



Zenith
Minerals
Limited

ABN 96 119 397 938

ANNUAL REPORT 2014



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ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2014

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CORPORATE INFORMATION

DIRECTORS

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Michael J Clifford (Managing Director)

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SECURITIES EXCHANGE LISTING

Australian Securities Exchange

Home Exchange: Perth, Western Australia

Code: ZNC

Dear fellow shareholders,

During the 2013–2014 financial year the continuing weak market conditions and a deteriorating iron ore outlook led your Board to resolve to look for opportunities to diversify the Company's commodity emphasis away from bulk commodities. Zenith elected to move counter cyclically, and took advantage of limited competition and historically low asset prices to significantly expand its project portfolio with the acquisition of some exciting new projects, in particular the Kavaklitepe gold project in Turkey and the Develin Creek copper-zinc-lead-gold-silver project located in Queensland.

Our intention now is to drill high impact holes into these quality new targets.

At Kavaklitepe in Turkey, Zenith plans to conduct the first ever drilling program into a new gold discovery, boasting extensive gold in soil anomalies and numerous high-grade surface rock samples (to 28 g/t gold), including a rock traverse sample along a road bank through the target zone which returned 54metres @ 3.33g/t gold, including 21.5 metres at 7.2 g/t. Zenith's work to date includes geophysical surveys which have confirmed a strong target beneath the anomalous surface samples. We plan initial trenching and drilling at Kavaklitepe as soon as all approvals are in place.

At Develin Creek in Queensland we have acquired control of an entire VHMS (volcanic hosted massive sulphide) belt with over 50 kilometres of strike, and 3 known massive sulphide deposits with JORC resources. We plan early drilling to extend the current 1.76 million tonne resource base and will update the resource estimate to also include some more recent drill intersections like 13.2metres @ 3.3% Cu, 4% Zn, 30g/t Ag that are outside current wireframes. VHMS systems are well known world-wide for the occurrence of clusters of deposits (average of 12 deposits per district), and the Company has generated numerous targets away from the 3 currently identified deposits.

In addition, we continued to add value to our existing Mt Alexander iron and Earraheedy manganese projects with low cost exploration work, and through the acquisition of key adjoining tenements. Follow-up aircore drilling at Earraheedy during the year increased the size of the Red Lake deposit and identified near surface high-grade oxide manganese at Lockeridge. The new Red Lake drill results have been incorporated into an updated resource estimate released after year end. The acquisition of additional tenure north of the Mt Alexander iron project provides additional resource upside as well as providing an enlarged footprint for future development. The recent acquisition of control of the nearby West Pilbara Iron Project by Chinese group Baosteel should accelerate infrastructure build in the area, and we believe that Mount Alexander's location, size and high quality concentrates will make it attractive to a development partner.

We welcomed Mick Clifford as the Company's new Managing Director in March 2014. Mick is a highly regarded geologist with over 25 years experience with Billiton Australia, Acacia Resources & AngloGold Ashanti, and as Managing Director of PacMag Metals Ltd (2005 –2010). On behalf of the Board I thank Zenith's small and dedicated operational team for their efforts.



Rodney Michael Joyce
Chairman

24 September 2014

Corporate

Board Changes

Michael (Mick) Clifford joined the Zenith board as Managing Director following Zenith's purchase of unlisted company S2M2 Coal Pty Ltd, which was approved by Zenith shareholders at the General Meeting on 18 March. Mick is a respected geologist and brings over 25 years of exploration and mining experience to the group.

Exploration and Development Activities

Projects Overview

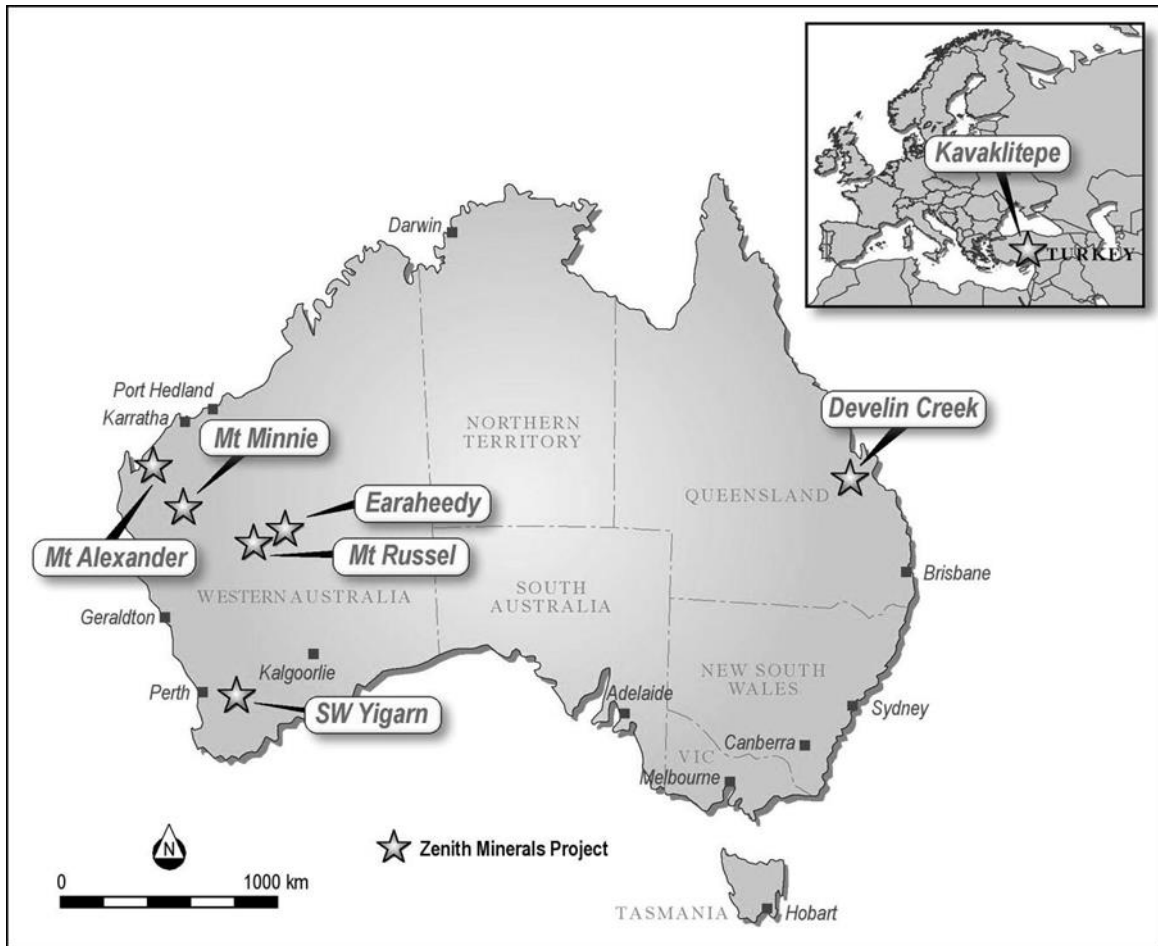
During the latter part of the 2013–2014 financial year the Company expanded and diversified its project portfolio with the acquisition of the S2M2 assets (Turkish and Western Australian gold projects) and by acquiring the Develin Creek copper-zinc-lead-gold-silver project located in Queensland. At the same time Zenith continued its exploration and development activities at its two key 100% owned Western Australian projects; the Earraheedy manganese project and the Mount Alexander iron project.

The acquisition of Rio Tinto's Earraheedy tenements extended Zenith's manganese prospective target horizon in the Earraheedy Basin from ~75 kilometres to over 130 kilometres, whilst follow-up aircore drilling conducted during the year increased the size of the Red Lake manganese deposit with the successful intersection of further near surface high-grade manganese and identified near surface high-grade oxide manganese at Lockeridge. The new Red lake drill results will be incorporated into an updated resource estimate in the coming reporting year.

The acquisition of additional tenure north of the Mt Alexander iron project provides additional iron resource upside as well as providing an enlarged footprint for future development infrastructure.

In the coming year we will focus on the higher impact gold and base metal rich projects of Develin Creek in Queensland and Kavaklitepe in Turkey as well as continue to progress our key bulk commodity assets toward development or monetization. Planned programs include:

- Drilling at Develin Creek to expand the existing resources combined with ground exploration programs aimed at finding repeats of the high-grade copper-zinc-gold-silver deposits within the very prospective project landholdings.
- Trenching and drilling at the Kavaklitepe project where high-grade surface sampling results coincident with IP geophysical anomalies present a robust gold target.
- Drilling for additional resources of high-grade manganese at Earraheedy with a focus on high-grade direct shipping ore (DSO).
- Base metals (zinc-lead) exploration of the Earraheedy Basin
- Continuing to advance elements of the pre-feasibility study to further de-risk the Mount Alexander project, with the aim of attracting a buyer or development partner for the project.



Zenith Minerals Project Locations

Develin Creek Project (ZNC 51% with right to purchase 100%)

The Develin Creek project in Queensland includes three massive sulphide deposits with JORC 2012 Compliant Resources of 1.76Mt grading 1.7% copper, 2% zinc and 0.2g/t gold total inferred resource. Drilling outside the existing Sulphide City resource boundary intersected results up to 13.5 metres @ 3.3% copper, 4.0% zinc and 0.4g/t gold, extending mineralisation up to a further 200m south.

Previous electrical geophysical surveys can detect both the massive sulphides and the underlying stringer zone mineralisation confirming that both IP and EM geophysical surveys are appropriate exploration tools for further use.

Numerous geophysical and geochemical targets along 50km of the host volcanic rocks, and a recent airborne electromagnetic survey (HeliTEM) flown over the entire host volcanic sequence with limited ground follow-up to date provides several exciting regional targets for immediate follow-up.

The Sulphide City mineralisation consists of stockwork, disseminated and massive sulphide mineralisation. The main Sulphide City lens, outlined with a 1% copper equivalent cut-off, has a horizontal projection of approximately 300m x 150m. The lens varies from 2.5m to 29m in thickness, generally dips 25-30° west-northwest and has been intersected at depths between 80m and 200m. Better historic drill intersections (previously reported by Fitzroy Resources Limited to the ASX, 14th Oct 2010, 11th May 2011 and 28th Oct 2011) include:

- The Scorpion deposit, 500m south-west of the Sulphide City deposit occurs in a 400m x 200m zone in altered volcanic rocks, the sulphide body, 2.5m – 9.5m thick consists of brecciated massive sulphides and grades up to 6% Cu, 9% Zn, 43g/t Ag and 1g/t Au. Better historic drill results (previously reported by Fitzroy Resources Limited to the ASX, 14th Oct 2010 and 11th May 2011) include:

- DDH-001 - 21.6m @ 2.5% Cu, 1.5% Zn, 13g/t Ag, 0.5g/t Au, (includes 16.2m @ 3.2% Cu, 1.6% Zn)
- DDH-002 - 31.6m @ 1.5% Cu, 1.5% Zn, 15g/t Ag and 0.3g/t Au (includes 16.7m @ 2.1% Cu, 2.0% Zn)
- PD-007 - 44.0m @ 1.6% Cu, 1.0% Zn, 8g/t Ag, 0.3g/t Au, (includes 25.0m @ 2.6% Cu, 1.2% Zn, 10g/t Ag)

The highly weathered Window mineralisation consists of steeply dipping chalcopyrite rich massive sulphides and sulphidic breccias with a 2m thick supergene blanket of covellite-chalcocite at 50m depth within a wider zone of stringer style mineralisation. The location and style of mineralisation indicates that the Window Deposit may be the partially eroded footwall stringer zone to the nearby Scorpion massive sulphide body. Better historic drilling results from Window (previously reported by Fitzroy Resources Limited to the ASX, 14th Oct 2010) include:

- PD-012 - 84.0m @ 0.8% Cu (includes 48.0m @ 1.2%)

Inferred Resources (JORC 2004) were estimated for the Develin Creek Deposits and first reported to the ASX by Icon Resources Limited in 2007 for the 3 known mineralised bodies, totaling 1.76Mt @ 1.71% copper, 2.05% zinc, 8.5g/t silver and 0.24g/t gold, at a 1% Cu equivalent cut-off. The previous resource was reviewed and updated by Zenith to be compliant with the JORC Code 2012 Edition. Note that no additional drilling has been included in the resource upgrade and there are no changes to the tonnes and grades previously reported.

| DEPOSIT | TONNES | Cu% Grade | Zn% Grade | Ag g/t Grade | Au g/t Grade |
|---------------|-----------|-----------|-----------|--------------|--------------|
| SULPHIDE CITY | 1,114,784 | 1.64 | 2.41 | 7.2 | 0.20 |
| SCORPION | 485,100 | 1.98 | 1.87 | 13.9 | 0.39 |
| WINDOW | 156,960 | 1.45 | - | 1.0 | 0.02 |
| TOTAL | 1,756,844 | 1.71 | 2.05 | 8.5 | 0.24 |

Note that drilling in late 2011 by Fitzroy extended mineralisation at the Sulphide City deposit by 200m to the south, this mineralisation has not yet been included in the resource estimate reported above. Better intersections from that drilling (previously reported by Fitzroy - ASX Releases 28th July 2011, 28th Oct 2011 and 30th Jan 2012) which extends high-grade copper-zinc mineralisation to the north and south (refer to Figure 3) that are not included in the resource estimate include:

- FRWD0002 13.5m @ 3.3% Cu, 4.0% Zn & 0.4g/t gold (40m south of existing resource)
- FRWD0004 1.1m @ 3.5% Cu, 1.7% Zn & 0.6g/t gold (140m south of existing resource)
- FRWD0001 0.7m @ 4.4% Cu, 1.6% Zn & 0.8g/t gold (50m north of existing resource)
- FRWC007 2.0m @ 0.23% Cu, 2.41% Zn & 2.51g/t silver (200m south of existing resource)

Significant potential exists to extend the currently defined copper-zinc-gold-silver deposits of Sulphide City, Scorpion and Window and to discover new mineralisation lenses in higher or lower stratigraphic positions.

Elsewhere within the project area, there is good potential to discover previously undetected VHMS mineralisation in the extensive landholdings totaling 300km². Zenith now controls over 50km of strike length of prospective volcanic host rock sequence. The application of modern geophysical exploration technology offers an improved ability to see through areas of surficial cover to define new drilling targets. Testwork by Fitzroy and previous explorers clearly demonstrates that both IP and electromagnetic (EM) geophysical surveys are able to detect the disseminated and massive sulphide bodies respectively. Although IP geophysical coverage is limited to the area surrounding the known deposits the project wide HeliTEM survey has identified over 66 EM targets of which only a few have had cursory follow-up ground work.

Field exploration programs are planned to commence in the September quarter. Zenith also plans to update the resource estimate to include the Fitzroy Resources Limited 2010-2011 drill results that have not yet been incorporated in the current resource estimate.

Kavaklitepe Project (ZNC earning 70%)

Zenith's wholly owned subsidiary S2M2 Coal Pty Ltd has an exclusive option to earn up to a 70% interest in Canadian TSX-V listed Columbus Copper's Kavaklitepe Gold Project located in western Turkey. Columbus Copper reported the discovery of gold mineralization at Kavaklitepe in a TSX-V release dated January 17, 2013. The original discovery was made by following up a stream sediment anomaly with 5.2 grams per tonne ("g/t") gold returned from a rock chip composite in a stream bed outcrop. A small trench in an adjacent road cut was opened up perpendicular to the observed mineralization strike and returned a weighted average grade of 2.67 g/t gold over 21 metres of exposure. About 1.4 kilometres northwest from the discovery outcrop follow-up on a soil sample anomaly, peaking at 6.05 g/t gold, led to identification of a brecciated zone striking north east. Four rock samples collected there returned 28.2 g/t, 21.7 g/t, 6.7 g/t and 3.66 g/t gold respectively (see Columbus TSX-V release of March 1, 2013). Further rock sampling along a road bank in this zone confirmed the presence of high-grade gold mineralization returning 54.0 metres of continuous rock chips with an average grade of 3.33 g/t gold, including 21.5 metres grading 7.2 g/t gold.

Columbus Copper also collected a total of 2,127 soil samples on the project in 50 metre x 50 metre and 100 metre x 100 metre grids covering an area of approximately 11 square kilometres, of which 176 samples returned gold grades higher than 50 ppb, 112 - higher than 100 ppb and 40 - higher than 250 ppb with 9 of these samples containing more than 1000 ppb (1 g/t) gold. The soil sampling outlined a potentially mineralized zone measuring 850 metres by 250 metres and continuing for another 800 metres to the southwest and possibly displaced by a northwest southeast trending fault at its southern margin. There are strong, coincident arsenic and antimony anomalies.

During the year Zenith reported successful results from IP geophysical survey trials conducted over two of the major gold in soil anomalies (Guney and Kuzey) at the Kavaklitepe JV project. Strong chargeability anomalies were detected beneath the high-grade gold in soil anomalies.

Two survey configurations were tested (gradient array – grid area and pole-dipole - single lines) both returning strong to moderate chargeable responses ($>20\text{Mv/v}$). Beneath the Kuzey zone a strong chargeable IP geophysical anomaly was identified directly beneath high-grade surface rock chip samples (7.68, 22.7 g/t gold) and gold in soil (up to 6.05 g/t gold), whilst a second strong chargeable IP geophysical anomaly was identified beneath the Guney Zone, potentially associated with cross faulting (Figure 3). At Kuzey the chargeability anomaly lies directly beneath the 900m long (50ppb Au) high-grade gold in soil anomaly (maximum 6050ppb Au, 6.05 g/t Au) and can be detected in the survey data to a depth of at least 100m.

Under the Turkish Agreement, S2M2 Coal may earn an initial 51% interest in the Property over three years by, among other things, making US\$400,000 in cash payments of which US\$250,000 was paid on October 9, 2013 and completing US\$2,500,000 in cumulative exploration expenditures on the Property. If S2M2 earns the initial 51% interest in the Property, it may elect to earn a further 19%, for 70% in total, by paying Columbus Copper an additional US\$500,000 and by completing a bankable feasibility study within a four year period. The Turkish Agreement contains other terms and conditions that are customary for an option/joint venture contract.

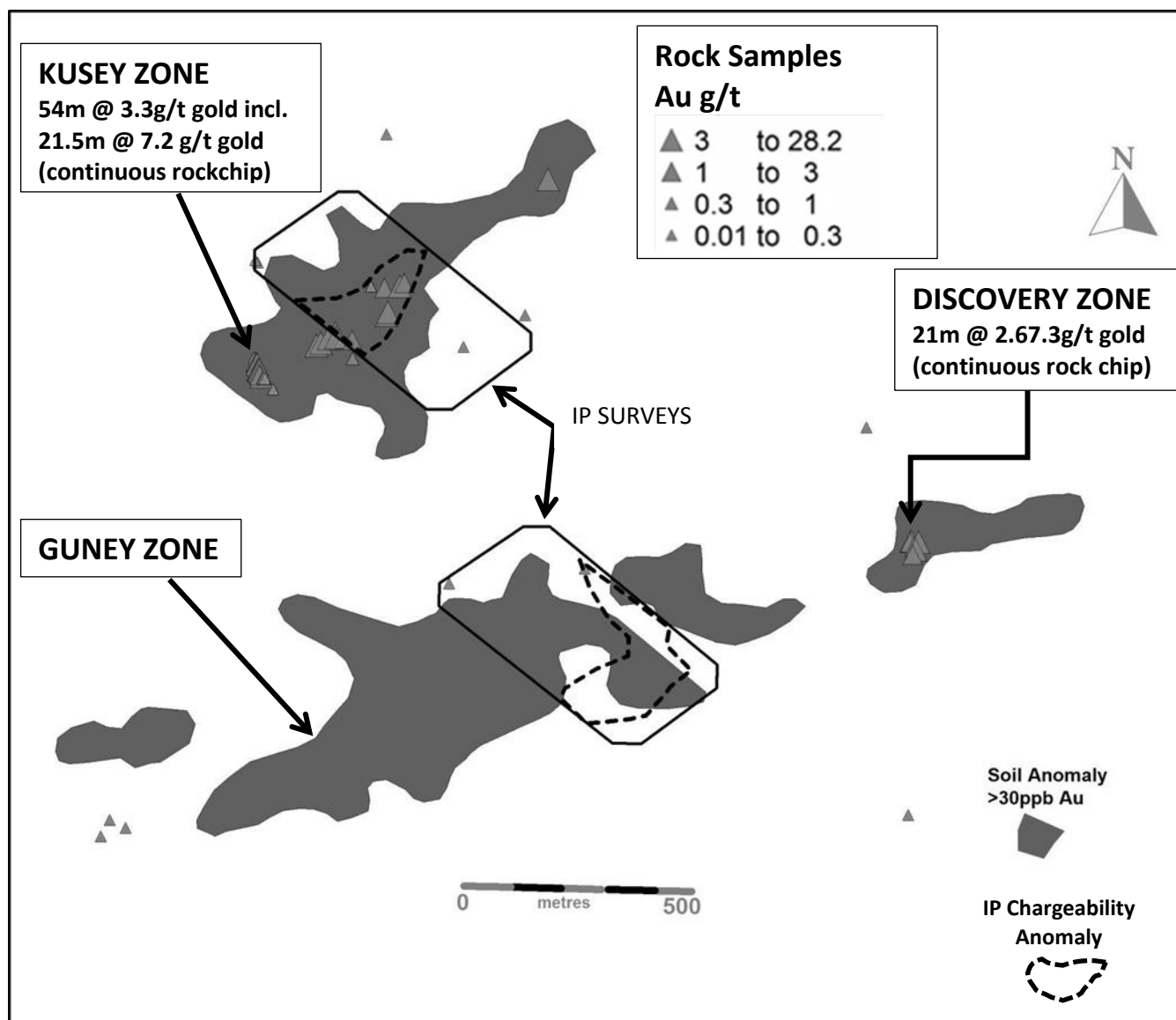


Figure 3: Plan Showing Kavaklitepe Project - Gold in Soil Geochemical Anomaly with Rock Chip Sample Locations overlain by IP Geophysical Surveys (chargeability anomaly at 25m below surface).

The next step in evaluating the Kavaklitepe prospects will include trenching to expose the rock beneath the surface soil cover, followed by drilling. The company is waiting on forestry permits to allow this work to proceed.

Earaheedy Manganese Project (Zenith 100%)

The Proterozoic aged Earraheedy Basin north of Wiluna in Western Australia is a potential new manganese province with similarities to the giant Kalahari manganese field in South Africa. As first mover Zenith established a strong land position with tenements now covering ~130 strike kilometres of prospective stratigraphy (Figure 4). Zenith's priority target is high grade (>40% Mn) manganese oxide formed by weathering or supergene upgrade of primary mineralisation.

Zenith completed the first ever drilling for manganese in the western Earraheedy in late 2010 at the Lockeridge prospect, intersecting a shallow dipping bed of primary manganese carbonate mineralisation. Better results from Lockeridge include: 12m @ 11.1% Mn from 28m depth, and 3m @ 18.0% Mn from 37m depth (Figure 5).

Subsequent drilling at the Black and Blue prospect returned thick zones of manganese oxide; 31m @ 7.9% Mn from surface, including: 2m @ 17.1 % Mn, 1m @ 22% Mn and 3m @ 14.3 % Mn.

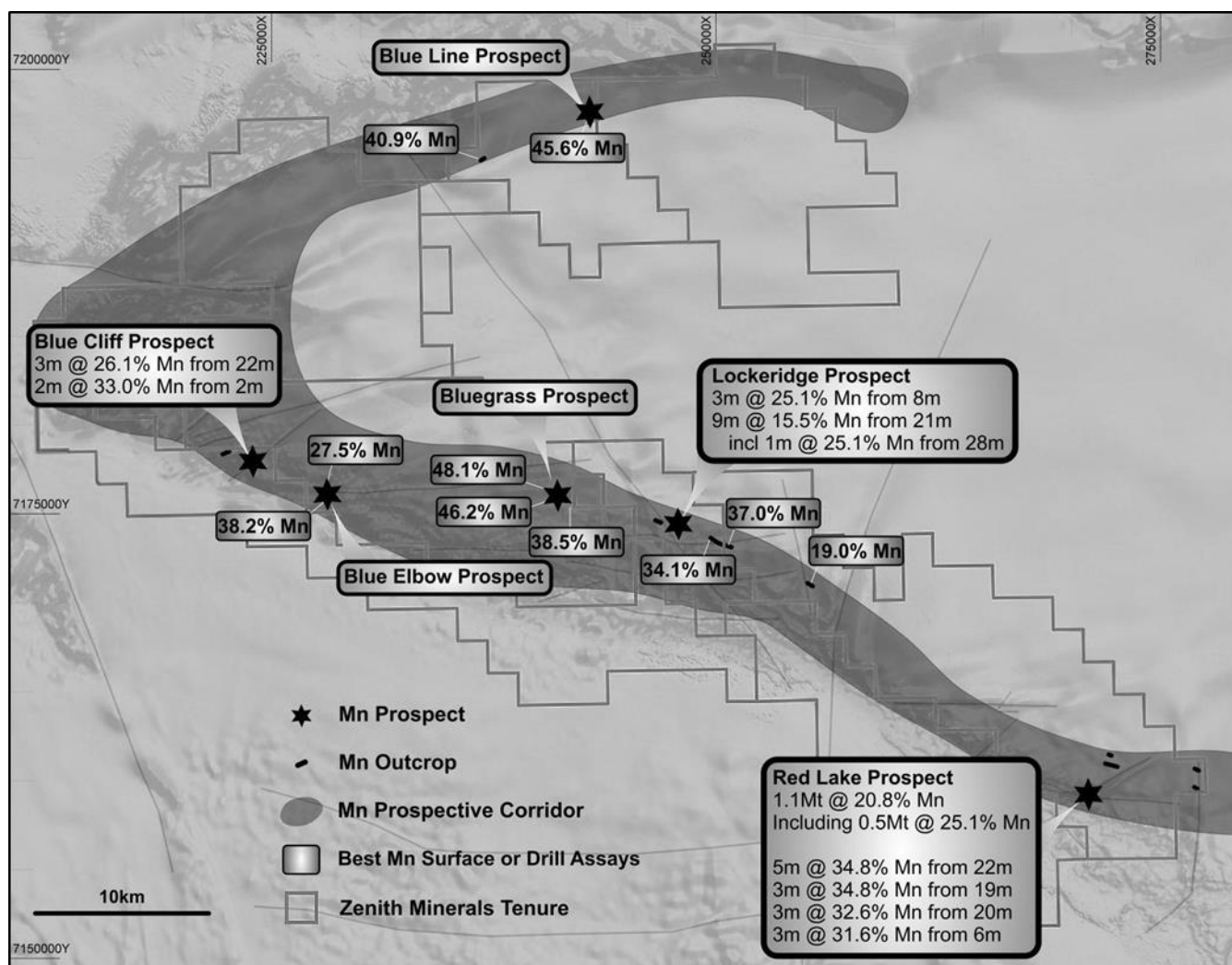


Figure 4. Zenith Tenements and manganese prospects, Western Earraheedy Basin (overlying aeromagnetic image)

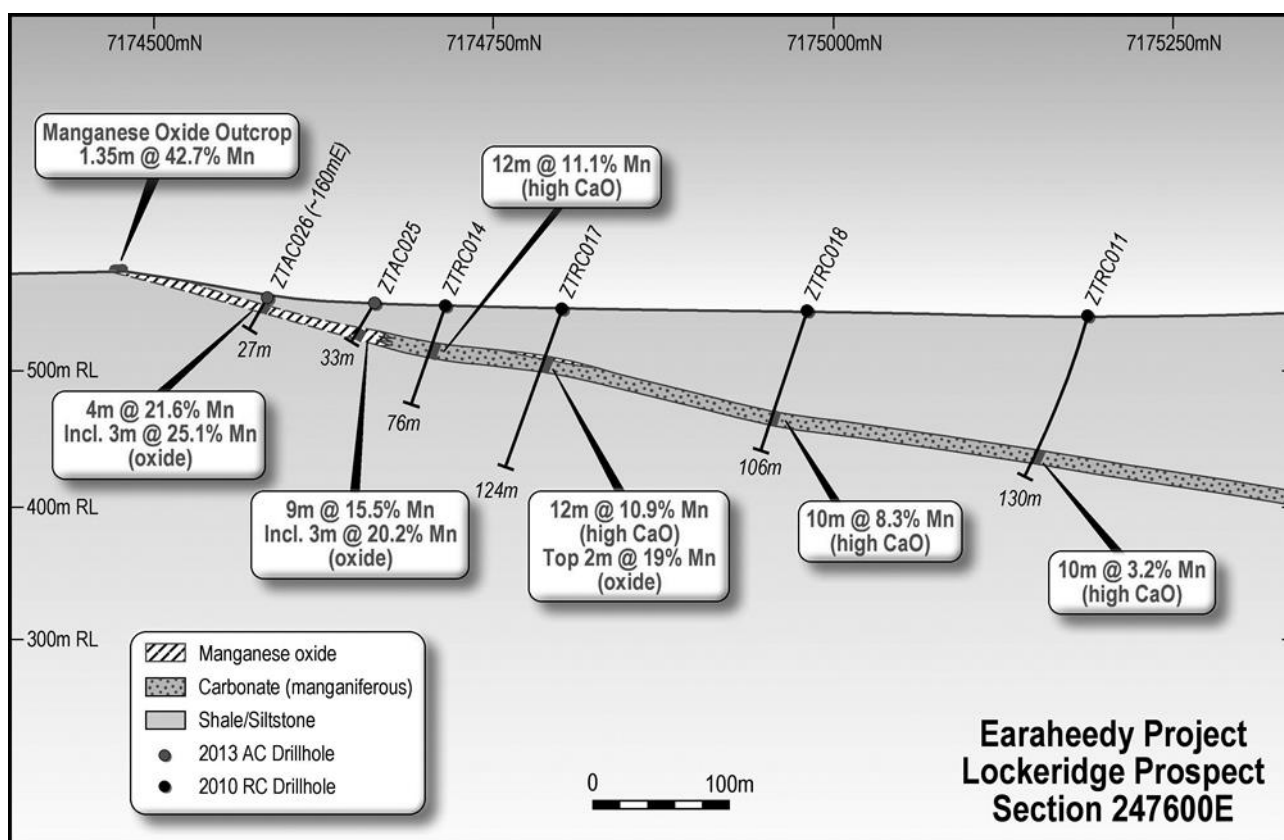


Figure 5. Lockeridge Prospect cross section showing recent up-dip Mn intersections in aircore drill holes (hatched zone)

The first DSO grade Mn drill intersections recorded in the Earaheedy Basin were reported by Zenith in 2012 at the Red Lake prospect. Drilling results include; 3m @ 41% Mn (within 5m @ 34.8% Mn from 22m depth), and 3 metres @ 34.8% Mn from 19 metres, including 1m @ 42.3% Mn. In late 2013 two additional holes drilled at the Lockeridge prospect were very positive, confirming that manganese oxide could persist up to 200m down dip from the high-grade manganese surface outcrops. The primary manganiferous carbonate at Lockeridge is supergene enriched near surface. Previous Zenith drilling completed in 2010 was stepped out more than 250 metres down dip from the outcrop, and intersected primary manganiferous carbonate with Mn grades in the range 3 to 10% Mn for up to 1.2 km down dip. The 2013 program established potential for supergene manganese oxide with both holes intersecting mineralisation. Hole ZTAC026 (3m @ 25.1% Mn incl. 1m @ 29.6%) intersected the target around 100 metres down dip from the high grade outcrop, and hole ZTAC025 (3m @ 20.2% Mn) hit partially oxidized mineralisation around 150m down dip from surface outcrop.

Outcrops of manganese oxide at the Christmas Bore Prospect on the northern side of the Earaheedy Basin were also drill tested in late 2013 for the first time, with 13 holes completed to confirm the presence of manganese mineralisation. The drilling intersected manganese oxide zones interpreted to be associated with a relatively steeply dipping fault (best ZBAC004; 5m @ 16.1% Mn, incl 1 m @ 20.3% Mn and 1m @ 22.7% Mn).

A maiden resource estimate was reported to ASX on 9 April 2013 for the Red Lake prospect. The tonnage/grade estimates are tabulated below at both a 5% and a 10% Mn cut-off grade.

| Red Lake Mn Mineral Resource estimate | | | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------|-------------|-------------|-------------|--------------------------------------|------------|------------|
| Classification | Reporting Cut-off Grade | Tonnes (Mt) | Mn % | Fe % | Si % | Al₂O₃ % | P % | S % |
| Inferred | 5 % Mn | 1.6 | 15.7 | 21 | 23.1 | 9.8 | 0.25 | 0.11 |
| Inferred | 10% Mn | 1.2 | 19.0 | 19.1 | 20.8 | 9.4 | 0.26 | 0.13 |
| Note: This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. | | | | | | | | |

The acquisition of Rio Tinto's Earraheedy tenements subsequent to the end of the reporting year extended Zenith's manganese prospective target horizon in the Earraheedy basin from ~75 kilometres of strike to ~130 kilometres. Previous Zenith drilling immediately south east of the Rio Tinto tenement boundary at the Lockeridge Prospect in 2013 returned: 3 metres @ 25.1% Mn from 8 metres and 3 metres @ 20.2% Mn from 27 metres depth in a gently east dipping horizon as well as mapping and sampling to the immediate south east of the Rio Tinto tenement boundary indicates a possible extension of the manganese horizon into the Rio Tinto leases. Field work commenced to assess this target area in July resulting in the discovery of two new manganese prospect Blue Elbow and Bluegrass.

In addition to the Rio Tinto tenure a new exploration licence has been successfully applied for by Zenith to cover the Blue Cliff Manganese prospect where previous drilling by a JV managed by Cazaly Resources Limited intersected: 2 metres @ 33.0% Mn from 2 metres and 3 metres @ 26.1% Mn from 22 metres depth (as announced by Cazaly to the ASX - 27 July 2012).

Zenith considers there to be potential for the development of additional manganese along strike of the Blue Cliffs occurrence as well as within the area adjacent to the new tenure acquired from Rio Tinto.

Earraheedy Zinc Project (Zenith 100%)

Zenith's Earraheedy project includes a 30 kilometre long zone of carbonate-hosted zinc (Zn) and lead (Pb) mineralisation in the Yelma Formation at the base of the Earraheedy Basin stratigraphy. Broadly spaced drilling by RGC Exploration from 1992 to 1996 defined several prospects containing drill intersections of oxidised and primary Zn-Pb mineralisation, including;

Navajoh: **7.3 metres @ 6.1 % Zn, 0.77% Pb (incl. 3.3 metres @ 11.2% Zn)**

Magazine: **5 metres @ 5.6% Zn +Pb (incl. 2 metres @ 8.2% Zn, 2.8% Pb)**

Chinook: **6 metres @ 3.63% Pb +Zn.**

Company geologists re-logged historical diamond drill core from the Earraheedy base metals project held at the GSWA core library in Perth and completed a detailed review of previous work, with a view to assessing controls on higher-grade zinc-lead zones. The work demonstrated clear high-grade zinc-lead trends that require drill follow-up. The company is seeking expressions of interest from third parties who may be interested in advancing the Earraheedy base metals project

Mount Alexander (Zenith Minerals 100%)

The Mount Alexander Project is 120 km from the port of Onslow, and 260 km south west of Karratha in the West Pilbara region of Western Australia, close to the Pilbara coast, the sealed North West Coastal Highway and the Dampier Bunbury gas pipeline.

Planned rail from the nearby West Pilbara Iron Project (API JV) to a new port development at Anketell Point provides a possible alternative infrastructure solution (Figure 6).

Zenith has discovered magnetite iron mineralisation occurs in a banded iron formation (BIF) associated with a sequence of amphibolite, dolomite, schist and quartzite of Proterozoic age in the northern Gascoyne Province. These rocks have been metamorphosed to upper greenschist and amphibolite grade.

In May 2013 the Company announced a significant upgrade to the magnetite resource at Mount Alexander. The new Inferred Resource now stands at 535 million tonnes @ 30.0% Fe.

| Mount Alexander BIF Mineral Resource estimate as at May 2013 | | | | | | | |
|--------------------------------------------------------------|-----------------|-----------------------|--------------------|----------------------------------|-------|------|------|
| | | Head Grade | | | | | |
| Classification | Tonnes (Mt) | Fe % | SiO ₂ % | Al ₂ O ₃ % | LOI % | P % | S % |
| Inferred | 535.1 | 30.0 | 48.0 | 2.2 | -0.4 | 0.1 | 0.46 |
| | DTR | DTR Concentrate Grade | | | | | |
| | Mass Recovery % | Fe % | SiO ₂ % | Al ₂ O ₃ % | LOI % | P % | S % |
| | 24.6 | 69.9 | 2.4 | 0.1 | -2.7 | 0.01 | 1.1 |

Substantial additional potential exists for increased tonnage with only ~50% of target BIF drill tested to date. The Company has released (24 May 2013) an additional Exploration Target of 570 to 680 million tonnes @ 25 to 35% Fe (excluding the Inferred Resource), in accordance with Section 17 and Section 38 of the JORC Guidelines 2012.

The potential quantity and grade of this Exploration Target is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. The Exploration Target has been estimated on the basis of outcrop mapping (by Zenith and by Jigsaw Geoscience, assays from outcrop rock chip samples taken by Zenith, drilling by Zenith (12 RC holes within the Exploration Target) at nominal 300m centres, magnetic susceptibility measurements and total iron and DTR analyses from drill samples, 2.5D profile and 3D inversion modelling of detailed ground (~100-200m line spacing) and airborne magnetic (~50m line spacing) survey data by Core Geophysics. A volume for the magnetite mineralisation was calculated to -100mRL and a bulk density range of 3.1g/cc to 3.7g/cc (consistent with a grade of 25-35wt% iron as magnetite) was applied to the volume derived from the modelling. The updated resource model wireframe was utilised for the Mt Alexander prospect area where appropriate. Further drilling to test the validity of the Exploration Target is planned within the next 2 years subject to receipt of the necessary permits and approvals, and the availability of funding.

A Scoping Study by consultants ProMet was reported to ASX on 10 May 2011. The Study assessed the basic mining, processing and infrastructure requirements, and estimated Capital Costs and Operating Costs. Based on detailed test work on diamond drill core the Study applied a weight recovery of 30.2% at p80 minus 40 micron grind and a DTR concentrate grade of 69.9% Fe and 3.0% SiO₂. The Base Case selected included processing by crushing, grinding, wet magnetic separation. The Base Case transport option for the concentrate was by slurry pipeline 120 km to the coast near Onslow, and transport by barge to an offshore mooring for transfer into ships for export (transshipment).

* The Scoping Study referred to in this report is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

Pre-feasibility study elements undertaken aimed at de-risking the project include; finalised Level 1 and Level 2 flora & fauna surveys (which did not identify any major environmental triggers), work on securing access to a project water supply, and investigation of export infrastructure options and bulk material transshipment technology.

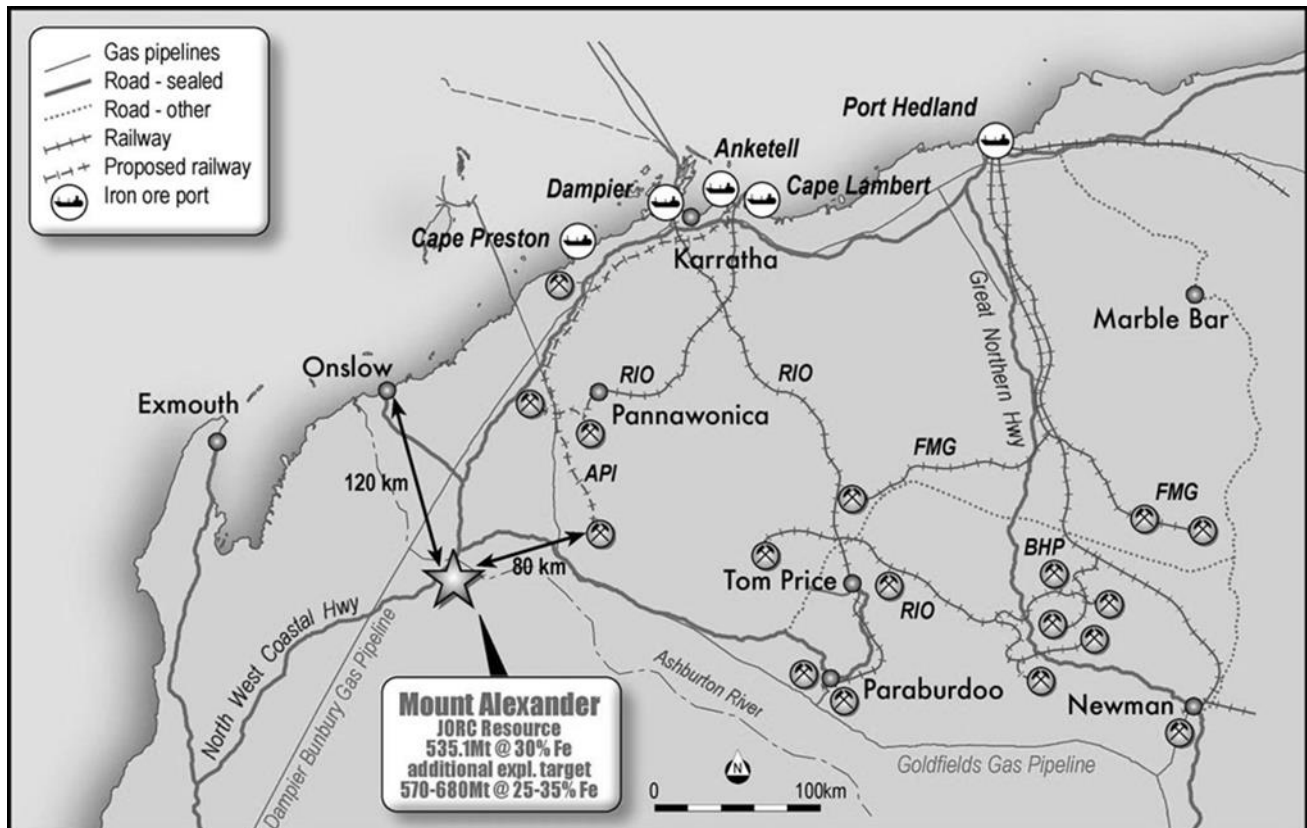


Figure 6: Mount Alexander Project location and proximity to coast and regional infrastructure

Mt Minnie Gold Project (Zenith 100%)

The Mt Minnie project consisting of two exploration licences is situated approximately 240 km northeast of Carnarvon in Western Australia. The Mt Minnie North – Ram West tenements cover a portion of terrain composed predominantly of mid-Proterozoic granite assigned to the Minnie Creek batholith prospective for reduced intrusion related gold deposits. The project has 7 existing gold prospects requiring follow-up that to date have only been the subject of cursory reconnaissance exploration activity.

Mt Minnie North (E09/2063) – Previous rock chip sampling at the Woods Prospect has identified a zone of very positive gold results including: 21.5 g/t Au, 0.49 g/t Au, 0.3 g/t Au, 0.15 g/t Au and 1.09 g/t Au. In addition rock chip sampling has returned up to 6.64g/t Au from the Osborne Well/Neptune Prospect area, located approximately 12 km to the south east of the Woods Prospect. Mineralisation at all prospects is associated with quartz veining and sheared-altered granite.

Ram West (E09/2064) – Previous prospecting has defined 5 gold prospects over an area 10km x 5km that have not been followed up after their initial discovery: Ram West – gold to 0.85 g/t Au with associated bismuth (0.14%), tungsten and molybdenum, Fenceline – gold up to 64.2 g/t Au, Roadside - gold up to 0.3 g/t Au with associated tungsten and molybdenum, Michelle's Copper – gold up to 0.6 g/t Au with associated bismuth (0.2%), molybdenum (278 ppm), tungsten (0.12%) and copper (3.6%), Clay pan – gold up to 0.28 g/t Au.

Following the grant of the exploration licenses during the year, regional government airborne electromagnetic survey data (GSWA-Geoscience Australia - Capricorn Tempest Survey) was processed and interpreted. The 5km line spaced regional data is a useful tool in determining the depth of shallow cover sequences that overly portions of the project area. Initial field reconnaissance is planned to commence early in the new reporting year.

SW Yilgarn Gold Project (ZNC 100%)

Two new exploration license applications were submitted during the year to cover the historic Bottleneck and Nanicup Bridge prospects and along strike targets.

Exploration licence E70/4587 (Bottleneck) was applied for to cover the former Quadrio Resources (Dominion Mining) high-grade gold prospect Bottleneck which to date has had limited follow-up drill testing post initial discovery.

Previous near-surface high-grade gold drill intersections (ASX release 11/02/2013 by Caravel Minerals Limited ASX:CVV a company that was spun-out from Dominion in 2013) at Bottleneck include:

- 3m @ 12.2g/t gold (within 21m @ 3.5 g/t gold),
- 6m @ 10.0g/t gold,
- 1m @ 75.0g/t gold (within 12m @ 7.5g/t gold) &
- 1m @ 22.0g/t gold (within 7m @ 6.3 g/t gold).

In addition to the Bottleneck prospect, E70/4588 (Nanicup Ridge) was applied for to cover the former Dominion Mining/Caravel Minerals Limited prospect Nanicup Bridge, where exploration from 2001 to 2009 led to the definition of an extensive system of gold anomalies (4.2 strike km). Previous drill hole gold intersections at Nanicup Ridge (reported to the Department of Mines and Petroleum – WAMEX Number a075240) include:

- 3m @ 10.99g/t gold and
- 3m @ 3.92g/t gold.

The Nanicup Ridge Prospect has many similarities to the giant Tropicana gold system (>7Moz Au), including host rock, alteration, thickness of mineralised shear and geochemical signature.

The information regarding Exploration Results from the SW Yilgarn Project was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Mt Russel Copper Project (ZNC 100%)

A new exploration license application was applied for during the year to cover an area of the historic copper exploration results in the southern Yerrida Basin. Exploration licence E53/1809 (Mt Russel) encompasses historic copper exploration results reported by ACM in 1983 (GSWA – WAMEX Report a12928) including: 10m @ 0.28% Cu from 10m down-hole, in the oxidized portion of a regional stratigraphic drill hole.

The project area covers the southern margins of the Yerrida Basin (Maraloou formation) – part of the Capricorn Orogenic belt. A number of explorers are active in the northern portion of the Yerrida Basin including: Sipa Resources Limited (ASX:SRI) who have reported promising results from their Thaduna copper project and Sandfire Resources NL (ASX:SFR) and Joint Venture partner Ventnor Resources Limited (ASX:VRX) who are assessing the Green Dragon copper project.

The Mt Russel area is considered a viable near surface flat lying oxide copper target amenable to potential cheap mining and processing via solvent extraction electrowinning, similar to the near surface copper oxide deposits of the mid-western USA, that overly the large porphyry copper deposits.

Sungai Roi Coal Project (ZNC divesting rights)

The Sungai Roi coal concession in East Barito, Kalimantan, Indonesia contains an Exploration Target estimated in accordance with Section 17 and Section 38 of the JORC Guidelines 2012 of approximately 1 to 1.2 million tonnes of high-grade (6800 - 6900 kcal/kg GAR) thermal coal. **The potential quantity and grade of this Exploration Target is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.*

The Exploration Target was estimated by S2M2 Coal based on detailed mapping and sampling of 14 shallow dipping coal seams exposures over a strike length of 3km within a width of 800m and a 40m vertical range based on topographic contours. Cumulative coal seam thickness is up to 1.87m. Drilling to test the validity of the Exploration Target is recommended subject to receipt of the necessary permits and approvals.

S2M2 Coal has the exclusive right to conduct due diligence on the Sungai Roi coal concession and the option, at its election, to acquire a 90% interest in the company owning the Sungai Roi coal concession. The multiple, flat lying coal seams on the concession crop out over 3km of strike within an area of gently undulating topography. The project is also close to existing infrastructure including haul roads and barge loading facilities that have the potential to reduce the upfront capital costs and time frame for development of the project.

In October 2013, S2M2 Coal received a conditional offer from an Indonesian entity to purchase S2M2 Coal's rights in respect of the Sungai Roi Coal Project for consideration of US\$500,000 in

staged payments and a US\$1.00 royalty per tonne of coal mined. The company is awaiting confirmation of clean and clear title to the coal license.

Cardinals Project (Zenith 100%)

The Cardinals Project was relinquished during the year.

Competent Persons Statements

The information in this report that relates to Zenith Exploration Results and Exploration Targets is based on information compiled by Mr Michael Clifford, who is a Member of the Australian Institute of Geoscientists and an employee of Zenith. Mr Clifford has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Clifford consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this Report that relates to in-situ Mineral Resources at the Develin Creek project is based on information compiled by Ms Fleur Muller an employee of Geostat Services Pty Ltd. Ms Muller takes overall responsibility for the Report. She is a Member of the AusIMM and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity she is undertaking, to qualify as a Competent Person in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 Edition). Ms Muller consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

The information in this report that relates to Zenith Exploration Targets at Mt Alexander is based on information compiled by R M Joyce, who is a director of the Company and a Member of the AusIMM. Mr Joyce has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Joyce consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

This information this Report that relates to in-situ Mineral Resources at Zenith's Mount Alexander project is extracted from the 24 May 2013 ASX release entitled 'Mount Alexander Resource Upgrade' which is available to view on the Company's website (www.zenithminerals.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the 24 May 2013 market announcement, and that all material assumptions and technical parameters underpinning the Mineral Resource estimate in the 24 May 2013 market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this Report that relates to in-situ Mineral Resources at Zenith's Red Lake project is based on information compiled by Grant Louw an employee of CSA Global. Grant Louw takes overall responsibility for the Report. He is a Member of the Australian Institute of Geoscientists and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 Edition). This information was prepared and first disclosed to ASX on 9 April 2012 under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The Directors present their report, together with the financial report of Zenith Minerals Limited and subsidiaries ("the Consolidated Entity") it controlled at the end of, or during, the year ended 30 June 2014, and the auditors' report thereon.

1. DIRECTORS

The Directors of the Consolidated Entity at any time during or since the end of the financial year and up to the date of this report, unless otherwise stated are:

Rodney M Joyce - Non Executive Director, appointed 6 December 2006.
 - Non Executive Chairman, appointed 9 October 2013.

Qualifications - BSc (Hons), MSc, DIC

Experience - Mike Joyce is a geologist with 35 years experience in mineral exploration, following graduation in 1979 with a BSc (Hons) degree in Geology from Monash University. He also holds a MSc in Mineral Exploration from the Royal School of Mines, University of London, UK. He was the leader of a successful gold exploration team at Aberfoyle Resources Ltd, responsible for significant gold discoveries at Carosue Dam and Davyhurst in Western Australia prior to joining Giralia Resources NL initially as exploration manager. He later became Managing Director of Giralia Resources NL prior to its takeover by Atlas Iron Limited.

Other current directorships - Gascoyne Resources Limited (Non Executive Director since 20 April 2011 and Non Executive Chairman since 5 October 2012)

Former directorships (last 3 years) - Nil

Special Responsibilities - Technical and Corporate

Michael J Clifford - Managing Director, appointed 18 March 2014

Qualifications - BSc (Hons), 1987, MSc

Experience - Mick Clifford is a geologist with over 25 years experience in the exploration industry. Mick held senior technical and business development roles and explored for most major metal commodities during a successful career with Billiton Australia, Acacia Resources and AngloGold Ashanti rising to the position of Regional Exploration Manager Australia. Mick was Managing Director of ASX listed PacMag Metals Ltd from 2005 until its takeover in 2010, when he co-founded private explorer S2M2 Coal Pty Ltd. He is experienced in international exploration, exploring for gold, copper and coal and has had exposure to mining and exploration in Australia, USA, Brazil, Indonesia, PNG, Angola, Democratic Republic of Congo, Mexico and Mongolia.

Other current Directorships - Nil

Former directorships (last 3 years) - Black Fire Minerals Limited (Non Executive Director from 19 July 2010 to 17 December 2012)

Special Responsibilities - Executive Director

Stanley A Macdonald - Non Executive Director, appointed 24 April 2006.

Experience - Stan Macdonald has been associated with the mining and exploration industry for over 20 years.

Other current directorships - Lion One Australia Pty Ltd (previously Avocet Resources Limited) (Non Executive Director from 6 October 2005).
- Gascoyne Resources Limited (Non Executive Director from 20 April 2011)

Former directorships (last 3 years) - Carpentaria Exploration Limited (10 April 2007 to 3 February 2012)

Special Responsibilities - Company promotion and project acquisition.

Julian D Goldsworthy - Non Executive Director, appointed 29 August 2013

Qualifications - B.App.Sc

Experience - Julian was formerly Exploration Manager at Giralia Resources NL prior to its takeover by Atlas Iron Ltd, and is currently General Manager Business Development at Gascoyne Resources Limited. He has substantial prior experience in the minerals industry with Newcrest Mining (and its predecessor Newmont Australia) where he led and conducted successful exploration programs for gold in Australia and South America.

Other Current Directorships - Nil

Former directorships (last 3 years) - Nil

Special Responsibilities - Technical and Corporate

2. JOINT COMPANY SECRETARIES

Alex Dermedgoglou - Alex Dermedgoglou was appointed Company Secretary on 29 June 2007

- Alex is a Chartered Accountant with over 15 years experience in the auditing of a wide range of enterprises including companies engaged in the mining and exploration industry. He is also a Certified Company Secretary. Alex was appointed Company Secretary on 29 June 2007.

Melinda Nelmes - Melinda Nelmes was appointed Company Secretary on 20 March 2014

- Melinda is a Chartered Accountant with over 23 years experience, including six years in Company Secretarial roles for ASX listed and private companies. Prior experience to this includes being a Financial Group Accountant in the financial services sector. Melinda has also gained experience from working in Accounting firms, including Deloitte, in the audit and corporate services divisions, gaining experience in various industry sectors including the mining and resource sector.

3. DIRECTORS' MEETINGS

The number of Directors' meetings (including meeting of committees of directors) and number of meetings attended by each of the directors of the Group during the financial year are:

| | MEETINGS | | CIRCULAR RESOLUTIONS IN WRITING | |
|--------------------|----------|----|------------------------------------|---|
| | A | B | A | B |
| Mr R M Joyce | 15 | 15 | 8 | 8 |
| Mr S A Macdonald | 15 | 15 | 8 | 8 |
| Mr J D Goldsworthy | 15 | 15 | 8 | 8 |
| Mr M J Clifford | 5 | 5 | 6 | 6 |

A = Number of meetings attended

B = Number of meetings held during the time the Directors held office during the year.

4. REMUNERATION REPORT – AUDITED

The remuneration report is set out under the following main headings:

- A. Principles of Compensation
- B. Directors' and Executive Officers' Remuneration
- C. Analysis of bonuses included in remuneration
- D. Equity Instruments

The information provided under headings A-D includes remuneration disclosures that are required under the Corporations Act 2001 and the Corporations Regulations 2001. These disclosures have been transferred from the financial report and have been audited.

Details of the remuneration of the key management personnel of the Consolidated Entity are set out in the following tables.

A. Principles of Compensation - Audited

Compensation levels for key management personnel of the entity are competitively set to attract and retain appropriately qualified and experienced Directors and Executives.

The objective of the Consolidated Entity's reward framework is to ensure reward for performance is competitive and appropriate. The Board ensures that remuneration satisfies the following criteria for reward:

- competitiveness and reasonableness
- transparency
- attracts and retains high calibre executives
- rewards capability and experience

Remuneration of key management personnel for the year ended 30 June 2014 has been determined by the Board. In this respect consideration is given to normal commercial rates of remuneration for similar levels of responsibility.

Remuneration of Non-Executive Directors and Executives comprise fees, quantified by having regard to industry practice and the need to obtain appropriately qualified, independent persons. Fees may contain non-monetary elements.

Fixed Compensation

Fixed compensation consists of base compensation (which is calculated on a total basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Board of Directors through a process that considers individual and overall performance of the Consolidated Entity and comparable market remunerations.

Performance-linked Compensation

Performance-linked remuneration consists of long-term incentives in the form of options over ordinary shares of the Consolidated Entity. Performance-linked remuneration is not based on specific financial indicators such as earnings or dividends as the Consolidated Entity is at the exploration stage and during this period is expected to incur operating losses. There is no separate profit-share plan.

Long-term Incentive

Long-term incentives are comprised of share options, which are granted from time to time to encourage sustained performance in the realisation of strategic outcomes and growth in shareholder wealth. Options are granted for no consideration and do not carry voting or dividend entitlements. The exercise price of the options is determined after taking into account the underlying share price performance during the period leading up to the date of the grant. Subject to specific vesting conditions, each option is convertible into one ordinary share. There is presently no stated policy restricting key management personnel from limiting their exposure to risk in relation to options granted.

Consequences of Performance on Shareholder Wealth

The overall level of key management personnel compensation takes into account the performance of the Consolidated Entity over a number of years.

Performance in respect of the current financial year and the previous five financial years is detailed in the table below:

| | 2014 \$ | 2013 \$ | 2012 \$ | 2011 \$ | 2010 \$ |
|-----------------------------------------------------------|------------|------------|------------|------------|------------|
| Loss attributable to owners of the Group | 846,223 | 1,005,818 | 2,600,528 | 776,437 | 501,024 |
| Basic Loss per Share | 0.008 | 0.01 | 0.032 | 0.010 | 0.008 |
| Changes in share price (from initial listing of 25 cents) | -0.16 | -0.18 | 0.02 | 0.13 | -0.08 |

During the financial years noted above, there were no dividends paid or other returns of capital made by the Consolidated Entity to shareholders. The Consolidated Entity's performance is impacted by a number of factors including employee performance. The measures of performance of the Consolidated Entity set out in the table above have been taken into consideration in the determination of appropriate levels of remuneration.

Non-executive Compensation

Total compensation for all non-executive directors, agreed at a general meeting on 14 March 2006 is that the maximum non-executive director remuneration be \$200,000 per annum.

The Chairman receives \$40,000 per annum. Directors' fees cover all main board activities and memberships of applicable sub-committees. The Board may receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to other non-executive director fees, based on similar comparative roles in the market place. The Chairman is not present at discussions regarding the determination of his own remuneration. Non-executives do not receive share options or other incentives.

Voting and comments made at the Consolidated Entity's 2013 Annual General Meeting ('AGM')

At the 2013 AGM, 87% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2014. There was no specific feedback received at the AGM, regarding its remuneration practices.

Service Contracts

Remuneration and other terms of employment for other key management personnel are formalised in service agreements. The major provisions of the agreement relating to remuneration are set out below.

Rodney Michael Joyce - Non Executive Chairman, appointed 6 December 2006
 - Annually renewable contract
 - Annual Base Salary of \$40,000, plus superannuation of 9.25%

Stanley A Macdonald - Non Executive Director, appointed 24 April 2006
 - Annually renewable contract
 - Annual Base Salary of \$30,000, plus superannuation of 9.25%

Julian D Goldsworthy - Non Executive Director, appointed 29 August 2013
 - Annually renewable contract
 - Annual Base Salary of \$30,000, plus superannuation of 9.25%

Michael J Clifford - Managing Director appointed 18 March 2014

Terms of Agreement - The agreement is annually renewable. To terminate the agreement, the Consolidated Entity must provide one month notice or the Managing Director must provide one month notice. If serious misconduct is committed by the executive, the agreement may be immediately terminated by the Consolidated Entity. On termination, the Consolidated Entity may provide the executive with a payment in lieu of notice of termination for all or part of the notice period.

Remuneration and Benefits - Annual Salary of \$210,000 inclusive of superannuation and allowances.

Alex A Dermedgoglou - Joint Company Secretary, appointed 29 June 2007

Terms of Agreement - The agreement is annually renewable. To terminate the agreement, either party must provide 3 months notice. If serious misconduct is committed by the executive, the agreement may be immediately terminated by the Group. On termination, the Group may provide the executive with a payment in lieu of notice of termination for all or part of the notice period.

Remuneration and Benefits - Permanent part-time agreement of base 16 hours per week with base salary of \$77,957 inclusive of superannuation and allowances for the year ending 30 June 2014.

Melinda J Nelmes - Joint Company Secretary, appointed 20 March 2014

Terms of Agreement - The term of the agreement is to 15 September 2015, to be reviewed annually. To terminate the agreement, either party must provide one months notice. If serious misconduct is committed by the executive, the agreement may be immediately terminated by the Consolidated Entity. On termination, the Consolidated Entity may provide the executive with a payment in lieu of notice of termination for all or part of the notice period.

Remuneration and Benefits - Permanent part-time agreement of base 15 hours per week with base salary of \$21,775 inclusive of superannuation and allowances for the period ending 30 June 2014.

B. Key Management Personnel Remuneration - Audited

The following table discloses the remuneration of the key management personnel of the Consolidated Entity.

The key management personnel of the Consolidated Entity consisted of the following directors:

- Mr R M Joyce – Non-Executive Chairman
- Mr S A Macdonald – Non-Executive Director
- Mr J D Goldsworthy – Non-Executive Director
- Mr M J Clifford – Managing Director (appointed 18 March 2014)

and the following persons:

- Mr A Dermedgoglou – Joint Company Secretary
- Mrs M J Nelmes – Joint Company Secretary (appointed 20 March 2014)

The key management personnel of Zenith Minerals Limited and subsidiaries include the directors and the following executive officers:-

| | Short-Term Benefits | | | Post-Employment Benefits | | Share-Based Payment | | S300A(1)(e)(i) | S300A(1)(e)(vi) |
|----------------------------------------|---------------------|------------|-----------------------|--------------------------|--------------------------|---------------------|----------------|------------------------------------------------|------------------------------------------------|
| | Cash Salary & Fees | Cash Bonus | Non-Monetary Benefits | Super-annuation | Other Long Term Benefits | Options | TOTAL | Proportion of Remuneration Performance Related | Value of Options as Proportion of Remuneration |
| 2014 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % | % |
| Directors: | | | | | | | | | |
| RM Joyce (Chairman) | 40,000 | - | - | 3,700 | - | - | 43,700 | - | - |
| SA Macdonald | 30,000 | - | - | 2,775 | - | - | 32,775 | - | - |
| JD Goldsworthy | 25,000 | - | - | 2,312 | - | - | 27,312 | - | - |
| NK Martin* | 15,006 | - | - | - | - | - | 15,006 | - | - |
| MJ Clifford*** | 56,064 | - | - | 5,186 | - | 48,485 | 109,735 | - | 44.2 |
| | 166,070 | - | - | 13,973 | - | 48,485 | 228,528 | - | - |
| Other Key Management Personnel: | | | | | | | | | |
| AA Dermedgoglou | 71,356 | - | - | 6,600 | - | - | 77,956 | - | - |
| MJ Nelmes** | 19,932 | - | - | 1,844 | - | - | 21,776 | - | - |
| TOTAL: | 257,358 | - | - | 22,417 | - | 48,485 | 328,260 | - | - |

* NK Martin resigned 30 June 2013. He was paid his annual leave owing of \$15,006 in July 2013.

**Represents remuneration from 21 April 2014 to 30 June 2014.

***Commenced on 18 March 2014.

DIRECTOR'S REPORT
Zenith Minerals Limited

| | Short-Term Benefits | | | Post-Employment Benefits | | Share-Based Payment | | S300A(1)(e)(i) | S300A(1)(e)(vi) |
|----------------------------------------|---------------------|------------|-----------------------|--------------------------|--------------------------|---------------------|----------------|------------------------------------------------|------------------------------------------------|
| | Cash Salary & Fees | Cash Bonus | Non-Monetary Benefits | Super-annuation | Other Long Term Benefits | Options | TOTAL | Proportion of Remuneration Performance Related | Value of Options as Proportion of Remuneration |
| 2013 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % | % |
| Directors: | | | | | | | | | |
| GE Comb (Chairman) | 37,500 | - | - | 3,375 | - | - | 40,875 | - | - |
| SA Macdonald | 30,000 | - | - | 2,700 | - | - | 32,700 | - | - |
| RM Joyce | 30,000 | - | - | 2,700 | - | - | 32,700 | - | - |
| AM Hespe | 96,246 | - | - | 8,055 | - | - | 104,301 | - | - |
| NK Martin | 185,206 | - | - | 16,669 | - | 164,240 | 366,115 | - | 44.9 |
| | 378,952 | - | - | 33,499 | | 164,240 | 576,691 | - | - |
| Other Key Management Personnel: | | | | | | | | | |
| AA Dermedgoglou | 74,708 | - | - | 6,911 | - | 16,424 | 98,043 | - | 16.8 |
| TOTAL: | 453,660 | - | - | 40,410 | | 180,664 | 674,734 | - | - |

Analysis of Bonuses Included in Remuneration – Audited

No short-term incentive cash bonuses have been awarded as remuneration to directors of the Consolidated Entity or to Consolidated Entity executives.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| | Fixed Remuneration | | Remuneration linked to performance | |
|----------------------------------------|--------------------|------|------------------------------------|------|
| | 2014 | 2013 | 2014 | 2013 |
| Directors: | | | | |
| R M Joyce | 100% | 100% | - | - |
| S A Macdonald | 100% | 100% | - | - |
| J D Goldsworthy | 100% | - | - | - |
| M J Clifford | 100% | - | - | - |
| Other Key Management Personnel: | | | | |
| A A Dermedgoglou | 100% | 100% | - | - |
| M J Nelmes | 100% | - | - | - |

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

C. Equity Instruments – Audited***Share-based compensation****i) Issue of shares*

There were no shares issued to the directors and other key management personnel as part of compensation during the year ended 30 June 2014 (2013:Nil)

ii) Options

For the Zenith Minerals Limited options granted over ordinary shares during the current financial year or future reporting years affecting remuneration of directors and other key management personnel, the terms and conditions are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Fair value at grant date | Vesting Date |
|-------------|-------------|---------------------------|----------------|--------------------------|------------------------|
| 21 Mar 2013 | 21 Dec 2017 | \$0.08 | \$0.13 | \$0.0485 | Vests at date of grant |

Options granted carry no dividend or voting rights.

During the year or since the end of the end of the financial year ended 30 June 2014, the number of options over unissued ordinary shares granted to and vested by the following directors and other key management personnel as part of their compensation are set out below:

| Name | Number Granted during the Year 2014 | Number Granted during the Year 2013 | Number of options vested during the Year 2014 | Number of options vested during the Year 2013 |
|--------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|
| Director: | | | | |
| M J Clifford | 1,000,000 | - | 1,000,000 | - |
| N K Martin | - | 1,000,000 | - | 1,000,000 |
| Other Key Management Personnel: | | | | |
| A A Dermedgoglou | - | 100,000 | - | 100,000 |

All options were granted during the financial year. No options have been granted since the end of the financial year.

Values of options over ordinary shares granted, exercised, lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

| Name | Value of options granted during the year \$ | Value of options exercised during the year \$ | Value of options lapsed during the year \$ | Remuneration consisting of options for the year % |
|--------------------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------------|
| Director: | | | | |
| M J Clifford | 48,485 | - | - | 44 |
| N K Martin * | - | - | 164,200 | - |
| Other Key Management Personnel: | | | | |
| A A Dermedgoglou | - | - | 9,600 | - |

N K Martin resigned as a Director on 30 June 2013 and his 1,000,000 options were subsequently cancelled.

Shares issued on exercise of options

No options granted under Zenith Minerals Limited's Employee Option Plan were exercised into ordinary shares during the year ended 30 June 2014.

iii) Additional disclosures relating to key management personnel

Share holding

The number of shares in the Zenith Minerals Limited held during the financial year by key management personnel of the Consolidated Entity, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

| 2014 | | Ordinary Shares | | | |
|----------------------------------------|----------------------------------|----------------------------------|-----------|--------------------------|--------------------------------|
| Name | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ Other changes | Balance at the end of the year |
| Directors: | | | | | |
| Rodney M Joyce | 3,794,571 | - | 1,613,185 | - | 5,407,756 |
| Stanley A Macdonald | 2,369,640 | - | 1,693,814 | - | 4,063,454 |
| Julian D Goldsworthy | 210,001 | - | 500,000 | - | 710,001 |
| Michael J Clifford | 119,939 | - | 1,693,814 | - | 1,813,753 |
| Other Key Management Personnel: | | | | | |
| Alex A Dermedgoglou | 165,544 | - | - | - | 165,544 |
| Melinda J Nelmes | 25,096 | - | - | - | 25,096 |
| | 6,684,791 | - | 5,500,813 | - | 12,185,604 |

Option holding

The number of options over ordinary shares in Zenith Minerals Limited held during the financial year by key management personnel of the Consolidated Entity, including their personally related parties, are set out below:

| 2014 | | | | | |
|----------------------------------------|----------------------------------|-------------------------|-----------|---------------------------|--------------------------------|
| Name | Balance at the start of the year | Granted as Remuneration | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
| Directors: | | | | | |
| Rodney M Joyce | - | - | - | - | - |
| Stanley A Macdonald | - | - | - | - | - |
| Julian D Goldsworthy | - | - | - | - | - |
| Neil K Martin * | 1,000,000 | - | - | (1,000,000) | - |
| Michael J Clifford | - | 1,000,000 | - | - | 1,000,000 |
| Other Key Management Personnel: | | | | | |
| Alex A Dermedgoglou | 200,000 | - | - | (100,000) | 100,000 |
| Melinda J Nelmes | - | - | - | - | - |
| | 1,200,000 | 1,000,000 | - | (1,100,000) | 1,100,000 |

Other transactions with key management personnel and their related parties*Loans to directors and executives*

There are no loans to directors and executives.

5. PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the course of the financial year was mineral exploration.

Following listing on ASX on 29 May 2007, the Consolidated Entity commenced exploration activity wherever it assessed there was an opportunity of success.

There was no significant change in the nature of the activity of the Consolidated Entity during the year.

6. OPERATING & FINANCIAL REVIEW**Overview**

During the year, the Consolidated Entity undertook mineral exploration activities predominantly in Australia.

Objectives

The Group's objectives are to pursue opportunities in exploration and mining for precious and other minerals in areas which are highly prospective for mineralisation.

Financial Results

The loss for the financial year ended 30 June 2014, attributable to members of the Consolidated Entity, after income tax is \$846,223 (2013: \$1,005,818).

Shareholder earnings (loss) per share

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|-----------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Loss attributable to owners of the Group | 846,223 | 1,005,818 | 2,600,528 | 776,437 | 501,024 |
| Basic Loss per Share | 0.008 | 0.01 | 0.032 | 0.010 | 0.008 |
| Changes in share price (from initial listing of 25 cents) | -0.16 | -0.18 | 0.02 | 0.13 | -0.08 |

No dividends were paid or recommended for payment during the financial year ended 30 June 2014.

Review of Financial Condition

During the year the net assets of the Consolidated Entity increased by \$611,362 from \$6,395,704 at 30 June 2013 to \$7,007,066 at 30 June 2014.

The directors consider that the Consolidated Entity holds a valuable portfolio of mineral tenements with a carrying value at 30 June 2014 of \$5,910,858 (2013: \$4,990,554).

The directors believe that the Consolidated Entity has sufficient working capital to meet its exploration objectives for the following year, with net current assets at 30 June 2014 of \$1,037,470 (2013: \$1,328,199).

Significant Changes in State of Affairs

Significant changes in the state of affairs of the Consolidated Entity during the financial year ended 30 June 2014 were as follows:

- a) On 29 August 2013, the Consolidated Entity appointed Non Executive Director, Julian David Goldsworthy.
- b) On 31 October 2013, 500,000 ordinary shares were issued to Northern Manganese Limited as part payment for acquisition of tenements for Fair Value of 13.5 cents.
- c) On 18 March 2014, the Consolidated Entity appointed a new Managing Director, Mr Michael J Clifford.
- d) On 21 March 2014, 16,770,000 Ordinary Shares were issued as consideration to S2M2 Coal Pty Limited shareholders for their shares in S2M2 Coal Pty Ltd at 8 cents, which was approved by shareholders at a General Meeting on 18 March 2014.

7. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2014, the following events occurred:

- (i) Zenith Minerals Limited ('Zenith') and its wholly owned subsidiary Kalicoal Pty Ltd entered into an Sale and Option Agreement with Fitzroy Copper Pty Ltd (a subsidiary of Fitzroy Copper Limited) as announced to the Australian Stock Exchange on 7th July 2014, to purchase an initial 51% interest in Exploration Permits named 'Develin Creek' in Queensland, for an upfront payment of \$200,000 and issue of 500,000 ordinary Zenith shares at issue price of \$0.10 per share. Other key terms of the Agreement are as follows:
 - An exclusive 24 month period within which Zenith has the option to purchase the remaining 49% equity in the Develin Creek project at Zenith's election. The 24 month period will include an automatic extension period when there is bona fide no or limited access to the project site due to major rainfall events or events beyond Zenith's control;
 - An option exercise fee of \$300,000 cash and 3 million ordinary Zenith Minerals Limited shares to acquire the remaining 49% equity;
 - If after 24 months, Zenith decides at its absolute discretion not to purchase the remaining 49% interest, then:
 - o The companies will either form a joint venture to progress the evaluation of the project with normal industry contribution and dilution clauses or
 - o Fitzroy has a one-off opportunity to buy-back 100% of the project for cash consideration equal to or greater of \$200,000 or 50% of the total expenditure incurred by Zenith during the option period.
- (ii) Zenith Minerals Limited ('Zenith') and Rio Tinto Exploration Pty Limited entered into a Sale and Purchase Agreement as announced to the Australian Stock Exchange on 23rd July 2014 to acquire Earahedy tenements for consideration of the issue of fully paid Zenith Minerals Limited shares to the value of \$100,000. On the 23rd July 2014, 833,334 ordinary Zenith Minerals Limited shares were issued at \$0.12 as consideration. Other key terms of the Agreement are as follows:
 - If Zenith's exploration expenditure in relation to the Rio Tinto tenements exceeds an expenditure total of \$3,000,000, then it must issue to Rio Tinto the greater of 3 million ordinary Zenith Minerals Limited shares or \$500,000;
 - If Zenith sells the Rio Tinto project to a 3rd party within a 5 year period, then Zenith must pay to Rio Tinto 10% of any consideration it receives from such a sale event;
 - Other industry standard terms and conditions that would be common in an agreement of this style.

- (iii) On 18th September 2014, Zenith Minerals Limited announced to the Australian Stock Exchange that it had received commitments for a capital raising of \$1,000,000 through a share placement of 12,500,000 shares to Sophisticated Investors. Zenith director Mike Joyce intends to participate in the placement, subject to shareholder approval under ASX Listing Rule 10.11 which will be sought at the Company's Annual General Meeting.

Other than the above-mentioned matters, there have been no other matter or material events that has arisen since 30 June 2014, which has significantly affected or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's future state of affairs.

8. LIKELY DEVELOPMENTS

The Consolidated Entity will continue to pursue its policy of acquiring and testing attractive mineral properties with a view to developing properties capable of economic mineral production.

Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

9. ENVIRONMENTAL REGULATION

The Consolidated Entity is subject to significant environmental regulation in relation to its exploration activities and aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The directors are not aware of any significant breaches during the period covered by this report.

10. INDEMNITY AND INSURANCE OF OFFICERS

The Consolidated Entity paid a premium of \$9,914 (2013: \$11,189) to insure the directors and officers of the Group during the financial year.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Consolidated Entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers of the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Consolidated Entity. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Group.

11. INDEMNITY AND INSURANCE OF AUDITORS

The Consolidated Entity has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

The Consolidated Entity has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

12. DIRECTORS' INTERESTS

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the Group, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

| | Fully Paid Ordinary shares | | | Options | | |
|-----------------|----------------------------|--------------------------|------------|----------------------|--------------------------|-----------|
| | Number Directly Held | Number Beneficially Held | TOTAL | Number Directly Held | Number Beneficially Held | TOTAL |
| R M Joyce | - | 5,407,756 | 5,407,756 | - | - | - |
| S A Macdonald | 1,797,100 | 2,266,354 | 4,063,454 | - | - | - |
| J D Goldsworthy | 580,000 | 130,001 | 710,001 | - | - | - |
| M J Clifford | - | 1,813,753 | 1,813,753 | - | 1,000,000 | 1,000,000 |
| TOTAL | 2,377,100 | 9,617,864 | 11,994,964 | - | 1,000,000 | 1,000,000 |

13. SHARE OPTIONS*Shares under option*

Unissued ordinary shares of Zenith Minerals Limited under option at the date of this report are as follows:

| Date options granted | Expiry date | Exercise Price | Number under option |
|----------------------|------------------|----------------|---------------------|
| 20 November 2012 | 20 August 2016 | \$0.29 | 200,000 |
| 21 March 2014 | 21 December 2017 | \$0.13 | 1,000,000 |

No option holder has any right under the options to participate in any other share issue of the Group.

14. SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of Zenith Minerals Limited issued during the year ended 30 June 2014 and up to the date of this report, on the exercise of options granted.

15. PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the period.

16. DIVIDENDS

No dividends we paid or provided for during the year.

17. NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor (PKF Mack & Co) for audit and non-audit services provided during the year are set out below:

During the year the following fees were paid or payable for services provided by the auditor of the Group:

| | 2014 \$ | 2013 \$ |
|---------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Assurance services | | |
| Audit services | | |
| PKFMack & Co | | |
| Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i> | 35,607 | 31,091 |
| Total remuneration for audit services | 35,607 | 31,091 |
| Non-audit services | - | - |
| Total remuneration | 35,607 | 31,091 |

18. OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF PKFMACK & CO

There are no officers of the company who are former audit partners of PKF Mack & Co.

19. AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' Independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

20. AUDITOR

PKF Mack & Co continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors.

Signed in accordance with a resolution of the directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Mr R M Joyce
Chairman

Dated: 24 September 2014
Perth, WA

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF ZENITH MINERALS LIMITED

In relation to our audit of the financial report of Zenith Minerals Limited for the year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



PKF MACK & Co



SHANE CROSS
PARTNER

24 SEPTEMBER 2014
WEST PERTH,
WESTERN AUSTRALIA

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PKF Mack & Co is a member of the PKF International Limited network of legally independent member firms. PKF Mack & Co is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF Mack & Co does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 30 JUNE 2014**

| | NOTE | Consolidated Entity | |
|---------------------------------------------------------|------|----------------------------|--------------------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| Revenue | 5 | 33,917 | 62,668 |
| Other income | 6 | 256,020 | 2,434 |
| Expense | | | |
| Loss on disposal of tenement/data | | (22,871) | - |
| Employee benefits expenses | | (202,209) | (286,504) |
| Share option based payment | 25 | (48,485) | (197,088) |
| Depreciation and amortisation expense | | (20,431) | (18,420) |
| Management fee | | (116,527) | (120,000) |
| Exploration expenditure expensed | | (14,971) | - |
| Other operating expenses | 7 | (294,682) | (231,285) |
| Impairment loss on exploration & evaluation expenditure | | (415,984) | (217,623) |
| Loss before income tax | | (846,223) | (1,005,818) |
| Income tax benefit | 10 | - | - |
| Loss after income tax benefit for the year | | (846,223) | (1,005,818) |
| Other comprehensive income | | | |
| Other comprehensive income for the period (net of tax) | | - | - |
| Total comprehensive loss for the period | | (846,223) | (1,005,818) |
| Loss per share | | Cents | Cents |
| Basic and diluted loss per share | 9 | (0.8) | (1.1) |

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

| | NOTE | Consolidated Entity | |
|----------------------------------------|-------|---------------------|------------------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 11 | 862,038 | 1,386,166 |
| Trade and other receivables | 12 | 288,741 | 54,067 |
| Other current assets | 13 | 40,613 | 66,860 |
| TOTAL CURRENT ASSETS | | 1,191,392 | 1,507,093 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 14 | 58,738 | 76,951 |
| Exploration and evaluation expenditure | 15 | 5,910,858 | 4,990,554 |
| TOTAL NON-CURRENT ASSETS | | 5,969,596 | 5,067,505 |
| TOTAL ASSETS | | 7,160,988 | 6,574,598 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 16 | 137,772 | 151,437 |
| Employee benefits | 17 | 16,150 | 27,457 |
| TOTAL CURRENT LIABILITIES | | 153,922 | 178,894 |
| NON-CURRENT LIABILITIES | | | |
| Employee benefits | 17 | - | - |
| TOTAL NON-CURRENT LIABILITIES | | - | - |
| TOTAL LIABILITIES | | 153,922 | 178,894 |
| NET ASSETS | | 7,007,066 | 6,395,704 |
| EQUITY | | | |
| Issued capital | 18 | 13,424,740 | 12,015,640 |
| Reserves | 19(a) | 90,973 | 206,688 |
| Accumulated losses | 19(b) | (6,508,647) | (5,826,624) |
| TOTAL EQUITY | | 7,007,066 | 6,395,704 |

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

| | Issued Capital \$ | Option Reserve \$ | Accumulated Losses \$ | Total \$ |
|------------------------------------------------------------------|----------------------|-------------------------|-----------------------------|------------------|
| Balance at 1 July 2013 | 12,015,640 | 206,688 | (5,826,624) | 6,395,704 |
| Loss for the period | - | - | (846,223) | (846,223) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | (846,223) | (846,223) |
| <i>Transactions with owners, recorded directly in equity</i> | | | | |
| Issue of shares | 1,409,100 | - | - | 1,409,100 |
| Issue of staff options | - | 48,485 | - | 48,485 |
| Cancellation of staff options | - | (164,200) | 164,200 | - |
| Balance at 30 June 2014 | 13,424,740 | 90,973 | (6,508,647) | 7,007,066 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013**

| | Issued Capital \$ | Option Reserve \$ | Accumulated Losses \$ | Total \$ |
|------------------------------------------------------------------|----------------------|-------------------------|-----------------------------|------------------|
| Balance at 1 July 2012 | 10,005,154 | 57,900 | (4,869,106) | 5,193,948 |
| Loss for the period | - | - | (1,005,818) | (1,005,818) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | (1,005,818) | (1,005,818) |
| <i>Transactions with owners, recorded directly in equity</i> | | | | |
| Cancellation of staff options | - | (48,300) | 48,300 | - |
| Issue of staff options | - | 197,088 | - | 197,088 |
| Issue of shares | 2,010,486 | - | - | 2,010,486 |
| Balance at 30 June 2013 | 12,015,640 | 206,688 | (5,826,624) | 6,395,704 |

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

| | NOTE | Consolidated Entity | |
|--------------------------------------------------------------------|------|---------------------|--------------------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash paid to suppliers and employees | | (642,769) | (690,138) |
| Interest received | | 32,794 | 62,263 |
| NET CASH (USED IN) OPERATING ACTIVITIES | 27 | (609,975) | (627,875) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of S2M2 Coal Pty Ltd | | 596,444 | - |
| Deposit refunded | | 25,000 | - |
| Proceeds from sale of exploration assets | | 20,000 | - |
| Proceeds from sale of fixed asset | | - | 5,000 |
| Payments for exploration and expenditure | | (553,855) | (1,195,392) |
| Payment of motor vehicle | | - | (35,350) |
| Payments of plant and equipment | | (1,742) | (5,538) |
| NET CASH FROM (USED IN) INVESTING ACTIVITIES | | 85,847 | (1,231,280) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from the issue of share capital/exercise of options | | - | 2,010,486 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | | - | 2,010,486 |
| Net increase (decrease) in cash and cash equivalents | | (524,128) | 151,331 |
| Cash and cash equivalents at the beginning of the financial period | | 1,386,166 | 1,234,835 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE 2014 | 11 | 862,038 | 1,386,166 |

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

1. REPORTING ENTITY

Zenith Minerals Limited and controlled entities ("Consolidated Entity") is domiciled in Australia, incorporated in Australia, publically listed on the ASX and limited by shares. The address of the Consolidated Entity registered office and principal place of business is Level 2, 33 Ord Street, West Perth, Western Australia, 6005.

The Consolidated Entity is involved in mineral exploration.

2. BASIS OF PREPARATION**(a) Statement of Compliance**

The Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs), Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*, as appropriate for for-profit orientated entities.

The Financial Report of the Consolidated Entity complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Consolidated Financial Statements were approved by the Board of Directors on 24 September 2014. The directors have the power to amend and reissue the financial statements. Comparative information is for period 1 July 2012 to 30 June 2013.

(b) Basis of Measurement

These financial statements have been prepared on the historical cost and accrual accounting basis, except for available for sale investments which have been fair valued.

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity with supplementary information about the parent entity being included in at note 30.

(c) Functional and Presentation Currency

These financial statements are presented in Australian dollars, which are the Consolidated Entity's functional currency.

(d) Use of Estimates and Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the Financial Statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses.

Estimates and judgements incorporated in the Financial Report are based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Entity.

2. BASIS OF PREPARATION (cont'd)*(i) Taxation*

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from temporary differences, are recognised only where it is considered more likely than not they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences are recognised to the extent that there are future profits.

(ii) Exploration and Evaluation Expenditure

The Consolidated Entity capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes and changes to commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

As at 30 June 2014, the carrying value of capitalised exploration expenditure is \$5,910,858 (2013: \$4,990,554).

(iii) Impairment of non-financial assets

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Impairment loss recorded in the current financial year was \$415,984 (2013: \$217,623).

(iv) Share based payments

The Consolidated Entity measures the cost of equity settled transactions with consultants and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model, taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity settled share-based payments would not impact carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

(v) *Deferred tax assets*

The Consolidated Entity expects to have carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable at this point in time, that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

(vi) *Provision for impairment of receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

(e) Going Concern Basis

The financial report has been prepared on the going concern basis. As at 30 June 2014, the Consolidated Entity had net assets of \$7,007,066 (2013: \$6,395,704) and continues to incur expenditure on its exploration tenements drawing on its cash balances. As at 30 June 2014, the Consolidated Entity had \$862,038 (2013: \$1,386,166) in cash and cash equivalents. The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. Ultimate exploitation of the assets will depend on raising necessary funding in the future.

At this time the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount in the Financial Report. Accordingly, there has been no adjustment in the Financial Report relating to the recoverability and classification of the asset carrying amounts, or the amounts and classification of liabilities that might be necessary, should the Consolidated Entity be unable to raise capital as and when required, and the exploitation of the areas of interest not be successful, or the Consolidated Entity not continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Consolidated Entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

AASB 10 Consolidated Financial Statements

The Consolidated Entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The Consolidated Entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 12 Disclosure of Interests in Other Entities

The Consolidated Entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidated – Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The Consolidated Entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The Consolidated Entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The Consolidated Entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosure – Offsetting Financial Assets and Financial Liabilities

The Consolidated Entity has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The Consolidated Entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an option third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments

The Consolidated Entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The Consolidated Entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No. 1) now specify the KMP disclosure requirements to be included within the directors' report.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Zenith Minerals Limited (the "Company") as at 30 June 2014 and the results of all subsidiaries for the year then ended. Zenith Minerals Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity' or the 'Group'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Entity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(b) Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether the equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Consolidated Entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Entity's operating or accounting policies and other pertinent conditions in existence of the acquisition-date.

Where the business combination is achieved in stages, the Consolidated Entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair values is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(c) Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(d) Foreign Currency Translation

The financial statements are presented in Australian dollars, which is the Consolidated Entity's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated in to Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(e) Financial Instruments*Non-derivative financial assets*

The Consolidated Entity initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit and loss) are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measure at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated Entity has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are classified into the following specified categories: financial assets at fair value through profit and loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Classification depends on the nature and purpose of the financial assets and is determined by the time of initial recognition.

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Consolidated Entity manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

(e) Financial Instruments (cont'd)*Held-to-maturity investments*

If the Consolidated Entity has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity investments are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Consolidated Entity from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Consolidated Entity's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, fair value movements are recognised in other comprehensive income through the available for sale reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(f) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amount collected on behalf of third parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)*Interest Revenue*

Revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Other Revenue

Other revenue is recognised when the amount of revenue can be reliably measured and control of the right to receive the revenue has passed.

(g) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settle or the asset realised, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(h) Impairment*(i) Financial Assets*

The carrying amount of a financial asset is assessed at each reporting date to determine whether there is any objective evidence that is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(ii) Non-financial Assets**

The carrying amounts of the Consolidated Entity's non-financial assets, deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Cash and Cash Equivalents

Cash includes cash on hand and at call and deposits with banks or financial institutions and other short term, highly liquid investments with original maturities of three months or less, which are readily convertible to cash and used in the cash management function on a day to day basis. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(j) Receivables**

Trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost less impairment. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

A provision for impairment of trade receivables is established when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(k) Property, Plant and Equipment*(i) Recognition and Measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(ii) Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Consolidated Entity and its costs can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated on a reducing balance basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful life, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following rates are used in the calculation of depreciation:

- | | |
|---------------------------------|-----------|
| • Plant and equipment | 10% - 33% |
| • Motor vehicles | 25% |
| • Office furniture and fittings | 10% |
| • Computer and Office Equipment | 33% |

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(l) Exploration and Evaluation Expenditure**

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the profit or loss statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Where a project or area of interest has been abandoned, the expenditure incurred is written off in the year in which the decision is made.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy 2(d)(iii)).

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit is never larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

(m) Trade and Other Payables

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services. Due to their short term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(n) Provisions**

Provisions are recognised when the Consolidated Entity has a present obligation the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(o) Employee Benefits**(i) Short term employee benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date, are recognised in current other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(o) Employee Benefits***(iii) Share-based payment transactions*

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of a Black & Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

(p) Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(q) Earnings per Share***(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Consolidated Entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial years, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(s) New Standards and Interpretations Not Yet Mandatory or Early Adopted

The AASB has issued the following new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Consolidated Entity has decided against early adoption of these standards, and has not yet determined the potential impact on the financial statements from the adoption of these standards and interpretations.

| AASB NO. | TITLE | EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING | ISSUE DATE |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|-------------------|
| AASB 9 | Financial Instruments | 1 January 2018 | December 2010 |
| AASB 2012-3 | Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities | 1 January 2014 | June 2012 |
| AASB 2013-3 | Amendments to AASB 136 – Recoverable amount disclosures for non-financial assets | 1 January 2014 | June 2013 |
| AASB 2013-4 | Amendments to Australian Accounting Standards – notation of derivatives and continuation of hedge accounting | 1 January 2014 | July 2013 |
| AASB 2013-5 | Amendments to Australian Accounting Standards – Investment entities | 1 January 2014 | August 2013 |
| AASB 2013-9 | Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments Part A – Conceptual Framework Part B – Materiality Part C – Financial Instruments | Part A – 20 December 2013 Part B – 1 January 2014 Part C – 1 January 2015 | December 2013 |
| AASB 2014-1 | Amendments to Australian Accounting Standards Part A – Annual Improvements 2010 – 2012 and 2011 – 2013 Cycles Part B – Defined Benefit Plans: Employee Contributions (Amendments to AASB 119) Part C – Materiality Part D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts Part E – Financial Instruments | Part A – 1 July 2014 Part B – 1 July 2014 Part C – 1 July 2014 Part D – 1 January 2016 Part E – 1 January 2015 | June 2014 |
| AASB 1031 | Materiality (Revised) | 1 January 2014 | December 2013 |
| AASB 14 | Regulatory Deferral Account | 1 January 2016 | June 2014 |
| Interpretation 21 | Levies | 1 January 2014 | May 2013 |
| Amendments to IAS 16 PP&E and IAS 38 Intangible Assets | Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) | 1 January 2016 | May 2014 |
| IFRS 15 | Revenues from Contracts with Customers | 1 January 2017 | May 2014 |

4. OPERATING SEGMENTS*Identification of reportable operating segments*

The Consolidated Entity operates in geographical locations, Australia and in Turkey-Europe (as acquired through the recent acquisition), and is organised into one operating segment being mineral, mining and exploration and all of the Consolidated Entity's resources are employed for this purpose. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM review expenditure in exploration. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Geographical Information

| | Sales to external customers | | Geographical non-current assets | |
|-----------|-----------------------------|------------|---------------------------------|------------------|
| | 2014 \$ | 2013 \$ | 2014 \$ | 2013 \$ |
| Australia | - | - | 5,619,191 | 5,067,505 |
| Turkey | - | - | 350,405 | - |
| | - | - | 5,969,596 | 5,067,505 |

5. REVENUE

| | Consolidated Entity | |
|----------------------|---------------------|---------------|
| | 2014 \$ | 2013 \$ |
| Other Revenue | | |
| Interest | 29,167 | 62,668 |
| Other revenue | 4,750 | - |
| | 33,917 | 62,668 |

6. OTHER INCOME

| | Consolidated Entity | |
|--------------------------------------|---------------------|--------------|
| | 2014 \$ | 2013 \$ |
| Net gain on disposal of fixed assets | - | 2,434 |
| Research and development incentive | 256,020 | - |
| | 256,020 | 2,434 |

7. OTHER OPERATING EXPENSE

| | | Consolidated Entity | |
|------------------------------------------|---|----------------------------|----------------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| Accounting and Admin Services | | 55,267 | 11,060 |
| Auditors Remuneration | 8 | 35,607 | 31,091 |
| Computer Expenses | | 9,178 | 11,111 |
| Consulting Fee | | 20,526 | 29,944 |
| Legal Expenses | | 42,892 | - |
| Motor Vehicle Expense | | 1,946 | 3,615 |
| Shareholder Expense | | 8,724 | 6,267 |
| Share Registry and Securities Exchange | | 44,768 | 53,883 |
| Fringe Benefits Tax | | - | 791 |
| Storage-Safety | | 10,670 | 11,290 |
| Subscriptions, Publications, Memberships | | 5,363 | 6,226 |
| Insurance | | 19,917 | 21,409 |
| Tenement Maintenance | | - | 6,754 |
| Sundry Administration Expenses | | 39,824 | 37,844 |
| | | <u>294,682</u> | <u>231,285</u> |

8. AUDITOR'S REMUNERATION

| | | Consolidated Entity | |
|-------------------------------------------------------|--|----------------------------|---------------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| Audit services | | | |
| Auditors of the Group | | | |
| Audit and review of financial reports – PKF Mack & Co | | 35,607 | 31,091 |
| | | <u>35,607</u> | <u>31,091</u> |

9. LOSS PER SHARE

| | | Consolidated Entity | |
|-------------------------------------------------------------------------------------------------------------------------------------|--|----------------------------|-------------------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| Basic and diluted loss per share – cents | | (0.8) | (1.1) |
| The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows: | | | |
| Loss used in calculation of earnings per share | | (846,223) | (1,005,818) |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | | <u>100,065,853</u> | <u>89,117,391</u> |

10. INCOME TAX EXPENSE

| | Consolidated Entity | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------|
| | 2014 \$ | 2013 \$ |
| a) The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows: | | |
| Loss before tax | (846,223) | (1,005,818) |
| Prima facie tax benefit on loss at 30% (2013: 30%) | (253,866) | (301,745) |
| Add: | | |
| Tax effect of: | 14,877 | 60,004 |
| Other non-allowable items | - | 562 |
| Overs/unders from prior year | 309,795 | 241,179 |
| Deferred tax balances not recognised (recognised) | (70,806) | - |
| Research and development refund received | - | - |
| Income tax expense on pre-tax net loss | - | - |
| The applicable average weighted tax rates are as follows: | 0% | 0% |

Deferred Tax Assets
At 30%

| | Consolidated Entity | |
|--------------------------|---------------------|------------------|
| | 2014 \$ | 2013 \$ |
| Carry forward losses | 3,456,939 | 2,929,590 |
| Capital raising cost | 8,816 | 7,478 |
| Provisions and accruals | 9,630 | 13,540 |
| Merger/acquisition costs | 25,263 | - |
| | 3,500,648 | 2,950,608 |

Tax benefit of the above Deferred Tax Assets will only be obtained if:

- The company derives future assessable income or a nature and of an amount sufficient to enable the benefits to be utilised; and
- The company continues to comply with the conditions for deductibility imposed by law; and
- No changes in income tax legislation adversely affect the company in utilising the benefits

10. INCOME TAX EXPENSE (cont'd)**Deferred Tax Liabilities
At 30%**

| | Consolidated Entity | |
|-------------------------------|----------------------------|------------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Exploration expenditure | 1,635,355 | 1,482,240 |
| Property, plant and equipment | 17,410 | 22,936 |
| Accrued income | 468 | 1,424 |
| Prepayments | 6,565 | 7,008 |
| | 1,659,778 | 1,513,608 |

The above Deferred Tax Liabilities have not been recognised as they have given rise to the carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

11. CASH AND CASH EQUIVALENTS

| | Consolidated Entity | |
|--------------------------|----------------------------|------------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Cash at bank and in hand | 87,733 | 25,166 |
| Deposits at call | 574,305 | - |
| Term deposits | 200,000 | 1,361,000 |
| | 862,038 | 1,386,166 |

- a) Reconciliation to cash at the end of the year.
The above figures are reconciled to cash at the end of the financial year, as shown in the Statement of Cash Flows, as follows:

| | | |
|------------------------------------------------------|---------|-----------|
| Balances as above | 862,038 | 1,386,166 |
| Cash and cash equivalents in statement of cash flows | 862,038 | 1,386,166 |

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 20.

12. TRADE AND OTHER RECEIVABLES

| | Consolidated Entity | |
|-----------------------|----------------------------|---------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Accrued interest | 1,118 | 4,745 |
| Other receivables (a) | 287,623 | 49,322 |
| | 288,741 | 54,067 |

a) Terms and conditions

- i) Other receivables are non-interest bearing and are normally settled on 60 day terms

13. OTHER CURRENT ASSETS

| | Consolidated Entity | |
|------------------------------|---------------------|---------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Bonds & deposits | 18,731 | 43,500 |
| Prepayments | 21,882 | 23,360 |
| Prepayments and other assets | 40,613 | 66,860 |

14. PROPERTY, PLANT AND EQUIPMENT

| | Consolidated Entity | |
|-------------------------------------------|---------------------|---------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Plant and equipment – at cost | 22,293 | 22,293 |
| Less: Accumulated depreciation | (17,093) | (14,532) |
| | 5,200 | 7,761 |
| Motor vehicles – at cost | 94,192 | 94,192 |
| Less: Accumulated depreciation | (47,786) | (32,318) |
| | 46,406 | 61,874 |
| Computer equipment and software – at cost | 39,206 | 34,492 |
| Less: Accumulated depreciation | (32,074) | (27,176) |
| | 7,132 | 7,316 |
| Carrying Amount | 58,738 | 76,951 |

a) Movement Reconciliation

| Cost | Plant & Equipment | Motor Vehicles | Computer Equipment & Software | Total |
|------------------------------------|-------------------|----------------|-------------------------------|----------------|
| | \$ | \$ | \$ | \$ |
| Consolidated | | | | |
| Balance at 1 July 2012 | 21,034 | 71,547 | 31,349 | 123,930 |
| Additions | 2,395 | 35,350 | 3,143 | 40,888 |
| Disposals | (1,136) | (12,705) | - | (13,841) |
| Balance at 30 June 2013 | 22,293 | 94,192 | 34,492 | 150,977 |
| Balance as 1 July 2013 | 22,293 | 94,192 | 34,492 | 150,977 |
| Additions | - | - | 1,742 | 1,742 |
| Additions through acquisitions | - | - | 2,972 | 2,972 |
| Disposals | - | - | - | - |
| Balance at 30 June 2014 | 22,293 | 94,192 | 39,206 | 155,691 |
| Depreciation and Impairment | | | | |
| Balance at 1 July 2012 | 12,517 | 29,769 | 24,595 | 66,881 |
| Depreciation for the year | 2,880 | 12,960 | 2,581 | 18,421 |
| Depreciation on asset disposal | (865) | (10,411) | - | (11,276) |
| Balance at 30 June 2013 | 14,532 | 32,318 | 27,176 | 74,026 |
| Balance at 1 July 2013 | 14,532 | 32,318 | 27,176 | 74,026 |
| Depreciation on acquisitions | - | - | 2,496 | 2,496 |
| Depreciation for the year | 2,561 | 15,468 | 2,402 | 20,431 |
| Depreciation on asset disposal | - | - | - | - |
| Balance at 30 June 2014 | 17,093 | 47,786 | 32,074 | 96,953 |
| Carrying Amount | | | | |
| At 30 June 2013 | 7,761 | 61,874 | 7,316 | 76,951 |
| At June 2014 | 5,200 | 46,406 | 7,132 | 58,738 |

15. EXPLORATION AND EVALUATION EXPENDITURE

| | Consolidated Entity | |
|--------------------------------------|----------------------------|------------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Exploration and evaluation – at cost | 6,544,465 | 5,208,177 |
| Less: Provision of impairment | (633,607) | (217,623) |
| | 5,910,858 | 4,990,554 |

a) Movement reconciliation:

| | | |
|--------------------------------------------|------------------|------------------|
| Balance at beginning of financial period | 4,990,554 | 3,815,696 |
| Additions through acquisitions | 744,681 | - |
| Capitalised expenditure | 591,607 | 1,392,481 |
| Less impairment of exploration expenditure | (415,984) | (217,623) |
| Balance at 30 June 2014 | 5,910,858 | 4,990,554 |

b) Exploration and evaluation assets

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest as well as maintaining rights of tenure.

16. TRADE AND OTHER PAYABLES

| | Consolidated Entity | |
|------------------------------------------|----------------------------|----------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Other payables (a) | 118,819 | 125,195 |
| Accrued fees and employment expenses (b) | 18,002 | 17,317 |
| Owed to related parties (note 24 (e)) | 951 | 8,925 |
| | 137,772 | 151,437 |

Terms and conditions

Terms and conditions relating to the above financial instruments

a) Other payables are non-interest bearing and are normally settled on 30 day terms.

b) Sundry creditors and accruals are non-interest bearing and have an average term of 30 days.

17. EMPLOYEE BENEFITS

| | Consolidated Entity | |
|-----------------------------|----------------------------|---------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Current liabilities: | | |
| Employee benefits | 16,150 | 27,457 |
| | 16,150 | 27,457 |

18. ISSUED CAPITAL

| | Shares No | 2014 \$ | Shares No | 2013 \$ |
|------------------------------------------------------------|--------------------|-------------------|-------------------|-------------------|
| (a) Share capital | | | | |
| Fully paid ordinary shares Balance at beginning of year | 95,031,434 | 12,015,640 | 81,455,538 | 10,005,154 |
| Issue of ordinary shares | 17,270,000 | 1,409,100 | 13,575,896 | 2,036,385 |
| Costs of issue | - | - | - | (25,899) |
| Total | 112,301,274 | 13,424,740 | 95,031,434 | 12,015,640 |

During the year to 30 June 2014, the following changes to equity securities took place:

- i) 1,000,000 \$0.29 unlisted options with an expiry date of 20 August 2016 were forfeited upon departure of director from the company. These had a fair value of 16.42 cents.
- ii) 500,000 Ordinary Shares were issued to Northern Manganese Limited as part of the payment for the acquisition of tenements from them for a fair value of 13.5 cents on 31 October 2013.
- iii) 16,770,000 Ordinary Shares were issued as consideration to S2M2 Coal Pty Ltd shareholders for their shares in S2M2 Coal Pty Ltd at 8 cents on 21 March 2014.
- iv) 1,000,000 fair value unlisted options were granted with expiry date 21 December 2017 exercisable at 13 cents.

The fair value of options granted during the year was calculated at the date of grant using the Black-Scholes option-pricing model. Refer to Share Based Payment Note 25 which gives the assumptions made in determining the fair value of options on grant date.

(b) Ordinary Shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group. All shares rank equally with regard to the Group's residual assets. Ordinary shares do not have a par value.

(c) Options

Information relating to Zenith Minerals Limited's Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 25.

19. RESERVES AND RETAINED LOSSES

| | Consolidated Entity | |
|------------------------------------------------------|---------------------|--------------------|
| | 2014 | 2013 |
| | \$ | \$ |
| (a) Reserves | | |
| Options reserve | | |
| Balance at beginning of financial year | 206,688 | 57,900 |
| Cancellation of staff options (refer note 18(a) (i)) | (164,200) | (48,300) |
| Issue of staff options (refer note 18(a) (iv)) | 48,485 | 197,088 |
| Balance at end of financial year | 90,973 | 206,688 |
| (b) Accumulated losses | | |
| Movements in accumulated losses were as follows: | | |
| Balance at beginning of period | (5,826,624) | (4,869,106) |
| Cancellation of staff options (refer note 18(a) (i)) | 164,200 | 48,300 |
| Loss for the year | (846,223) | (1,005,818) |
| Balance at 30 June 2014 | (6,508,647) | (5,826,624) |

Options reserve

The options reserve is used to recognise the benefit on the issue of options.

20. FINANCIAL INSTRUMENTS**Overview**

The Consolidated Entity has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Consolidated Entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital. The Consolidated Entity does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Consolidated Entity through regular reviews of the risks.

Credit Risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Entity's receivables from customers and investment securities. For the Consolidated Entity, it arises from receivables due from director related parties. At the reporting date there were no significant concentrations of credit risk.

20. FINANCIAL INSTRUMENTS (cont'd)**Cash and Cash Equivalents**

The Consolidated Entity limits its exposure to credit risk by only investing in liquid securities and only with counter parties that have an acceptable credit rating.

Trade and Other Receivables

As the Consolidated Entity operates in the mining explorer sector, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

Exposure to Credit Risk

The carrying amount of the Consolidated Entity's financial assets represents the maximum credit exposure. The Consolidated Entity's maximum exposure to credit risk at the reporting date was:

| | Consolidated Entity | |
|---------------------------|----------------------------|------------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Other receivables | 288,741 | 54,067 |
| Cash and cash equivalents | 862,038 | 1,386,166 |
| | 1,150,779 | 1,440,233 |

Impairment Losses

None of the Consolidated Entity's other receivables are past due (2013: Nil).

The allowance accounts in respect of other receivables and held to maturity investments are used to record impairment losses unless the Consolidated Entity is satisfied that no recovery of the amount owing is possible, at that point the amount is considered irrecoverable and is written off against the financial asset directly. At 30 June 2014 the Consolidated Entity does not have any collective impairment on its other receivables (2013: Nil).

Guarantees

The Consolidated Entity's policy is to not provide financial guarantees. No guarantees have been provided during the year.

Liquidity Risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

20. FINANCIAL INSTRUMENTS (cont'd)

The Consolidated Entity manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows. The Consolidated Entity does not have any external borrowings.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Consolidated Entity
30 June 2014

| | Carrying amount | Contractual cash flows | 6 mths or less | 6-12 mths | 1-2 years | 2-5 years | More than 5 years |
|----------------|-----------------|------------------------|----------------|-----------|-----------|-----------|-------------------|
| Other payables | 137,772 | 137,722 | 137,722 | - | - | - | - |

Consolidated Entity
30 June 2013

| | Carrying amount | Contractual cash flows | 6 mths or less | 6-12 mths | 1-2 years | 2-5 years | More than 5 years |
|----------------|-----------------|------------------------|----------------|-----------|-----------|-----------|-------------------|
| Other payables | 151,437 | 151,437 | 151,437 | - | - | - | - |

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency Risk

At reporting date, the Consolidated Entity is not exposed to currency risk on investments, purchases and borrowings that are denominated in a currency other than the functional currency of the Consolidated Entity, which is the Australian dollar (AUD).

The Consolidated Entity has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency.

Exposure to Currency Risk

The Consolidated Entity has no exposure to foreign currency risk at reporting date (2013:Nil).

Interest Rate Risk

The Consolidated Entity is exposed to interest rate risk, however to maintain liquidity, cash is invested for periods generally not exceeding 90 Days.

20. FINANCIAL INSTRUMENTS (cont'd)**Cash Flow Sensitivity Analysis for Variable Rate Instruments**

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis is performed on the same basis as for 2013.

| | 2014 Profit or Loss | | 2013 Profit or Loss | |
|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 100 bp Increase \$ | 100 bp Decrease \$ | 100 bp Increase \$ | 100 bp Decrease \$ |
| Cash & cash equivalents | 8,620 | (8,620) | 13,862 | (13,862) |

Fair Values**Fair Values versus Carrying Amounts**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

| | 30 June 2014 | | 30 June 2013 | |
|-------------------------|--------------------------|------------------|--------------------------|------------------|
| | Carrying amount \$ | Fair value \$ | Carrying amount \$ | Fair value \$ |
| Other receivables | 288,741 | 288,741 | 54,067 | 54,067 |
| Cash & cash equivalents | 862,038 | 862,038 | 1,386,166 | 1,386,166 |
| Trade & other payables | (137,722) | (137,722) | (151,437) | (151,437) |
| | 1,013,057 | 1,013,057 | 1,288,796 | 1,288,796 |

Capital Management

The Consolidated Entity's objectives when managing capital is to safeguard the Consolidated Entity's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects.

In order to maintain or adjust the capital structure, the Consolidated Entity may return capital to shareholders, issue new shares or sell assets for in-specie distributions. The Consolidated Entity's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

The Consolidated Entity monitors capital on the basis of the gearing ratio, however there are no external borrowings as at reporting date. The Consolidated Entity encourages employees to be shareholders through the issue of free options to employees.

There were no changes in the Consolidated Entity's approach to capital management during the year. The Consolidated Entity is not subject to any externally imposed capital requirements.

21. OPERATING LEASE COMMITMENTS

The Consolidated Entity has a service agreement with Lion One Australia Pty Ltd (previously name Avocet Resources Limited), a director related company, whereby the Consolidated Entity was provided with secretarial services and office facilities for a monthly fee of \$10,000. This agreement was completed on 30 April 2014. Effective 1 May 2014, the Consolidated Entity entered a service agreement with Gascoyne Resources Limited, whereby the Consolidated Entity is provided with secretarial services and office facilities for a month fee of \$6,666.67. This agreement expires on 28 February 2015.

Committed at the reporting date but not recognised as liabilities, payable:

| | Consolidated Entity | |
|-----------------|---------------------|------|
| | 2014 | 2013 |
| | \$ | \$ |
| Within one year | 53,333 | - |

22. EXPLORATION COMMITMENTS

The Consolidated Entity has certain obligations to perform minimum exploration work and expend minimum amounts on works on mining tenements in order to retain its interests in these tenements, which would be approximately \$792,190 during the next 12 months (2013: \$479,000). There are no commitments beyond 12 months in relation to tenements. These obligations may be varied from time to time, subject to approval and are expected to be fulfilled in the normal course of operations of the entity.

23. KEY MANAGEMENT PERSONNEL DISCLOSURES**Key Management Personnel Compensation**

| | Consolidated Entity | |
|------------------------------|---------------------|----------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Short-term employee benefits | 257,358 | 453,660 |
| Post-employment benefits | 22,417 | 40,410 |
| Other long-term benefits | - | - |
| Share-based payments | 48,485 | 180,664 |
| | 328,260 | 674,734 |

Information regarding key management personnel compensation is provided in the Remuneration Report section of the Directors Report.

24. RELATED PARTY TRANSACTIONS**(a) Parent Entity and Ultimate Controlling Part**

Zenith Minerals Limited is the parent entity and ultimately controlling entity of the Group.

(b) Subsidiaries

Interests and subsidiaries are set out in Note 29.

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 23.

(d) Transactions with Related Parties

The following transactions occurred with related parties during the financial year:

- i) The Consolidated Entity had a service agreement with Lion One Australia Pty Ltd (previously named Avocet Resources Limited) up until 30 April 2014. This is a director-related entity of Mr Stanley A Macdonald.

The Consolidated Entity was provided with the following services:

- a) secretarial services; and
- b) provision of fully furnished and equipped offices.

Under the agreement, Lion One Australia Pty Ltd is remunerated by the Consolidated Entity monthly on a basis of actual cost reimbursement of services provided, plus a service fee of \$10,000 per month. The total management service fee paid to Lion One Australia Pty Ltd for the period ended 30 June 2014 is \$100,000 (2013: \$120,000).

The Consolidated Entity made payments of \$10,594 to Lion One Australia Pty Ltd for reimbursement of expenses not covered by the agreement (2013: \$18,353). The Consolidated Entity received \$Nil (2013: Nil) from Lion One Australia Pty Ltd for reimbursement of expenses incurred on behalf of Lion One Australia Pty Ltd.

- ii) The Consolidated Entity entered into a service agreement with Gascoyne Resources Limited effective 1 May 2014. Gascoyne Resources Limited is a director related entity of Mr Rodney M Joyce and Mr Stanley A Macdonald. The Consolidated Entity was provided with the following services:

- a) secretarial services; and
- b) provision of fully furnished and equipped offices.

Under the agreement, Gascoyne Resources Limited is remunerated by the Consolidated Entity monthly on a basis of actual cost reimbursement of services provided, plus a service fee of \$6,666.67 per month. The total management service fee paid to Gascoyne Resources Limited for the period ended 30 June 2014 is \$13,333.34. (2013: Nil)

The Consolidated Entity made payments of \$3,658 to Gascoyne Resources Limited for reimbursement of expenses not covered by the agreement. (2013: Nil)

24. RELATED PARTY TRANSACTIONS (cont'd)**(e) Outstanding balances arising from transactions with related parties:**

| | Consolidated Entity | |
|--------------------------------------------|----------------------------|-----------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Current payables: | | |
| Amount payable – director related entities | (951) | (12,037) |
| | (951) | (12,037) |

The amounts owing between related entities relate to expenses incurred by one party reimbursable by the other. No interest is payable on these amounts and balances are repayable on reasonable notice having regard to the financial stability of the Consolidated Entity.

25. SHARE BASED PAYMENTS**Employee Option Plan**

The establishment of the Zenith Minerals Limited's Employee Option Plan was approved by Directors resolution dated 27 February 2007. The Board may offer free options to persons ("Eligible Persons") who are:

- i) full time or part time employees (including a person engaged by the Consolidated Entity under a consultancy agreement); or
- ii) Directors of the company or any subsidiary based on a number of criteria including contribution to the Consolidated Entity, period of employment, potential contribution to the Consolidated Entity in the future and other factors the Board considers relevant.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share within fourteen days after the receipt of a properly executed notice of exercise and application monies. The Consolidated Entity will issue to the option holder, the number of shares specified in that notice. The Consolidated Entity will apply for official quotation of all shares issued and allotted pursuant to the exercise of the options.

Options may not be transferred other than to an associate of the holder.

25. SHARE BASED PAYMENTS (cont'd)

Set out below is the summary of options granted under the plan:

2014:

| Grant Date | Expiry Date | Exercise Price | Balance at start of the year Number | Granted during the year Number | Exercised during the year Number | Expired or Forfeited during the year Number | Balance at end of the year Number | Exercisable at end of the year Number |
|-------------|-------------|----------------|----------------------------------------|-----------------------------------|-------------------------------------|------------------------------------------------|--------------------------------------|------------------------------------------|
| 20 Nov 2012 | 20 Aug 2016 | \$0.29 | 1,200,000 | - | - | (1,000,000) | 200,000 | 200,000 |
| 8 Jan 2010 | 31 Dec 2013 | \$0.14 | 100,000 | - | - | (100,000) | - | - |
| 21 Mar 2014 | 21 Dec 2017 | \$0.13 | - | 1,000,000 | - | - | 1,000,000 | 1,000,000 |
| | | | 1,300,000 | 1,000,000 | - | (1,100,000) | 1,200,000 | 1,200,000 |

1,000,000 \$0.29 unlisted options were forfeited upon departure of a director from the Consolidated Entity and 100,000 \$0.14 unlisted options lapsed during the period, covered by the above table.

2013:

| Grant Date | Expiry Date | Exercise Price | Balance at start of the year Number | Granted during the year Number | Exercised during the year Number | Expired or Forfeited during the year Number | Balance at end of the year Number | Exercisable at end of the year Number |
|-------------|-------------|----------------|----------------------------------------|-----------------------------------|-------------------------------------|------------------------------------------------|--------------------------------------|------------------------------------------|
| 20 Nov 2012 | 20 Aug 2016 | \$0.29 | - | 1,200,000 | - | - | 1,200,000 | 1,200,000 |
| 8 Jan 2010 | 31 Dec 2013 | \$0.14 | 400,000 | - | - | (300,000) | 100,000 | 100,000 |
| 21 Aug 2008 | 1 Feb 2013 | \$0.16 | 500,000 | - | - | (500,000) | - | - |
| | | | 900,000 | 1,200,000 | - | (800,000) | 1,300,000 | 1,300,000 |

800,000 options were forfeited during the period covered by the above table.

| Zenith Minerals Limited | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options |
|--------------------------------------------|---------------------------------|-------------------|---------------------------------|-------------------|
| | 2014 | 2014 | 2013 | 2013 |
| Outstanding at the beginning of the period | \$0.29 | 1,300,000 | \$0.15 | 900,000 |
| Exercised during the period | - | - | - | - |
| Granted during the period | \$0.13 | 1,000,000 | \$0.29 | 1,200,000 |
| Forfeited during the period | \$0.1642 | (1,000,000) | \$0.15 | (800,000) |
| Lapsed during the period | \$0.14 | (100,000) | - | - |
| Outstanding at end of the period | \$0.16 | 1,200,000 | \$0.29 | 1,300,000 |
| Exercisable at the end of the period | \$0.16 | 1,200,000 | \$0.29 | 1,300,000 |

The weighted average remaining contractual life of share options outstanding at the end of the year was 3.26 years (2013: 2.94 years) and have an exercise price in the range of \$0.13 to \$0.29.

25. SHARE BASED PAYMENTS (cont'd)

For the options granted during the current financial year, the valuation model inputs used in the Black-Scholes Model to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|-------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 21 Mar 2014 | 21 Dec 2017 | \$0.08 | \$0.13 | 100.90% | - | 2.65% | \$0.0485 |

The expected price volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to public available information.

Total expense recognised as share-based payments the year was \$48,485 (2013: \$197,088).

26. ACQUISITION OF S2M2 COAL PTY LIMITED

Shareholders of Zenith Minerals Limited approved at a General Meeting held on 18th March 2014, for Zenith Minerals Limited to issue 16,770,000 shares as consideration to acquire 100% of the ordinary shares from the shareholders of S2M2 Coal Pty Limited. The transaction was completed on 21st March 2014 and the total consideration was 16,770,000 shares at 8 cents totalling \$1,341,600. S2M2 Coal Pty Ltd main business activity is minerals exploration. It was acquired to provide positive benefits to Zenith Minerals Limited including a Turkish gold project 'Kaveklitepe' and a boost to cash reserves. The acquired entity contributed revenues of \$6,890 and profit/(loss) after tax of (\$389,902) to the Consolidated Entity for the period from 21 March 2014 to 30 June 2014. If the acquisition occurred on 1 July 2013, the full year contributions would have been revenues of \$38,579 and profit/(loss) after tax of (\$680,915). The values identified in relation to the acquisition of S2M2 Coal Pty Ltd are final as at 30 June 2014.

Details of the acquisition are as follows:

| | Fair value \$ |
|-------------------------------------------------------------------------------------|------------------|
| Cash and cash equivalents | 598,802 |
| Other receivables | 1,681 |
| Capitalised exploration expenditure | 744,681 |
| Plant and equipment | 476 |
| Trade payables | (4,040) |
| Net assets acquired | 1,341,600 |
| Goodwill | - |
| Acquisition-date fair value of the total consideration transferred | 1,341,600 |
| Representing: | |
| Consideration shares of 16,770,000 at \$0.08 paid to S2M2 Coal Pty Ltd shareholders | 1,341,600 |
| Acquisition cost expensed to profit or loss | 67,937 |

27. RECONCILIATION OF LOSS BEFORE INCOME TAX EXPENSE TO NET CASH USED IN OPERATING ACTIVITIES

| | Consolidated Entity | |
|----------------------------------------------------|----------------------------|-------------|
| | 2014 | 2013 |
| | \$ | \$ |
| (a) Loss for the year | (846,223) | (1,005,818) |
| Add: | | |
| Non cash items | | |
| Exploration expenditure written off | 415,984 | 217,623 |
| Depreciation | 20,431 | 18,420 |
| Net gain on disposal of fixed asset | - | (2,434) |
| Net gain on disposal of exploration technical data | 22,870 | - |
| Share-based payment | 48,485 | 197,088 |

Changes in operating liabilities:

| | | |
|----------------------------------------------------|------------------|------------------|
| Decrease/(Increase) in trade and other receivables | (234,674) | 197,277 |
| Decrease/(Increase) in other assets | 1,247 | (28,036) |
| Increase/(Decrease) in trade and other payables | (26,788) | (179,217) |
| Increase/(Decrease) in employee benefits | (11,307) | (42,778) |
| Net cash (used in) operating activities | (609,975) | (627,875) |

(b) Non-cash investing and financing activities.

As noted in note 18a(ii) and (iii) there were share-based payments made during the year for acquisition of tenements and S2M2 Coal Pty Ltd totalling \$1,409,100.

28. SUBSEQUENT EVENTS

Subsequent to 30 June 2014, the following events occurred:

- i) Zenith Minerals Limited ('Zenith') and its wholly owned subsidiary Kalicoal Pty Ltd entered into a Sale and Option Agreement with Fitzroy Copper Pty Ltd (a subsidiary of Fitzroy Copper Limited) as announced to the Australian Stock Exchange on 7 July 2014, to purchase an initial 51% interest in exploration Permits named 'Develin Creek' in Queensland, for an upfront cash payment of \$200,000 and issue of 500,000 ordinary Zenith shares at issued price of \$0.10 per share. Other key terms of the Agreement are as follows:
- An exclusive 24 month period within which Zenith has the option to purchase the remaining 49% equity in the Develin Creek project at Zenith's election. The 24 month period will include an automatic extension period when there is bona fide no or limited access to the project site due to major rainfall events or events beyond Zenith's control;
 - An option exercise fee of \$300,000 cash and 3 million ordinary Zenith Minerals Limited shares to acquire the remaining 49% equity;
 - If after 24 months, Zenith decides at its absolute discretion not to purchase the remaining 49% interest, then:
 - o The companies will either form a joint venture to progress the evaluation of the project with normal industry contribution and dilution clauses; or
 - o Fitzroy has a one off opportunity to buy back 100% of the project for cash consideration equal to or greater of \$200,000 or 50% of the total expenditure incurred by Zenith during the option period.

- ii) Zenith Minerals Limited ('Zenith') and Rio Tinto Exploration Pty Limited entered into a Sale and Purchase Agreement as announced to the Australian Stock Exchange on 23rd July 2014 to acquire Earahedy tenements for consideration of the issue of fully paid Zenith Minerals Limited shares to the value of \$100,000. On the 23rd July 2014, 833,334 ordinary Zenith Minerals Limited shares were issued at \$0.12 as consideration. Other key terms of the Agreement are as follows:
- If Zenith's exploration expenditure in relation to the Rio Tinto tenements exceeds an expenditure total of \$3,000,000, then it must issue to Rio Tinto the greater of 3 million ordinary Zenith Minerals Limited shares or \$500,000;
 - If Zenith sells the Rio Tinto project to a 3rd party within a 5 year period, then Zenith must pay to Rio Tinto 10% of any consideration it receives from such a sale event;
 - Other industry standard terms and conditions that would be common in an agreement of this style.
- iii) On 18th September 2014, Zenith Minerals Limited announced to the Australian Stock Exchange that it had received commitments for a capital raising of \$1,000,000 through a share placement of 12,500,000 shares to Sophisticated Investors. Zenith director Mike Joyce intends to participate in the placement, subject to shareholder approval under ASX Listing Rule 10.11 which will be sought at the Company's Annual General Meeting.

Other than the above-mentioned matters, there have been no other matter or material events that has arisen since 30 June 2014, which has significantly affected or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's future state of affairs.

29. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly owned subsidiaries in accordance with the accounting policy described in note 3 (a).

| Name | Principal place of business/country of incorporation | Ownership interest | |
|-------------------------------------------------|------------------------------------------------------|--------------------|-----------|
| | | 2014 % | 2013 % |
| Nanutarra Minerals Pty Ltd | Australia | 100% | 100% |
| Earahedy Minerals Pty Ltd | Australia | 100% | 100% |
| S2M2 Coal Pty Ltd ⁽¹⁾ | Australia | 100% | - |
| Kalicoal Pty Ltd ⁽¹⁾ | Australia | 100% | - |
| Mamucoal Pty Ltd ⁽¹⁾ | Australia | 100% | - |
| S2M2 Eastern Coal Pty Ltd ⁽¹⁾ | Australia | 100% | - |
| BlackDragon Energy (Aus) Pty Ltd ⁽¹⁾ | Australia | 100% | - |

The Consolidated Entity is incorporated in Australia and its principle activity is exploration.

- (1) All these entities were acquired on 21 March 2014 upon the acquisition of S2M2 Coal Pty Ltd. Refer to note 26 for further details.

30. PARENT ENTITY DISCLOSURES

As at and throughout the financial year ending 30 June 2014, the parent entity of the Group was Zenith Minerals Limited.

| | 2014 | 2013 |
|---------------------------------------------------------|------------------|--------------------|
| | \$ | \$ |
| Result of Parent Entity: | | |
| Profit (loss) for the period | (455,848) | (1,004,294) |
| Other comprehensive income (loss) | - | - |
| Total Comprehensive Income (loss) for the period | (455,848) | (1,004,294) |
| Financial Position of Parent Entity at Year End: | | |
| Current assets | 594,462 | 1,508,618 |
| Total Assets | 7,552,855 | 6,576,122 |
| Current liabilities | 153,890 | 178,894 |
| Total Liabilities | 153,890 | 178,894 |
| Total Equity of the Parent Entity Comprising of: | | |
| Share capital | 13,424,740 | 12,015,640 |
| Reserves | 90,973 | 206,688 |
| Retained earnings/(losses) | (6,116,748) | (5,825,100) |
| | 7,398,965 | 6,397,228 |

31. DIVIDENDS

No dividends have been paid or provided for.

32. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets and liabilities at reporting date, except that a security deposit guarantee for the Minister Responsible for the Mining Act 1978 of \$10,000.

1. In the opinion of the directors of Zenith Minerals Limited:
 - (a) the Financial Statements and notes thereto, are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the financial position of the Company and Consolidated Entity's financial position as at 30 June 2014, and of their performance for the financial year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) the Financial Report also complies with International Financial Reporting Standards as disclosed in note 2(a);
 - (c) there are reasonable grounds to believe that the Company and the Consolidated Entity will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2014.

Signed in accordance with a resolution of directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Mr R M JOYCE
Chairman

Dated: 24 September 2014
PERTH, WA

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

ZENITH MINERALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Zenith Minerals Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Zenith Minerals Limited (the company) and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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Opinion

In our opinion:

- (a) the financial report of Zenith Minerals Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(e) in the financial report, which confirms that the financial report has been prepared on a going concern basis. The consolidated entity, however, incurred a loss of \$846,223 for the year ended 30 June 2014. These conditions, along with other matters as set forth in Note 2 (e), indicate the existence of a material uncertainty that may cast significant doubt about the company's and the consolidated entity's ability to continue as a going concern and therefore, the company and the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 28 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Zenith Minerals Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.



PKF MACK & CO



SHANE CROSS
PARTNER

24 SEPTEMBER 2014
WEST PERTH,
WESTERN AUSTRALIA

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

PRINCIPLES OF BEST PRACTICE RECOMMENDATIONS

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role of Board and Responsibilities

The board of directors of Zenith Minerals Limited is responsible for the corporate governance of the Group. The Board monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected, and to whom they are accountable.

The relationship between the Board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the Group in both the short and longer term, and seek to balance sometimes competing objectives in the best interests of the Group. Their focus is to enhance the interests of shareholders and other key stakeholders, and to ensure the Group is properly managed.

The Board operates in accordance with the broad principles set out in its charter, which is available from the Corporate Governance Information Section of the Group website at www.zenithminerals.com.au. The charter details the Board's composition and responsibilities.

Board Responsibilities

(ASX CGC Recommendation 1.1)

The responsibilities of the Board include:

- supervising the Group's framework of control and accountability systems to enable risk to be assessed and managed;
- ensuring the Group is properly managed, for example by:
 - appointing and, where appropriate, removing any managing director, chief executive officer (or equivalent) of the Group;
 - ratifying the appointment and, where appropriate, the removal of any chief financial officer and the company secretary;
 - formulating short term and long term strategies to enable the Group to achieve its objectives and ensuring that the Group has the resources to meet its strategic objectives;
 - input into and final approval of management's development of corporate strategy and performance objectives;
 - reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
 - monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available; and
 - establishing, monitoring and determining the powers and duties of any and all of the Group's committee's;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approving the annual budget;
- monitoring the financial performance of the Group;
- approving and monitoring financial and other reporting;

- providing overall corporate governance of the Group, including conducting regular reviews of the balance of responsibilities within the Group to ensure division of functions remain appropriate to the needs of the Group;
- appointing the external auditor and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next AGM of the Group;
- liaising with the Group's external auditors; and
- monitoring and ensuring compliance with all of the Group's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.

Senior Executive Responsibilities

The Group is served by two senior executives;

- A Managing Director and a Company Secretary.

The Managing Director is responsible for:-

- Managing all exploration activity including the selection of area to be subject to exploration, determining the nature, type and extent of exploration activity;
- Ensuring that tenements are maintained in good standing with applicable State Authorities;
- Reporting to the Board on exploration activity;
- Reporting to Board on financial activity;
- Preparation of exploration budget;
- Periodical high-level review of key controls to ensure that they are operating as required/designed.

The Company Secretary is responsible for:

- Ensuring the efficient operation of the registered office of the Group;
- Preparation of monthly financial reports
- Preparation of half-year and annual financial statements
- Ensuring compliance with ASX Listing rules and applicable Australian Securities and Investment Commission requirements
- Ensuring the continuous operation of key controls
- Maintenance of Group's risk register
- Maintenance of Group records

Evaluation of Senior Executive Performance

(ASX CGC Recommendation 1.2)

The Managing Director is accountable to the Board for management of the Group, with authority levels approved by the Board, and is subject to the supervision of the Board. Similarly, the performance of the Company Secretary/CFO is evaluated by the Board annually.

(ASX CGC Recommendation 1.3)

All senior executives were evaluated during the current financial year against the responsibilities identified above and following the process disclosed above.

PRINCIPLE 2: STRUCTURE OF THE BOARD TO ADD VALUE**Current Board and its Composition**

Details of the current directors of the Group, their expertise and length of service as a director are contained in the Directors' Report.

Composition and Functions of the Board

The composition of the Board is determined in accordance with the following principles and guidelines.

- The Board shall comprise at least three directors, increasing where additional expertise is considered desirable in certain areas;
- Where possible the Board is to comprise a majority of non-executive directors who are considered by the Board to be independent;
- The Chairperson must be a non-executive director who is elected by the full Board.
- Directors may bring characteristics which allow a mix of qualifications, skill and experience;
- At any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group, and directors with an external or fresh perspective; and
- The size of the Board is conducive to effective discussion and efficient decision-making.

The Board reviews its composition on an annual basis to ensure that it has the appropriate mix of expertise and experience to adequately discharge its responsibilities and duties. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience.

Details of members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the Directors' Report under the heading "1. Directors". There are three non-executive directors' all of whom are deemed independent under the principles set out below, at the date of signing the Directors' Report.

Term of Office

The Group's Constitution specifies that any director other than the Managing Director must retire from office no later than the third annual general meeting (AGM) following their last election.

Directors' Independence

(ASX CGC Recommendation 2.1)

The Board has adopted the specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- not be a substantial shareholder of the Group or an officer of, or otherwise associated directly with, a substantial shareholder of the Group;
- within the last three years, not have been employed in an executive capacity by the Group or been a director after ceasing to hold any such employment;
- within the last three years not have been a principal of a material professional advisor or a material consultant to the Group or an employee materially associated with the service provided;
- not be a material supplier or customer of the Group, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- must have no material contractual relationship with the Group or another Group member, other than as a director of the Group;
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group;

- not have been on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 10% of the current year operating result of the Group or 10% of the pro forma net assets is considered material for these purposes. In addition, the Group applies materiality based on qualitative assessments including if matters impact on the reputation of the Group and if they involve a related party.

The Board assesses independence each year. Directors must provide all information that may be relevant to this assessment. There are three non-executive directors who are deemed independent at the date of signing the Directors' Report, as outlined in the Directors' Report under the heading "Information on Directors". Directors of the Board are entitled to the right to have adequate access at all times, in appropriate circumstances, to independent professional advice that will facilitate independent judgement in board decisions at the expense of the Company.

Conflict of Interests

An entity connected with Mr S A Macdonald and another entity connected with Mr R M Joyce and Mr S A Macdonald had business dealings with the entity during the year, as described in **Note 24 – Related Party Transactions**, to the Financial Statements. In accordance with the Board Charter, the directors concerned declared their interests in those dealings to the Group and took no part in decisions relating to them or the preceding discussions.

Chairman and Chief Executive Officer (CEO)

(ASX CGC Recommendation 2.2, 2.3)

The chairman is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Group's senior executives.

Mr Rodney M. Joyce, a non executive director, was appointed Chairman by the Board on 9 October 2013 and is deemed independent.

The roles of the chairperson and chief executive officer ('CEO') are separate roles, which are exercised separate people. The CEO is responsible for implementing the Group's strategies and policies. The Managing Director, Mr M J Clifford, is the appointed Chief Executive Officer of Zenith Minerals Limited.

The chairperson's responsibilities are set out in the Board Charter, which is available from the corporate governance information section of the Group website at www.zenithminerals.com.au.

Board Committees

Each committee may be comprised of executive and non-executive directors. Due to the small size and structure of the Board, there are no separate audit, nomination and remuneration committees. Instead, the Board considers it more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily be considered by audit, nomination or remuneration committees. When considering these matters, the Board functions in accordance with its Audit Committee Charter and Remuneration Committee Charter.

Each written charter sets out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the Group website.

Minutes of meetings are tabled at the subsequent Board meeting.

Nomination Committee

(ASX CGC Recommendation 2.4)

There is no separate nomination committee. The Board considers those matters and issues arising that would usually fall to a nomination committee. The following directors comprise the Board which considers nomination related matters:

- R M Joyce (Non-executive director and Chairman)
- S A Macdonald (Non-executive director)
- J D Goldsworthy (Non-executive director)

When considering nomination matters, the Board operates in accordance with its charter which is available on the Group website at www.zenithminerals.com.au.

The main responsibilities are to:

- conduct an annual review of the membership of the Board having regard to present and future needs of the Group, and to make recommendations on Board composition and appointments;
- propose candidates for Board vacancies;
- oversee the annual performance assessment program;
- oversee Board succession, including the succession of the chairman; and
- assess the effectiveness of the induction process.

Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and skills, diversity, compatibility within the Group's scope of activities, and ability to undertake Board duties and responsibilities.

The Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the Group.

Details of the nomination, selection and appointment processes are available on the Group website.

Notices of meetings for the election of directors comply with the ASX Corporate Governance Council's best practice recommendations.

New directors are provided with a letter of appointment setting out the Group's expectations, their responsibilities and rights, and the terms and conditions of their employment. All new directors participate in a comprehensive, formal induction program which covers the operation of the Board and its committees and financial, strategic, operations and risk management issues.

It is the Group's practice to allow its' directors to accept appointments outside the Group with prior written approval of the Board.

The commitments of non-executive directors are considered by the Board, prior to the directors' appointment to the Board of the Group and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Group.

Performance Assessment

(ASX CGC Recommendations 2.5)

The chairman undertakes an annual assessment of the performance of the directors and its committees. The result of his assessment is presented to the Board. Directors whose performance is unsatisfactory are asked to retire.

Each Director has the right to seek independent advice at the Group's expense, however prior approval by the chairman is required, which will not be unreasonably withheld.

Commitment

The Board held 15 board meetings during the year and 8 circular resolutions in writing during the year. Non-executive directors are expected to prepare for and attend Board and committee meetings and associated activities.

The number of meetings of the Group's Board of Directors and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each director, is disclosed at 'point 3. Director Meetings' of the Directors' Report.

The commitments of non-executive directors are considered by the nomination committee prior to the Directors' appointment to the Board of the Group and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Group.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**Code of Conduct and Trading Policy**

(ASX CGC Recommendation 3.1)

The Group has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all Group personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Group policies and that individuals are responsible and accountable for reporting and investigating reports of unethical behaviour.

Directors, employees and contractors are required to comply with the Group's comprehensive Share Trading Policy when dealing in the Group's securities. This policy outlines the law on insider trading and restricts people working for or associated with the Group from dealing in Group securities. The policy prohibits directors or employees to deal in Group's securities when they are in possession of price sensitive information that is not generally available to the market.

A Code of Conduct applicable to all directors, senior executives and staff and the policy to be followed by all directors, senior executives and staff in dealing in the Group's securities is contained in the Group's Corporate Governance Policies accessible via the Group's website – www.zenithminerals.com.au.

Diversity Policy (ASX CGC Recommendation 3.2 to 3.5)

The Group recognises the potential benefits arising from employee and Board diversity. A Diversity policy was approved by the Board in June 2011. Measurable objectives for achieving diversity have not been set by the Board as the Group is too small to achieve any meaningful diversity without raising the risk that diversity for the sake of diversity may adversely affect the corporate culture.

The following table shows the staff and director complement.

| 2014 | | |
|-----------|-------|-------|
| | Women | Total |
| Directors | 0 | 4 |
| Executive | 1 | 2 |
| Staff | 0 | 1 |

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit Committee

(ASX CGC Recommendation 4.1, 4.2)

There is no separate audit committee. This is because, in the opinion of the Board, the added expense associated with the establishing a separate independent audit committee, can not be justified in a Group the size of Zenith Minerals Limited.

The Board considers those matters and issues arising that would normally fall to the audit committee. The Board, acting as the audit committee, has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

For details of the Board members please refer to the Directors Report at 'point 1. Directors'.

The Board, acting as the audit committee, operates in accordance with a charter which is available on the Group website at www.zenithminerals.com.au. The main responsibilities are to:

- review, assess and approve the annual full reports, the half-year financial report and all other financial information published by the Group or released to the market;
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
 - effectiveness and efficiency of operations;
 - reliability of financial reporting;
 - compliance with applicable laws and regulations.
- determine the scope of the internal audit function and ensure that its resources are adequate and used effectively, and assess its performance, including independence;
- oversee the effective operation of the risk management framework;

- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis. Each reporting period, the external auditor provides an independence declaration in relation to the audit;
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- review and monitor related party transactions and assess their propriety;
- report to the Board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the Board:

- receives regular reports from management and external auditors;
- meets with management and external auditors at least twice a year, or more frequently if necessary;
- reviews the processes the managing director and chief financial officer/company secretary have in place to support their certifications to the Board;
- discuss external audit plans, identifying significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review external audit fees proposed for the audit work to be performed;
- reviews the half year and annual report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made;
- provides management and external auditors with a clear line of direct communication at any time to the Chairman of the Board.

The Board, acting as the audit committee, has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External Auditors

The Group policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration the assessment of performance, existing value and tender costs.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report and in note 8 to the Financial Statements. It is the policy of the external auditors to provide an Annual Declaration of their Independence to the Board.

The external auditor is requested to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Audit Committee Charter

(ASX CGC Recommendation 4.3)

The Audit Committee Charter is contained in the Group's Corporate Governance Policies accessible via the Group's website – www.zenithminerals.com.au.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**Continuous Disclosure and Market Communication**

(ASX CGC Recommendation 5.1, 5.2)

The Group has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Group's securities. These policies and procedures are designed to ensure that shareholders and the market are provided with equal, timely and balanced access to material information concerning the Group. A summary of these policies and procedures is available on the Group's website.

The Managing Director (CEO) and the Company Secretary are responsible for interpreting the Group's policy, ensuring compliance with continuous disclosure and informing the Board where necessary. The Managing Director has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX) and overseeing and coordinating information disclosure to analysts, brokers, shareholders, the media and the public. All senior management are informed of the Group's continuous disclosure policy and understand the processes involved in relation to the timely disclosure of information.

All information disclosed to the ASX is posted on the Group's website (www.zenithminerals.com.au) as soon as possible after it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Group's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS**Shareholder Communication**

(ASX CGC Recommendations 6.1, 6.2)

The Board's continuous disclosure and communications policies and procedures are designed to encourage effective, timely, balanced and understandable information concerning the Group to its shareholders and the market. Initiatives to facilitate this include making all Group announcements, media briefings, and details of Group meetings, press releases for the last three years and financial reports for the last five years available on the Group's website. All information released to the market and related information (such as information provided to analysts or the media) is placed on the Group's website as soon as possible following the release to the ASX.

The Annual Report is provided via the Group's website to all shareholders, unless a shareholder has specifically requested to receive a physical copy or not to receive the document. The annual report includes relevant information about the operations and activities of the Company and its subsidiaries during the year, changes in the state of affairs and details of future developments. The half year report contains summarised financial information and a review of operations of the Company and its subsidiaries. This is sent to shareholders upon shareholder request.

The website also includes a feedback mechanism and an option for shareholders to register their email address for direct email updates on Group matters.

Full texts of notices of meetings and explanatory material are placed on the Group's website.

The Group encourages full and effective shareholder participation at general meetings. Shareholders generally participate in these meetings through the appointment of a proxy.

The Group's external auditor attends the Annual General Meeting to answer shareholder questions in relation to the conduct of the audit, the preparation and content of the audit report, accounting policies adopted by the Group and the independence of the auditor in relation to the conduct of the audit.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Assessment and Management

(ASX CGC Recommendations 7.1, 7.2, 7.4)

The Board, acting as the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the Group website. In summary, the Group policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisational structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Ultimate responsibility for risk oversight and risk management rests with the full Board. Management is responsible for developing and implementing a sound system of risk management and internal control. Management carries out regular systematic monitoring of control activities and reports to the Board. Detailed control procedures cover management accounting, financial reporting and compliance, operational, technical and project management, strategic, environment, sustainability, ethical conduct, reputation, health and safety, IT security and market related risks.

(ASX CGC Recommendations 7.2)

The Board has required management to design and implement a risk management and internal controls system to manage the Group's material business risks. This has resulted in a register of risks which is reviewed in accordance with the Group's Risk Management policy and reported to the Board accordingly. The Group's Risk Management policy forms part of the Corporate Governance Policy and is accessible at www.zenithminerals.com.au.

(ASX CGC Recommendations 7.3)

The Board has obtained a written confirmation from the Managing Director and the Company Secretary, that the statement in relation to s.295A of the Corporation Act, is founded on a sound system of risk management and internal compliance and control and that the system is operating efficiently and effectively in all material respects.

The Board ensures that appropriate controls are in place to effectively manage those risks, which is reviewed at least annually.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Committee

(ASX CGC Recommendation 8.1, 8.2, 8.3)

There is no separate remuneration committee. This is because the Board is of the opinion that the Group is too small to justify the extra expense of forming and running a remuneration committee. Accordingly, the Board considers those matters and issues arising that would usually fall to the remuneration committee. The following Directors comprise the Board which currently considers the remuneration committee matters:

- R M Joyce (Non-Executive Director and Chairman)
- S A Macdonald (Non-Executive Director)
- J D Goldsworthy (Non-Executive Director)

When considering matters of remuneration, the Board functions in accordance with its Remuneration Committee Charter, which is contained in the Corporate Governance Policies, accessible via the Group's website. The Remuneration Committee Charter requires the Board to review matters on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

The Board, acting as the remuneration committee, may receive regular briefings from an external remuneration expert on recent developments on remuneration and comparisons of remuneration within the industry.

Non-executive directors' remuneration consists of a fixed amount paid plus statutory superannuation. Senior executive remuneration consists of a balance of fixed and incentive pay plus statutory superannuation. Other than statutory superannuation, no directors' or senior executives are entitled to any other retirement benefits.

Senior executives sign a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

Further information on directors' and executives' remuneration is set out in the Directors' Report under the heading "Remuneration report".

The Board also assumes responsibility for management succession planning, including the implementation of appropriate executive development program and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

In Compliance with ASX Requirements

The shareholder information set out below was applicable as at 23 September 2014.

1. DISTRIBUTION OF EQUITY SECURITIES

a) Analysis of numbers of shareholders by size of holding (ZNC).

| | Number of Shareholders | Number of Fully Paid Ordinary Shares | % of Issued Capital |
|------------------|-------------------------------|---------------------------------------------|----------------------------|
| 1 – 1,000 | 473 | 184,943 | .15% |
| 1,001 – 5,000 | 503 | 1,164,296 | .94% |
| 5,001 – 10,000 | 179 | 1,529,047 | 1.24% |
| 10,001 – 100,000 | 557 | 16,781,332 | 13.57% |
| 100,001 and over | 128 | 103,974,990 | 84.10% |
| | 1,840 | 123,634,608 | 100.00% |

b) Number of shareholders holding less than a marketable parcel – 992 (at 23 September 2014).

c) Particulars of twenty largest shareholders. The names of the twenty largest holders of quoted shares are listed below:

| Shareholder Shares Issued | Fully Paid Ordinary Shares | |
|----------------------------------|-----------------------------------|-------------------|
| | Number held | % of total |
| 1 HSBC CUSTODY NOM AUSTRALIA LTD | 10,495,744 | 8.49% |
| 2 GIRALIA RES NL | 10,259,066 | 8.30% |
| 3 MIQUILINI SUZI QUELI | 5,922,256 | 4.79% |
| 4 GRANICH NADA | 5,407,756 | 4.37% |
| 5 CITICORP NOM PTY LTD | 5,086,505 | 4.11% |
| 6 YANDAL INV PTY LTD | 3,262,417 | 2.64% |
| 7 HERNSTADT WILLIAM HENRY | 3,155,000 | 2.55% |
| 8 ABINGDON NOM PTY LTD | 2,355,000 | 1.90% |
| 9 TILBROOK P + JB + JE | 2,191,697 | 1.77% |
| 10 CHRISTOPHER JAMES A G | 2,097,767 | 1.70% |
| 11 JENKINS EUAN WILLIAM | 2,087,331 | 1.69% |
| 12 GDR PTY LTD | 2,000,000 | 1.62% |
| 13 TILBROOK JOHN BEVAN | 1,931,355 | 1.56% |
| 14 MACDONALD STANLEY ALLAN | 1,797,100 | 1.45% |
| 15 GREY WILLOW PTY LTD | 1,792,401 | 1.45% |
| 16 RAHN & BODMER CO | 1,750,000 | 1.42% |
| 17 CREEKWOOD NOM PTY LTD | 1,693,814 | 1.37% |
| 18 COBALT CONSULTING PTY LTD | 1,693,814 | 1.37% |
| 19 YOVICH WALTER MICK G | 1,650,000 | 1.33% |
| 20 J P MORGAN NOM AUST LTD | 1,480,442 | 1.20% |

VOTING RIGHTS

At general meetings of the Company, each member entitled to vote may vote in person or by proxy or attorney or representative. On a show of hands every person who is a member or a representative of a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each share held.

2. SUBSTANTIAL SHAREHOLDERS

Substantial shareholders in the Company are:

| Ordinary Shares | Number held | % Interest |
|-------------------------------------|-------------|------------|
| HSBC Custody Nominees Australia Ltd | 10,495,744 | 8.49% |
| Giralia Resources NL | 10,259,066 | 8.30% |

3. UNQUOTED EQUITY SECURITIES

(a) The following unquoted options are on issue:

| | Number on Issue | Number of Holders |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------------|
| Options issued under the Company's Employee Option Plan to take up ordinary shares: Exercisable at 29 cents each by 20 th August 2016. | 200,000* | 2 |
| Persons holding 20% or more each: <ul style="list-style-type: none"> AA Dermedgoglou A D'Hulst | 50% 50% | |
| Options issued under the Company's Employee Option Plan to take up ordinary shares: Exercisable at 13 cents each by 21 st December 2017. | 1,000,000* | 1 |
| * Persons holding 20% or more: M J Clifford | 100% | |

- 4** Zenith Minerals has used the cash and assets in a form readily convertible to cash that it had at the time of admission to the Australian Stock Exchange, in a manner consistent with Zenith Mineral's business objectives.

INTERESTS IN MINING TENEMENTS at 23 September 2014

| PROJECT | LOCATION | TENEMENT NUMBER | HOLDER | ZENITH MINERALS INTEREST | STATUS |
|-----------------------|-------------------|-----------------------|--------------------------------------------------------|-------------------------------------|-------------|
| Earaheedy | Western Australia | E69/1771 | Zenith Minerals Limited | 100% | Granted |
| Earaheedy | Western Australia | E69/1907 | Zenith Minerals Limited | 100% | Granted |
| Earaheedy | Western Australia | E69/2657 | Zenith Minerals Limited | 100% | Granted |
| Earaheedy | Western Australia | E69/2733 | Zenith Minerals Limited | 100% | Granted |
| Earaheedy | Western Australia | E69/2734 | Zenith Minerals Limited | 100% | Granted |
| Earaheedy | Western Australia | E69/2735 | Zenith Minerals Limited | 100% | Granted |
| Earaheedy | Western Australia | E69/2736 | Zenith Minerals Limited | 100% | Granted |
| Earaheedy | Western Australia | E69/2737 | Zenith Minerals Limited | 100% | Granted |
| Earaheedy | Western Australia | E69/3272 | Zenith Minerals Limited | 100% | Application |
| Earaheedy | Western Australia | E69/2255 | Rio Tinto Exploration Pty Limited | 100% | Granted |
| Earaheedy | Western Australia | E69/2256 | Rio Tinto Exploration Pty Limited | 100% | Granted |
| Earaheedy | Western Australia | E69/2257 | Rio Tinto Exploration Pty Limited | 100% | Granted |
| | | | | | |
| Mount Alexander | Western Australia | E08/1410 | Zenith Minerals Limited | 100% | Granted |
| Mount Alexander | Western Australia | E08/1972 | Zenith Minerals Limited | 100% | Granted |
| Mount Alexander | Western Australia | E08/2046 | Zenith Minerals Limited | 100% | Granted |
| Mount Alexander | Western Australia | E08/119 | Zenith Minerals Limited | 100% | Granted |
| Mount Alexander | Western Australia | E08/1987 | Northern Manganese Limited | 100% | Granted |
| Mount Alexander | Western Australia | E08/2593 | Nanutarra Minerals Pty Ltd | 100% | Application |
| | | | | | |
| Pilbara | Western Australia | E47/3071 | Zenith Minerals Limited | 100% | Application |
| Thompson Well | Western Australia | E52/3121 | Zenith Minerals Limited | 100% | Application |
| West Turee Creek | Western Australia | E52/3122 | Zenith Minerals Limited | 100% | Application |
| | | | | | |
| Kavaklitepe | Turkey | EL20079861 | Empire International AnadoluMadencilikAnonimSirketi | Earning to 70% | Granted |
| | | | | | |
| Develin Creek | Queensland | 16749 | Fitzroy Copper Pty Ltd | 51% with right to acquire100% | Granted |
| Develin Creek | Queensland | 18845 | Fitzroy Copper Pty Ltd | 51% with right to acquire100% | Granted |
| Develin Creek | Queensland | 17604 | Fitzroy Copper Pty Ltd | 51% with right to acquire100% | Granted |
| | | | | | |
| Cardinals Gossan | Western Australia | E45/4445 | S2M2 Eastern Coal Pty Ltd | 100% | Application |
| Bocrabee | Western Australia | E46/1033 | S2M2 Eastern Coal Pty Ltd | 100% | Application |
| Minnie Creek | Western Australia | E09/2063 | S2M2 Eastern Coal Pty Ltd | 100% | Granted |
| Minnie Creek | Western Australia | E09/2064 | S2M2 Eastern Coal Pty Ltd | 100% | Granted |
| Mt Russel | Western Australia | E53/1809 | S2M2 Eastern Coal Pty Ltd | 100% | Application |
| SW Yilgarn | Western Australia | E70/4588 | S2M2 Eastern Coal Pty Ltd | 100% | Application |
| SW Yilgarn | Western Australia | E70/4587 | S2M2 Eastern Coal Pty Ltd | 100% | Application |
| | | | | | |
| Sungai Roi, Indonesia | Indonesia | IUP08/HAR/ 111/208 | PT Hasil Kharisma Alam | Option to acquire | Granted |