 3 and declines to make a recommendation in respect of it.

ANNEXURE

TERMS AND CONDITIONS OF OPTIONS UNDER THE COMPANY'S EMPLOYEE SHARE OPTION PLAN

The Company's Share Option Plan was established prior to the Company's listing on ASX and a summary of the terms and conditions of the Share Option Plan were set out in the Prospectus. The terms and conditions of the options to be issued (if approved), are as follows:

1. Each option shall entitle the Option holder, when exercised, to one ordinary share.
2. The unlisted options ("**Options**") are exercisable wholly or in part at any time prior to 5.00 pm (AWST) on 20 August 2016 ("**Expiry Date**"), being 45 months after the issue date. Options not exercised by that date shall lapse.
3. Each Option may be exercised by notice in writing to the Company, together with the payment for the number of Shares in respect of which the Options are exercised, at any time before the Expiry Date. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.
4. The Option exercise price is 45% premium to the Volume Weighted Average Price (VWAP) for the 20 trading days preceding the issue.
5. An Option does not confer the right to a change in exercise price or a change in the number of the underlying Shares over which the Option can be exercised.
6. Shares issued upon exercise of the Options will be issued following receipt of all the relevant documents and payments and will rank equally in all respect with the then issued Shares.
7. The Company will apply for quotation on ASX of the Shares issued upon exercise of the Options.
8. There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of securities offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 12 Business Days before record date (books closing date). This will give Option holders the opportunity to exercise their Options before the date for determining entitlements to participate in any issue.
9. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, the number of Options or the exercise price of the Options, or both, shall be reconstructed in accordance with the Listing Rules.
10. An Option held by a Participant will immediately lapse upon the first to occur of:
 - (a) its Expiry Date;
 - (b) the making by the Board of a determination that:
 - (i) the Participant has acted fraudulently, dishonestly or in breach of the Participant's obligations to the Company or an Associated Body Corporate; and
 - (ii) the Option is on that account to be forfeited;
 - (c) subject to clause 11 of this Schedule, the Participant ceasing to be employed by the Company or an Associated Body Corporate for any reason (or, in the case of an Option held by a nominee, the employment of the nominating Participant is terminated) except where the Participant ceases to be employed as a direct result of the disposal or sale of the Company or Associated Body Corporate (in which case, for the avoidance of doubt, such Options shall not lapse by virtue of that event alone);
 - (d) the day which is 30 days following any person or corporation having a relevant interest in not less than 90% of the Shares; or
 - (e) the day which is 10 days following the Company issuing a notice of meeting convening a meeting of

shareholders in order to enter into a scheme of arrangement (pursuant to the provisions of the Corporations Act) which, if implemented would result in a person or corporation having a relevant interest in not less than 90% of the Shares.

- 11 For the purposes of clause 10 of this Schedule, a Participant shall be deemed to have ceased to be employed by the Company or an Associated Body Corporate:
- (a) on the day which is six months after the day the Participant ceases to be employed by the Company or an Associated Body Corporate by virtue of:
 - (i) the Participant's death; or
 - (ii) the Participant being retrenched or made redundant by the Company or an Associated Body Corporate (other than as a direct result of the disposal or sale of the Company or Associated Body Corporate); and
 - (b) on the later of 21 days following the Participant ceasing to be employed by the Company or an Associated Body Corporate or such later date that the Board determines in its absolute discretion where the Participant ceases to be employed by virtue of:
 - (i) the Participant retiring; or
 - (ii) the Participant's permanent illness or permanent physical or mental incapacity (as certified by a medical practitioner who is approved in writing by the Board).



**PROXY FORM
APPOINTMENT OF PROXY**

ANNUAL GENERAL MEETING

I/We

being a member of Zenith Minerals Limited entitled to attend and vote at the Meeting, hereby

appoint

(Name of proxy)

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's Nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Annual General Meeting of Zenith Minerals Limited to be held The Celtic Club (President's Meeting Room), 48 Ord Street, West Perth, Western Australia on 20 November 2012 commencing at 3.30pm (AWST) and at any adjournment of that meeting.

Important for Resolution 1 – If the Chairman of the Meeting is your proxy or is appointed as your proxy by default

By marking this box, you are directing the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Resolution 1 as set out below and in the Notice of Meeting. If you do not mark this box, and you have not directed your proxy how to vote on Resolution 1, the Chairman of the Meeting will not cast your votes on Resolution 1 and your votes will not be counted in computing the required majority if a poll is called on this item. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by either marking the boxes in Step 2 below (for example if you wish to vote against or abstain from voting) or by marking this box (in which case the Chairman of the Meeting will vote in favour of Resolution 1).

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

☐

I/We direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Resolution 1 (except where I/we have indicated a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the key management personnel.

Voting directions to your proxy – please mark ☒ to indicate your directions

		For	Against	Abstain*
Resolution 1.	Adoption of Remuneration Report	☐	☐	☐
Resolution 2.	Re-election of Gary Ernest Comb	☐	☐	☐
Resolution 3.	Approval for issue of 1,000,000 options to Mr Neil Martin	☐	☐	☐

*If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on that item on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Dated this

day of

2012

Signatures:

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote on their behalf.

Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.

2. A proxy need not be a member of the Company.

In the case of joint holders, signatures are required by the first named and one other joint holder.

3. Corporate shareholders should comply with the execution requirements as set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

- two Directors of the Company;
- a Director and a Company Secretary of the Company; or
- for a proprietary company that has a sole Director who is also the sole Company Secretary, that Director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Law, a document must appear to have been executed in accordance with Section 129(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and confirm to the requirements of Section 127(1) or (2), as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole Director and sole Company Secretary of the Company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. For the purpose of Section 1109 N of the Corporations Act, shares in the Company will be taken to be held by the persons who are registered holders at 5.00pm WST on Sunday 18 November 2012. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.
7. To be effective, this proxy (and the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof) must be lodged at the office of the Company, 3rd Floor, 33 Ord Street, West Perth, Western Australia, 6005, or posted to PO Box 1533, West Perth, WA 6872 or sent by facsimile to (08) 9321 0070 or by email to info@zenithminerals.com.au, not less than forty eight (48) business hours before the time for holding the Annual General Meeting.



CORPORATE REPRESENTATIVE FORM

Shareholder Details

This is to certify that by a resolution of the Directors of:

..... (Company),
Insert name of shareholder company

the Company has appointed:

.....,
Insert name of corporate representative

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that company at the annual general meeting of the members of Zenith Minerals Limited to be held on 20 November 2012 and at any adjournments of that meeting/all meetings of the members of Zenith Minerals Limited.

DATED 2012

Please sign here

Executed by the Company)
in accordance with its constituent documents)

.....
Signed by authorised representative

.....
Signed by authorised representative

.....
Name of authorised representative (print)

.....
Name of authorised representative (print)

.....
Position of authorised representative (print)

.....
Position of authorised representative (print)

Instructions for Completion

- Insert name of appointor Company and the name or position of the appointee (e.g. "John Smith" or "each director of the Company").
- Execute the Certificate following the procedure required by your Constitution or other constituent documents.
- Print the name and position (e.g. director) of each company officer who signs this Certificate on behalf of the company.
- Insert the date of execution where indicated.
- Send or deliver the Certificate to the registered office of the Company at 3rd Floor, 33 Ord Street, West Perth, Western Australia, 6005 or PO Box 1533, West Perth, WA 6872 or send by facsimile to (08) 9321 0070 or by email to info@zenithminerals.com.au, not later than 5.00pm AWST Sunday 18 November 2012.