

**Zenith**  
**MINERALS**  
LIMITED

# ANNUAL REPORT 2018



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## **CORPORATE INFORMATION**

### **DIRECTORS**

Rodney M Joyce (Non-Executive Chairman)  
Michael J Clifford (Managing Director)  
Stanley A Macdonald (Non-Executive Director)  
Julian D Goldsworthy (Non-Executive Director)  
Graham D Riley (Non-Executive Director)

### **COMPANY SECRETARY**

Melinda Nelmes

### **AUSTRALIAN BUSINESS NUMBER**

96 119 397 938

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### **SECURITIES EXCHANGE LISTING**

Australian Securities Exchange  
Home Exchange: Perth, Western Australia  
Code: ZNC

Dear fellow shareholders,

Sentiment in the resource sector continued to slowly improve during the 2017–2018 financial year, and funds raised through the exercise of a gratifying 99% of listed ZNCO options by shareholders allowed the Company to accelerate exploration activity during the year. The main focus was our large 100% owned land holding at Split Rocks in the Forrestania belt in Western Australia, close to the significant new Earl Grey lithium discovery.

Zenith commenced a major exploration program at Split Rocks, collecting more than 3,000 surface samples and completing over 6,000 metres of drilling. Seven lithium surface geochemical anomalies have been defined to date, with initial drilling at the Dulcie prospect returning thick intervals of pegmatites with anomalous lithium and several samples indicating highly fractionated fertile LCT pegmatites. Near surface cobalt-nickel mineralisation, and strong gold results were also reported.

We have also discovered a large area of outcropping pegmatites at Waratah Well, near Yalgoo in Western Australia, with highly anomalous tantalum and lithium returned from our surface sampling.

The Company's USA and Mexican lithium projects are being advanced under the American lithium joint venture, with private company Bradda Head Ltd, associated with prominent UK investor Jim Mellon funding US\$5 million of in-ground expenditure. The main focus was drilling and metallurgical testwork ahead of an initial resource estimate at the Burro Creek lithium clay project in Arizona, while MT geophysical surveys at lithium brine prospects at the Zacatecas project in Mexico and at the Wilson Salt Flat project in Nevada both returned compelling targets for drilling. Bradda Head's planned listing on London's Alternative Investment Market (AIM) later this calendar year should provide a read-through valuation of these assets.

At the Tate River gold project in north Queensland, excavator trenching returned up to 5m @ 3.92g/t Au within wide zones of strongly anomalous gold. Soil geochemical programs continue at Tate River and at our 100% owned Develin Creek base metals project, also in Queensland.

Drill permits have now been granted for follow-up testing after the previous year's highly successful maiden drill program at the Kavaklitepe JV gold project in Turkey, and the JV partners are considering the forward budget and timing, taking into account the current instability in Turkey.

New farm-out JVs will see third parties funding activity on Zenith's Earraheedy zinc and Vivash iron ore projects, and we also continue to hold existing JORC Mineral Resources at our Mt Alexander magnetite iron and Earraheedy manganese projects under retention status.

We welcome the appointment during the year of Non-Executive Director Graham Riley to the Board.

On behalf of the Board I again thank Zenith's hard working management, technical and administrative team for their efforts.



**Rodney (Mike) Joyce**  
**Chairman**

26 September 2018



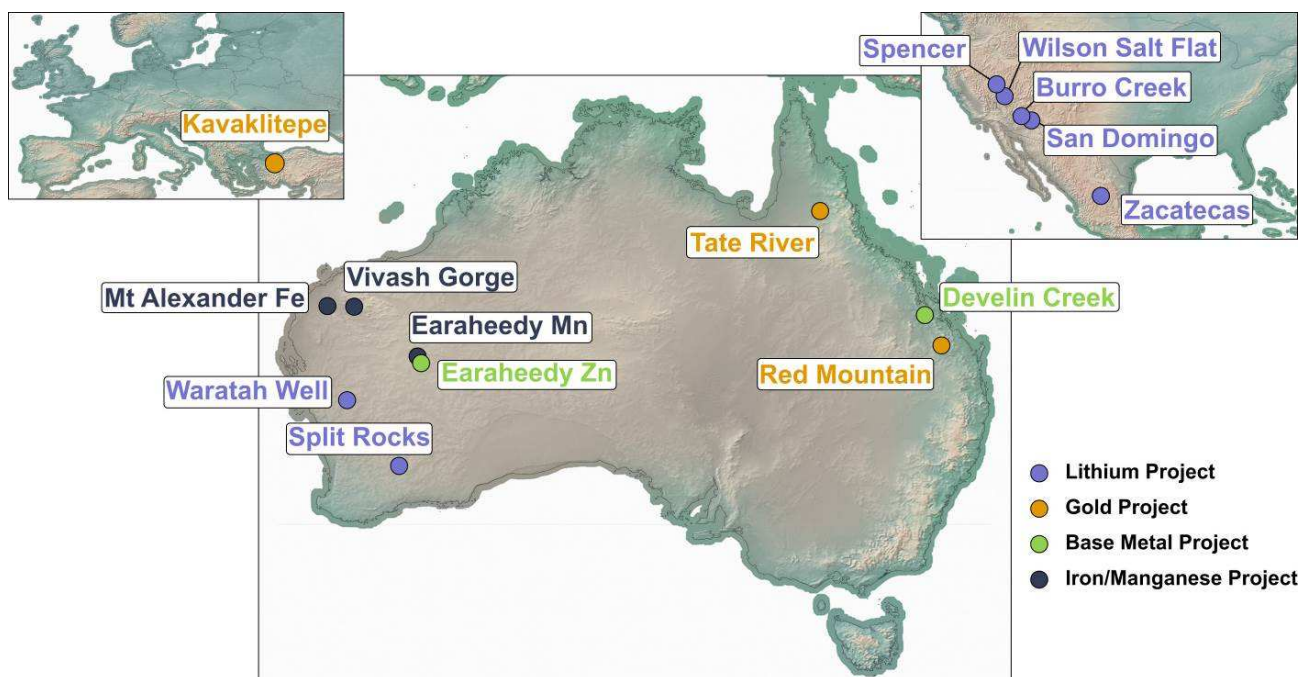
## Exploration and Development Activities

### Projects Overview

The Company advanced its portfolio of exploration projects during the year focusing on the lithium and gold potential of the 100% owned Split Rocks project in Western Australia (Figure 1) where competitor Kidman Resources recently reported a new lithium pegmatite mineral resource containing 189Mt @ 1.5% Li<sub>2</sub>O. In the coming year the Company will continue to explore the Split Rocks project with drilling planned to test the northern extensions of the Dulcie lithium pegmatite target, drilling of the seven lithium soil anomalies defined to date by Zenith's regional geochemical sampling program as well at the Dulcie gold prospect to follow-up on newly discovered high-grade quartz vein hosted gold mineralisation (2m @ 6.54g/t Au end of hole) and on the laterite hosted surface gold.

Additional lithium exposure is provided to shareholders through the company's USA and Mexican lithium projects that are being advanced by Bradda Head Limited under the American lithium joint venture. Further drill testing is planned at the Burro Creek lithium clay project where a maiden mineral resource estimate is soon to be reported and initial drill tests are planned of lithium brine targets San Vicente and Illescas part of the Zacatecas project in Mexico and at the Wilson Salt Flat project in Nevada. Bradda Head are planning to re-list on London's Alternative Investment Market (AIM) later this calendar year which should mean a further increase in the rate of spending on the evaluation of these exciting lithium assets.

Exploration has continued at Develin Creek in Queensland during the year with further assessment of the projects regional potential. The Develin Creek copper-zinc-gold-silver mineralisation is defined as a classic volcanogenic massive sulphide hosted deposit a style that typically forms in clusters. The future of this project lies in the discovery of additional copper-zinc mineralisation within the Company's large highly prospective landholdings.



**Figure 1: Zenith Project Locations**

During the year the focus of exploration at Waratah Well in Western Australia has been on the lithium and tantalum potential of an area of extensive outcropping pegmatites. Initial field work by Zenith resulted in the discovery of high-grade lithium and tantalum. Additional surface mapping and sampling is required to scope out the distribution of tantalum mineralisation in conjunction with further assessment of the lithium potential.

Although post the end of the year full drill permits were granted for follow-up testing of the Kavaklitepe gold project in Turkey, your Board will take a prudent approach to the allocation of capital to this project given the recent instability of the Turkish Lira.

In north Queensland, the Zenith team continued sampling programs over regional target areas of the Tate River gold project where widespread bedrock gold mineralisation was confirmed by Zenith in an excavator trenching program at the Guppy Strike prospect: with results including: 5m @ 3.92g/t Au and 3m @ 1.72 g/t Au. Wide zones of strongly anomalous gold 166m @ 0.14g/t Au indicate a large-scale gold mineralised system analogous to intrusion related gold systems like the nearby Mungana/ Red Dome gold mine that had gold endowment of 2.7Moz Au.

In addition, separate option deals were executed during the year that will see two of Zenith's projects: Earahedy Zinc and Vivash Iron Ore advanced via third party funding. Rumble Resources Limited are planning to drill test zinc targets at the Earahedy project in late 2018.

### **SPLIT ROCKS LITHIUM, COBALT-NICKEL & GOLD PROJECT – WA (Zenith 100%)**

- **100% owned exploration licences covering ~500sqkm of the Forrestania Greenstone Belt, 15km northwest of Mt Holland (Earl Grey) lithium pegmatite discovery and Bounty Gold mine;**
- **Anomalous lithium bearing pegmatites (results up to 2m @ 0.12%Li<sub>2</sub>O) intersected in maiden drill program over 950m of strike. RC drill testing of the Dulcie lithium pegmatite target has been completed, confirming the presence of thick pegmatite bodies (up to 77m downhole widths) – assay results confirm lithium fertile chemistry of host pegmatite;**
- **Significant gold mineralisation intersected at the Dulcie Prospect including: 5m @ 2.51 g/t gold including 1m @ 8.79 g/t gold, 2m @ 6.54g/t gold (end of hole) as detailed in ZNC ASX Release 5<sup>th</sup> June 2018 – follow-up drilling yet to be completed;**
- **Significant cobalt - nickel - scandium drill results at the Dulcie Prospect include: 12m @ 0.27% cobalt and 1.45% nickel and 30m @ 0.06% cobalt and 0.75% nickel whilst scandium intercepts included: 4m @ 190ppm Sc and 8m @ 105ppm Sc;**
- **Seven large scale lithium surface geochemical anomalies defined to date – drill testing planned.**

The Split Rocks project is located 40 km north of Kidman Resources' (ASX:KDR) Mt Holland (Earl Grey) lithium pegmatite deposit containing 189Mt @ 1.5% Li<sub>2</sub>O (KDR ASX Release 19<sup>th</sup> Mar 2018). Zenith's 100% owned Split Rocks Project covers a large portion (total area >500sqkm) of the Forrestania Greenstone Belt of Western Australia (Figure 2).

During the year, exploration at the Split Rocks project has primarily focused on the lithium potential, whilst the Company has been cognisant that the project is also highly prospective for gold and nickel-cobalt mineralisation. Programs completed included:

- 884 m of RC drilling in 6 holes to test lithium pegmatite targets;
- 5333m of AC drilling in 168 holes to test lithium, gold & cobalt-nickel targets;
- 176m of RAB drilling in 6 holes as part of a larger yet to be completed test of lithium soil anomalies;
- 3339m of RAB in 69 holes to test gold targets; and
- 2959 soil, 35 rock and 104 auger geochemical samples as an initial first pass screen for lithium and gold mineralisation.

#### **Split Rocks Lithium**

Zenith's RC drilling at the Dulcie target tested a 950-metre-long zone of pegmatites, from which shallow aircore drill holes in Zenith's maiden program returned strongly anomalous lithium results up to 2m @ 0.12%Li<sub>2</sub>O and has confirmed the presence of thick pegmatite bodies (up to 77m downhole widths) - ASX Release 31<sup>st</sup> July 2018.

Preliminary 4 metre composite assay results were received from RC drilling conducted during the year at the Dulcie lithium prospect confirming that the basal portion of the thick pegmatite intersected in drill holes ZDRC003 and ZDRC006 from the northernmost drill holes has a chemical signature similar to those of major Western Australian lithium spodumene mines such as Greenbushes, Pilgangoora, Bald Hills, and Mt Cattlin and also similar to that of the nearby Mt Holland (Earl Grey) lithium deposit, (Figures 2 – 5). The lithium content of the Dulcie pegmatites in the composite samples is strongly anomalous (80m @ 353ppm  $\text{Li}_2\text{O}$  in drill hole ZDRC006, with a peak value of 4m @ 917ppm) like the levels reported from prior aircore drilling, and increases to the north and with depth, providing an additional exploration vector

The untested area north of the current drilling therefore presents a strong drill target for further follow-up testing.

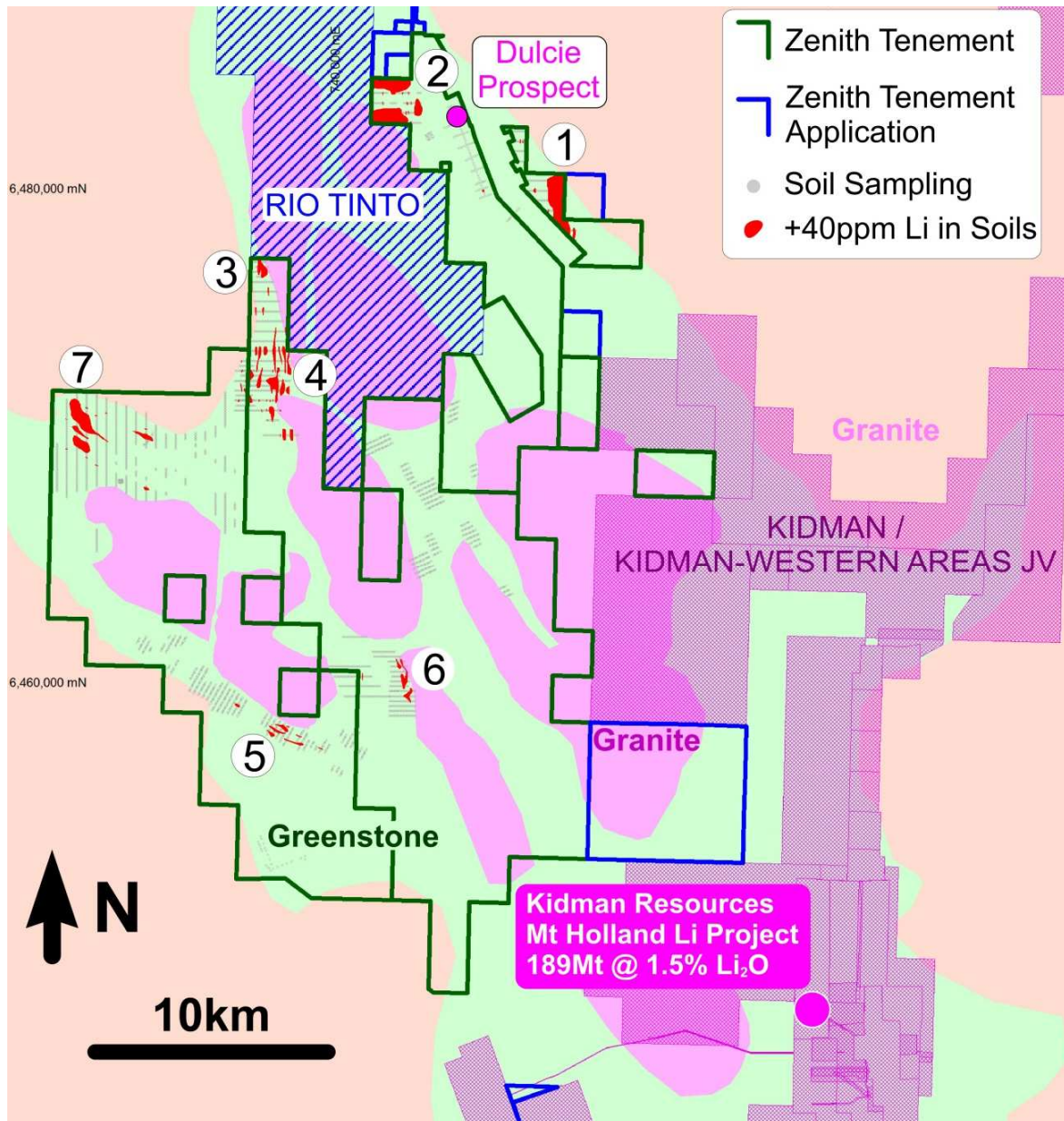
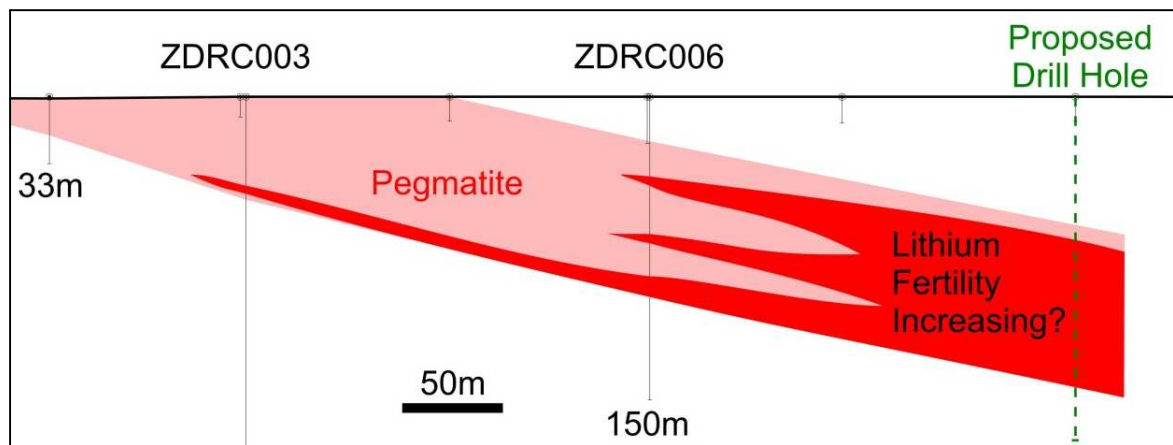
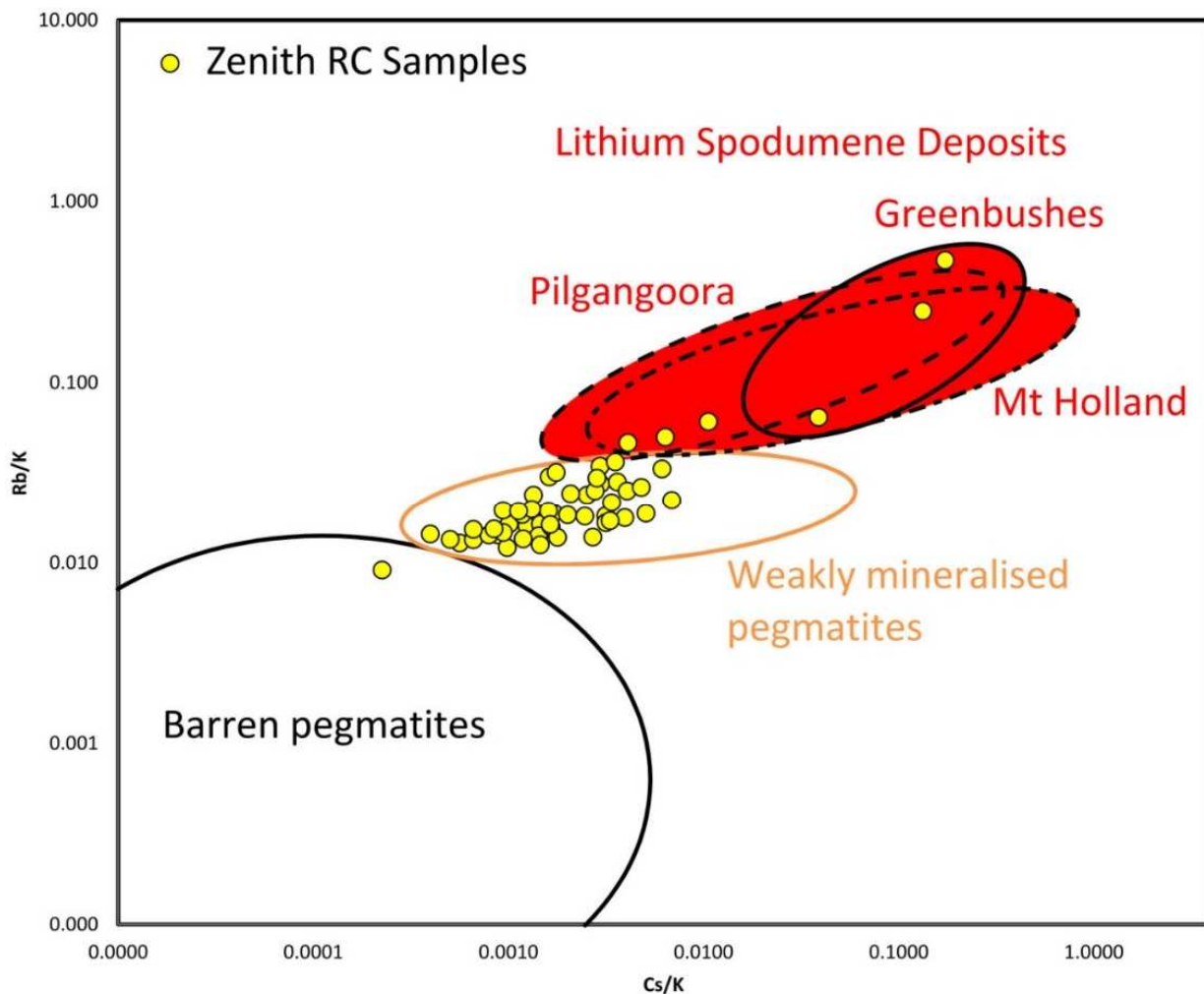


Figure 2: Split Rocks Project – Dulcie Lithium Prospect and Drill Targets 1-7 Overlying Generalised Geology.



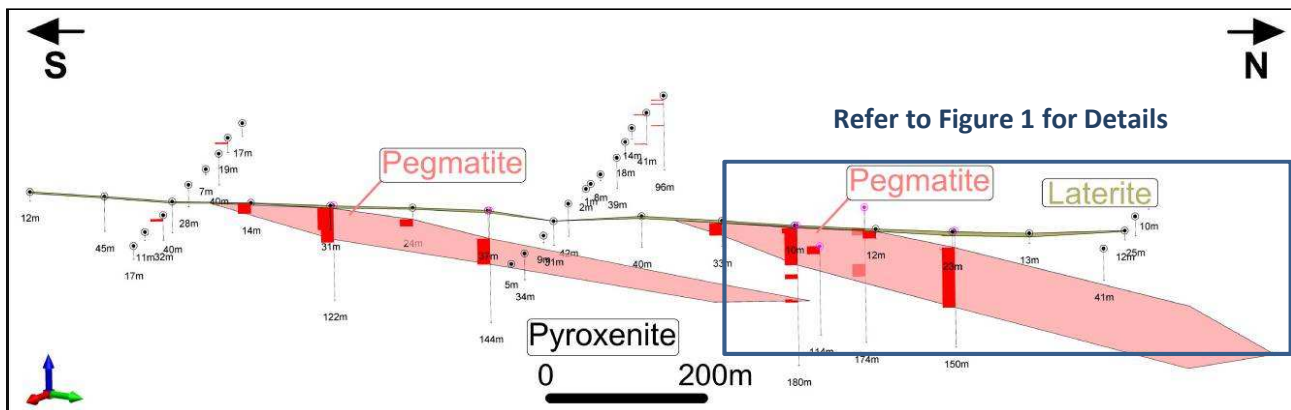


**Figure 3: Dulcie Lithium Prospect – Long Section (looking west). Red intervals downhole indicate fertility in the field of known WA lithium deposits as shown in Figure 4 below.**



**Figure 4: Dulcie Lithium Pegmatite - Chemistry of 4m Composite RC Samples Compared to Selected Lithium Spodumene Deposits – refer to Figure 1 for location of Fertile Dulcie samples.**





**Figure 5: Dulcie Lithium Prospect – Long Section (looking west).**

### Additional Split Rocks Lithium Targets

As detailed in Zenith's ASX releases on (17<sup>th</sup> April 2018, 14<sup>th</sup> September 2017, 4<sup>th</sup> December 2017 and 6<sup>th</sup> July 2018) first pass surface samples taken at Split Rocks, to date covering approximately 20% of the Company's tenements, has defined seven large, coherent lithium anomalies with variable levels of associated caesium, tantalum and rubidium surrounding granite bodies that may be potential source rocks for lithium bearing pegmatites (Figures 2). Three soil anomalies (Lithium Anomaly 1, and 4) as detailed in ZNC ASX Release 6<sup>th</sup> July 2018 returned results up to 134ppm lithium.

The tenor of these large-scale lithium anomalies is comparable with competitor surface results that upon drilling have returned significant bedrock lithium mineralisation in several instances. Field follow-up indicated very little to no outcrop in the areas of the lithium soil anomalies and that drill testing will be required.

RAB drilling of lithium soil anomalies in the western portion of the Split Rocks project testing Lithium Anomaly 4 late in the year was abandoned after only one line of drilling (6 holes) due to heavy rainfall. However encouragingly of the 6 holes 1-hole intersected pegmatite although assay results in this instance show it contained only weakly anomalous lithium. Further drill permits have now been applied for to cover the eastern lithium soil anomalies as detailed in ASX Release 6<sup>th</sup> July 2018) with a plan to drill test these in conjunction with the western lithium targets.

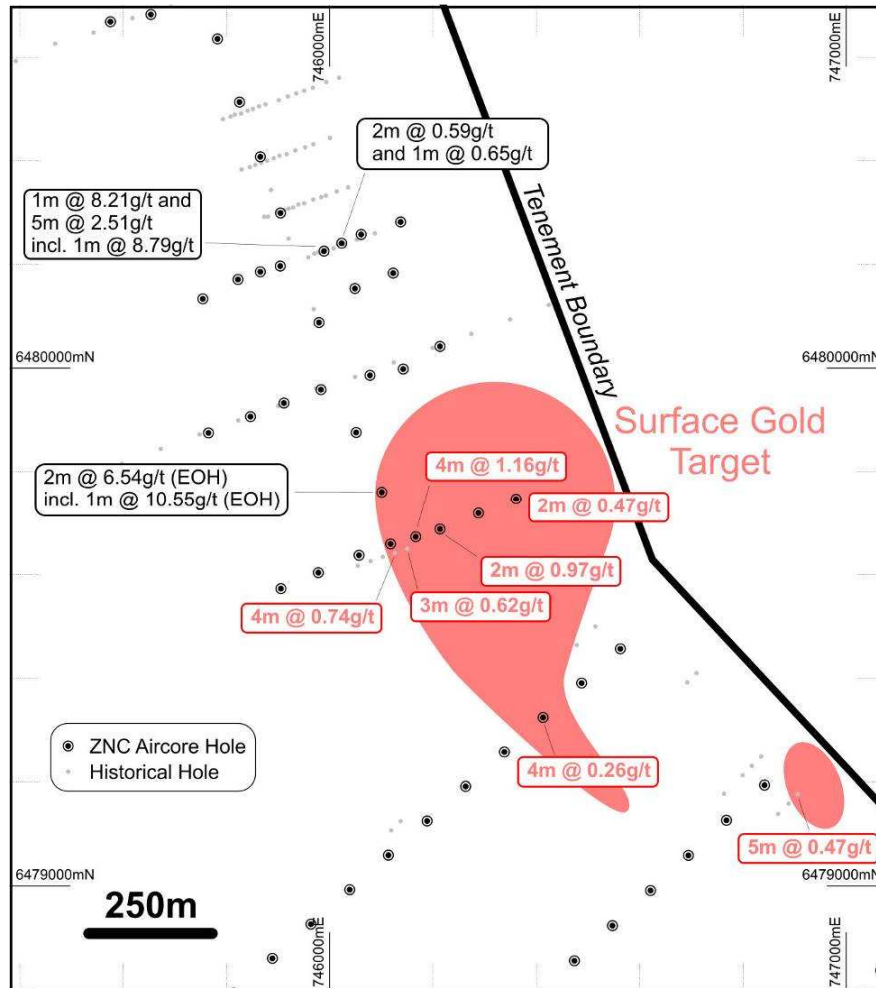
### Split Rocks Gold Results

Significant gold mineralisation was intersected in several drill holes in the south of the Dulcie prospect area (ZNC ASX Release 12<sup>th</sup> Apr 2018). Zenith's maiden aircore drill program confirmed the presence of gold mineralisation first identified in historic exploration in 1998 returning intersections of **5m @ 2.51 g/t gold including 1m @ 8.79 g/t gold** as well as outlining new gold mineralisation on Zenith's southernmost drill lines up to **2m @ 6.54g/t gold (end of hole)** – as detailed in ZNC ASX Release 5<sup>th</sup> June 2018.

Follow-up aircore drilling during the year tested a further 2km of strike returning anomalous gold results including: 4m @ 0.2g/t Au from 40m and 4m @ 0.36 g/t Au from 52m.

An infill drill hole confirmed the presence of gold within the surficial laterite horizon returning **4m @ 1.16 g/t gold from surface**, a hole drilled 430m south along strike intersected 4m @ 0.26 g/t Au from surface whilst a third drill hole 900m along strike returned 4m @ 0.6g/t Au from 8m depth. Potential exists for one or more modest scale, laterite gold, surface deposits of a similar style to that currently being mined and treated at the adjoining Dulcie Heap Leach gold operation (Figure 6).

The planned program to use an RC drill rig to drill test beneath and down dip of the better gold intersections reported above (**such as 2m @ 6.54g/t gold (end of hole)**) was cancelled due to excessive rainfall. Follow-up testing beneath the higher-grade gold results is now planned to be completed in conjunction with the lithium drilling.



**Figure 6: Split Rocks Dulcie Plan Showing Gold Significant Gold Results and Surface Gold Target Zone.**

### Split Rocks Cobalt – Nickel

During the year drilling tested the southern strike extensions of high-grade, near surface cobalt-nickel mineralisation at the Dulcie Prospect. Assay results returned high cobalt-nickel results on the southern-most drill line of the program including: 8m @ 0.05% cobalt and 4m @ 0.05% cobalt. Although high-grade cobalt – nickel mineralisation has been confirmed over 1km of strike extent in a near surface, flat lying, saprolite clay blanket-type body at Dulcie the quantity of mineralisation outlined to date is unlikely to be enough to support a stand-alone project.

### Planned Programs at Split Rocks

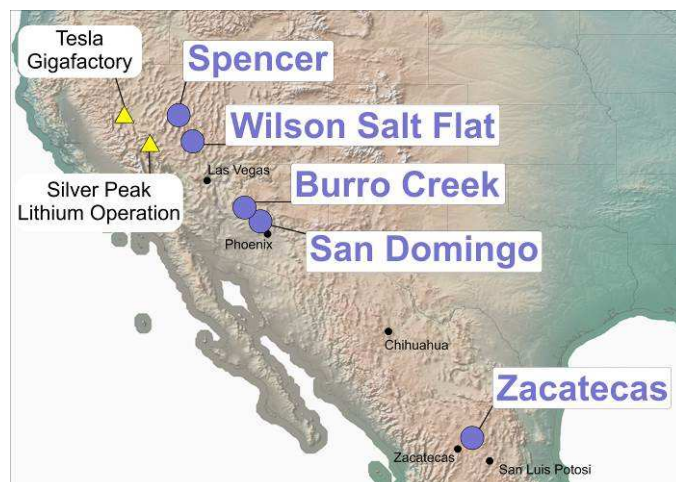
RC drilling is planned to test the northern extension of the Dulcie lithium target and to follow-up testing beneath the higher-grade gold results, whilst initial RAB drilling is planned of the seven lithium soil targets.

## AMERICAN LITHIUM JOINT VENTURE

The American Lithium Joint Venture includes a US\$5 million farm-in deal with a private company controlled by prominent UK investor Jim Mellon (Bradda Head Ltd) (ASX Release 7<sup>th</sup> March 2017) to jointly unlock the potential of Zenith's USA and Mexican lithium project portfolio.

Bradda Head Ltd is planning to list its American Lithium JV interests on London's Alternative Investment Market (AIM) later in 2018.

The partners have also agreed to collaborate on any additional lithium projects that either party acquires within the same jurisdictions. The partners are currently assessing two new lithium opportunities.

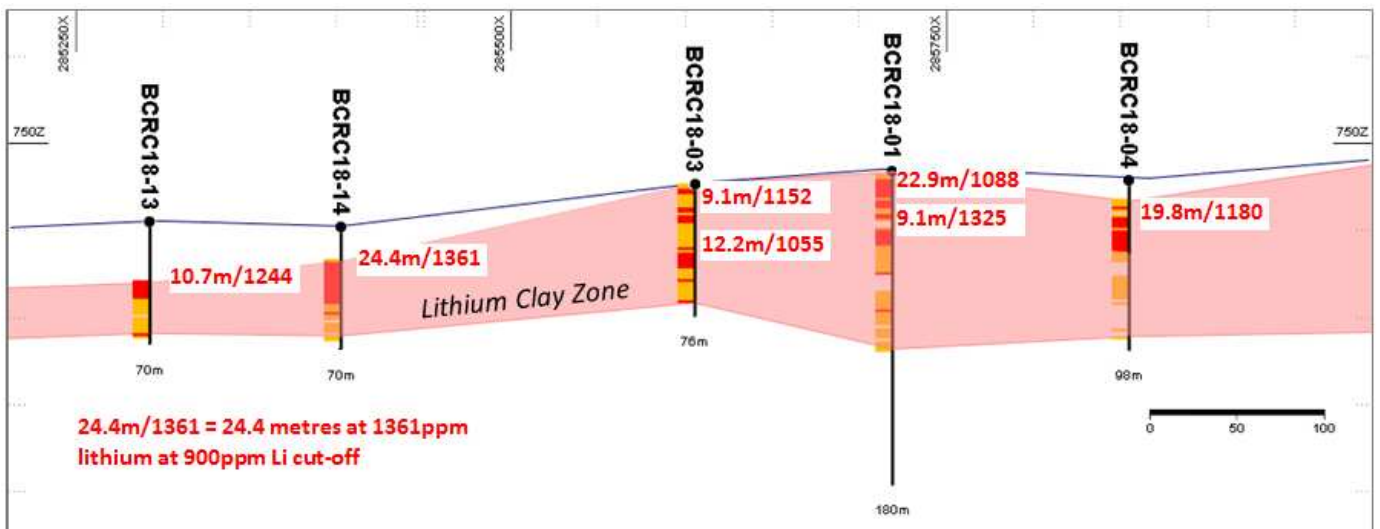


## BURRO CREEK LITHIUM CLAY PROJECT – ARIZONA, USA (Option to Earn 100%)

- **Widespread, near surface lithium results were intersected in the maiden drill program at the Burro Creek project (ZNC – ASX Release 19/06/18) Nevada USA, including:**
  - Hole BCRC18-01 - 22.9 metres @ 1088ppm lithium and 2.94% potassium from 4.68m depth, and 9.1 metres @ 1325ppm lithium and 3.04% potassium from 33.5 metres depth;
  - Hole BCRC18-04 – 19.8 metres @ 1180ppm lithium and 2.23% potassium from 21.3 metres depth;
  - Hole BCRC18-14 - 24.4 metres @ 1361ppm lithium and 3.23% potassium from 19.8m depth.
- Depending on the cut-off grade used the lithium mineralised portion of the clay averages 23 to 54 metres in thickness, whilst recent testwork indicates a bulk density of 1.6 to 1.8 g/cm<sup>3</sup>;
- Drilling to date has tested only 1/4 of the total project area that has recently been expanded by staking claims to the west;
- Mapping and sampling in the western claim area returned further widespread, high-grade lithium clays at surface with two new areas identified each equal in size to the zone of lithium mineralisation discovered in the current drill program;
- Data compilation, interpretation and geological modelling in progress leading to a maiden mineral resource estimate – scheduled for September; and
- Encouraging initial metallurgical testwork.

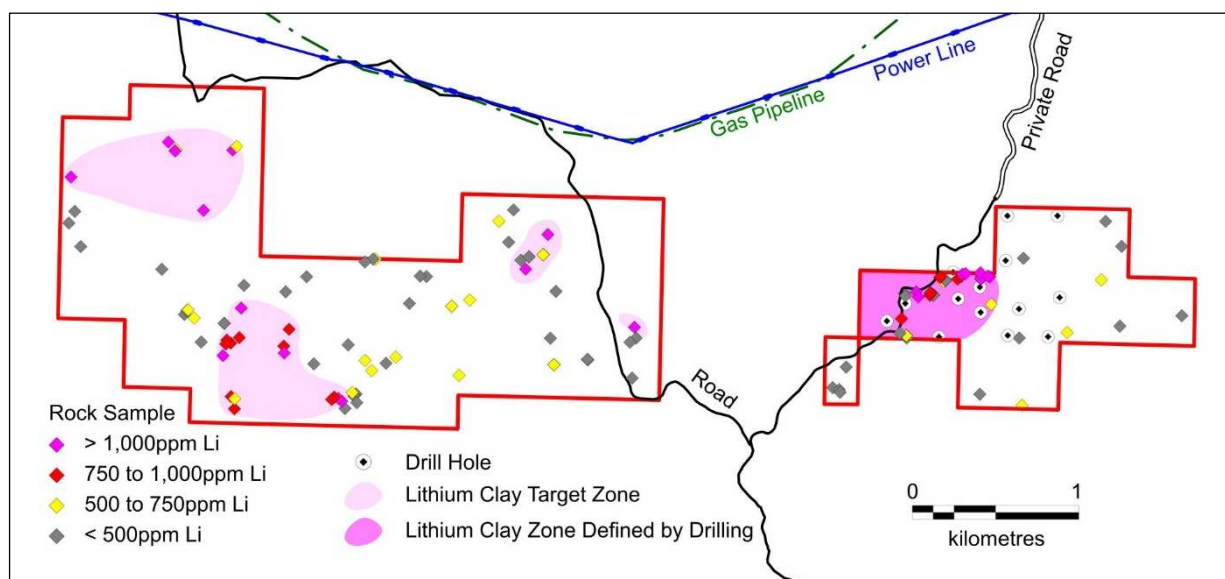
### Activities During the Year

Assay results from the maiden drill program at Burro Creek were received during the year, refer to ZNC ASX Release 19<sup>th</sup> June 2018. The results show that the higher-grade portion of the lithium bearing clay zone is a near surface, flat lying horizon extending over 900m by 400m within the eastern project state leases (Figure 7).



**Figure 7: Burro Creek Drill Cross Section Showing Lithium Results.**

Mapping and surface sampling in the newly staked Burro Creek western claims also identified further widespread, high-grade, flat-lying lithium clays at surface with two new areas identified each equal or greater in size to the zone of lithium mineralisation discovered in the current drill program. These two new areas will be the focus of future resource drilling (Figure 8).



**Figure 8: Burro Creek Project Area Showing Lithium Clay Area Defined by Drilling and Western Claim Area Targets.**

### Exploration Target

Based on the drilling activity noted above, and surface sampling and mapping in the western claim area Zenith and Bradda Head have estimated an Exploration Target<sup>1</sup> for the Burro Creek project of 30-50 million tonnes at 1000 to 1100ppm lithium Li and 2% to 3% potassium. The upcoming maiden resource estimate will report on the eastern claim area only, representing approximately 1/3 of the Exploration Target<sup>1</sup>. It is expected that the western claim area targets will be the subject of a future drill campaign.



Exploration Target <sup>1</sup>	Tonnes	Lithium Grade	Potassium Grade
<b>Burro Creek Project</b>	<b>30 – 50 million</b>	<b>1000 to 1100ppm</b>	<b>2 to 3%</b>

<sup>1</sup>The potential quantities and grades are conceptual in nature and there has been insufficient exploration to date to define a Mineral Resource. It is not certain that further exploration will result in the determination of a Mineral Resource under the “Australian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, the JORC Code” (JORC 2012). The Exploration Target is not being reported as part of any Mineral Resource or Ore Reserve.

### Planned Activities

Data compilation, interpretation and geological modelling are in progress leading to a maiden mineral resource estimate scheduled for September 2018. Further metallurgical testwork commenced on drill samples – results are awaited.

## ZACATECAS LITHIUM BRINE PROJECT – MEXICO

- **Tenure (26,000 acres) over system of salt lakes within emerging lithium brine district in central Mexico;**
- **Lithium brines to 2.1% lithium reported in regional sampling program conducted by the Mexican Federal Government from solar evaporation ponds for salt production on adjacent salt lake (10km west of Zenith’s new tenure);**
- **Government results confirm lithium enriched source brines are present in the district, as well as demonstrating that concentration of lithium by traditional solar evaporation methods is possible: Four water samples returned 1.2%, 1.4%, 1.4% and 2.1% lithium, these very high-grade lithium brines are like post-concentration brine feedstock to lithium brine production facilities;**
- **Systematic surface geochemical sampling by Zenith on salt pans returned highly anomalous lithium in surface sediments up to 1046ppm Li - comparable to and higher than those from competitor lithium brine projects in Mexico and the USA;**
- **Initial 11-hole shallow auger drilling program with strong lithium in salt lake sediments up to 0.09% Li;**
- **Near surface water samples are not strongly saline, perhaps due to rainwater dilution. However, lithium and total salinity in brine samples increase with depth in all holes pointing to deeper target;**
- **Ground based magnetotelluric (MT) geophysical surveys indicate conductive layer beneath the Illescas salt lake; 200 – 400m thick, 2.5km in length sited below strongly anomalous surface sample results, representing a compelling lithium brine drill target;**
- **Conductive layer defined at the San Vicente-San Juan salt lake concession, target zone is 100m to 200m in thickness, at a depth of 50 to 300m depth below surface; and**
- **Permitting for drill testing both Illescas and San Vicente targets has commenced.**

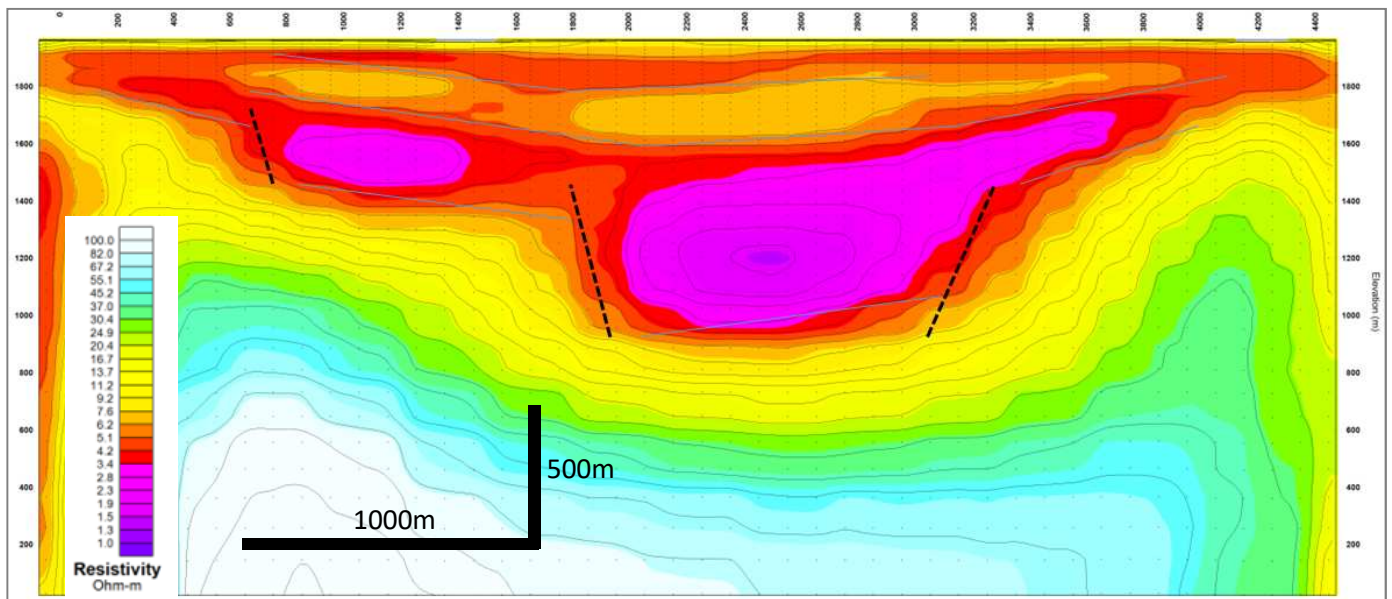
As noted in the ASX Release 24<sup>th</sup> May 2017 systematic surface geochemical sampling by the Company on salt pans covering the Company’s tenure returned highly anomalous lithium in surface sediments up to 1046ppm that were taken from the top 1 metre over an area 4km x 2km - comparable to and higher than those from competitor lithium brine projects in Mexico and the USA.

Following that initial encouragement in confirming lithium geochemical anomalies at surface, a program of 11 shallow auger holes (from 15m to 27m maximum depth) was then completed (as detailed in ASX Release 26<sup>th</sup> June 2017) to assess the very near surface waters and sediments of the San Juan salt lake. The auger holes revealed subsurface clay and sand horizons with salt and gypsum and returned persistent strong lithium values up to 874ppm Li in the host sediments. As expected, basement was not reached in any of the holes.

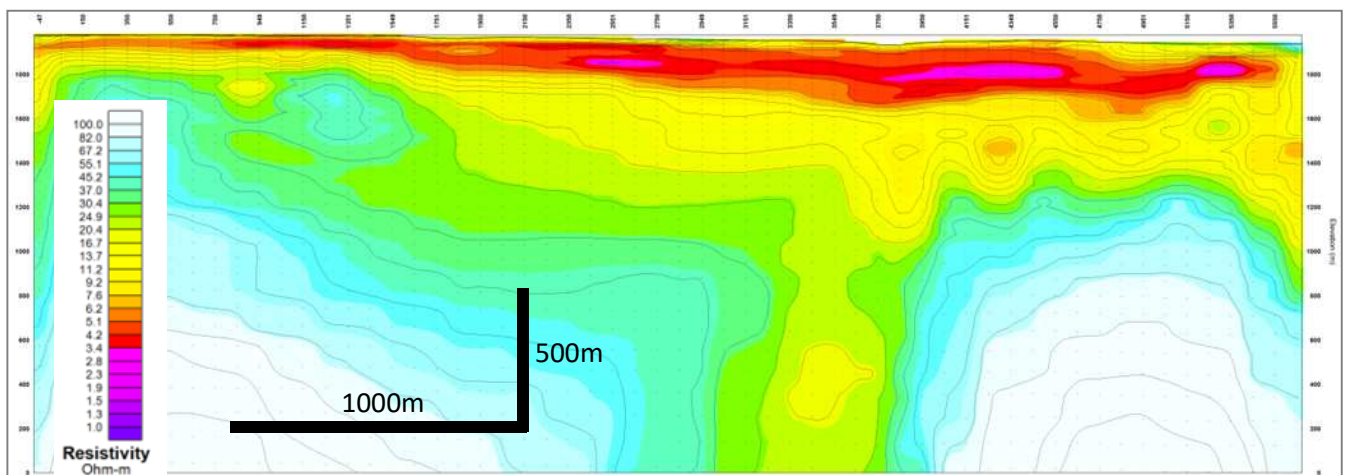
Encouragingly, all the auger holes at San Juan salt lake intersected brine at depths ranging from 5 metres to 15 metres, with both the lithium concentration (maximum 7mg/l Li) and salinity increasing with depth in all holes. Nearest to surface the water samples were not strongly saline and may have been diluted by rainwater. The lithium brine concentration and total salinity increased with depth in all holes pointing towards a deeper drill target beyond the capability of the small auger drill.

### Activities During the Year

Given the drill results reported above an MT geophysical survey was conducted to assess the potential for deeper conductive bodies that could be interpreted as sub-surface brine zones. The MT results, (as detailed in ZNC ASX release 12<sup>th</sup> July 2018) have been highly successful in outlining conductive zones and these are considered compelling lithium brine drill targets (Figures 9 & 10).



**Figure 9: Illescas Salt Lake Cross Section with Magnetotellurics 2D Inversion Showing Strong Conductive Anomaly (purple zone) the Lithium Brine Target Zone.**



**Figure 10: San Vicente-San Juan Salt Lake Cross Section with Magnetotellurics Profile Showing Strong Conductive Anomaly (purple-red zone) the Lithium Brine Target Zone (NB: Conductor considered open to northeast onto adjoining San Juan Concession – apparent termination due to end of line effect).**

### Planned Programs at Zacatecas

Drilling is planned to commence following our JV partner Bradda Head re-listing on AIM.

## **WILSON SALT FLAT LITHIUM BRINE PROJECT – NEVADA USA**

- Sampling by Zenith returned up to 192ppm lithium from salt lake surface;
- The high-grade lithium surface sample results are coincident with gravity low anomalies reflecting basin sedimentary sequences that potentially host lithium brines;
- Both aeromagnetic and gravity modelling indicate complex basement geology indicative of major faults capable of channelling and focusing lithium enriched geothermal fluids; and
- Ground based magnetotelluric (MT) geophysical surveys indicates conductive layer in upper 200 – 300m below surface, representing a lithium brine drill target.

### **Activities During the Year**

Research of oil & gas well data is in progress to obtain additional geological control for the Wilson salt Flat basin.

### **Planned Activities**

An initial 2-hole drilling program has been permitted to test specific structural and stratigraphic targets identified by the geophysical surveys. Given success with these preliminary exploratory drill holes in finding brine aquifers and anomalous lithium contents, additional holes would be placed to expand on the information relating to basin hydrogeology, leading to resource estimation. Drilling planned to commence following our JV partner Bradda Head re-listing on AIM.

## **SAN DOMINGO LITHIUM PEGMATITE PROJECT – ARIZONA USA**

- Abundant lithium bearing pegmatite dykes within Zenith's claims over an area 9km by 1.5km;
- Initial continuous rock chip sampling by Zenith's consultants has returned very encouraging results up to 5m @ 1.97% Li<sub>2</sub>O including 2.4m @ 2.49% Li<sub>2</sub>O within 14.1m zone @ 1.02%Li<sub>2</sub>O from spodumene rich pegmatites;
- Sampling in the SW of the project returned high-grade lithium from pegmatite dykes including select grab samples that returned very high-grade results of 5.8% and 8.0% Li<sub>2</sub>O. Systematic composite rock chip sampling of more strongly weathered spodumene rich pegmatite returned: 2.9m @ 0.86% Li<sub>2</sub>O, 2.8m @ 0.69% Li<sub>2</sub>O, 3m at 0.71%Li<sub>2</sub>O, and 3m @ 0.56% Li<sub>2</sub>O, the latter two samples being part of a near true width zone of 12.7m @ 0.45% Li<sub>2</sub>O; and
- Lithium as spodumene and amblygonite concentrates along with tantalum was produced from pegmatites within the district during the period 1947 – 1952.

### **Activities During the Year**

Limited further field assessment was carried out during the year.

### **Planned Programs**

Initial drill testing of the western San Domingo claim lithium pegmatite targets followed by drilling of the central and eastern pegmatite targets is planned.

## **SPENCER LITHIUM BRINE PROJECT – NEVADA USA**

- Initial reconnaissance sampling by Zenith returned up to 550ppm lithium in surface sediments - comparable to and higher than those from competitor lithium brine projects in the USA;
- The high-grade lithium surface sample results are coincident with gravity low anomalies reflecting basin sedimentary sequences that potentially host lithium brines;
- Local geothermal springs indicate active circulating hot waters capable of leaching lithium whilst aeromagnetic and gravity modelling indicate complex basement geology indicative of major faults capable of channelling and focusing lithium enriched geothermal fluids; and
- Infill surface sampling and ground based geophysical surveys are planned prior to drill testing.



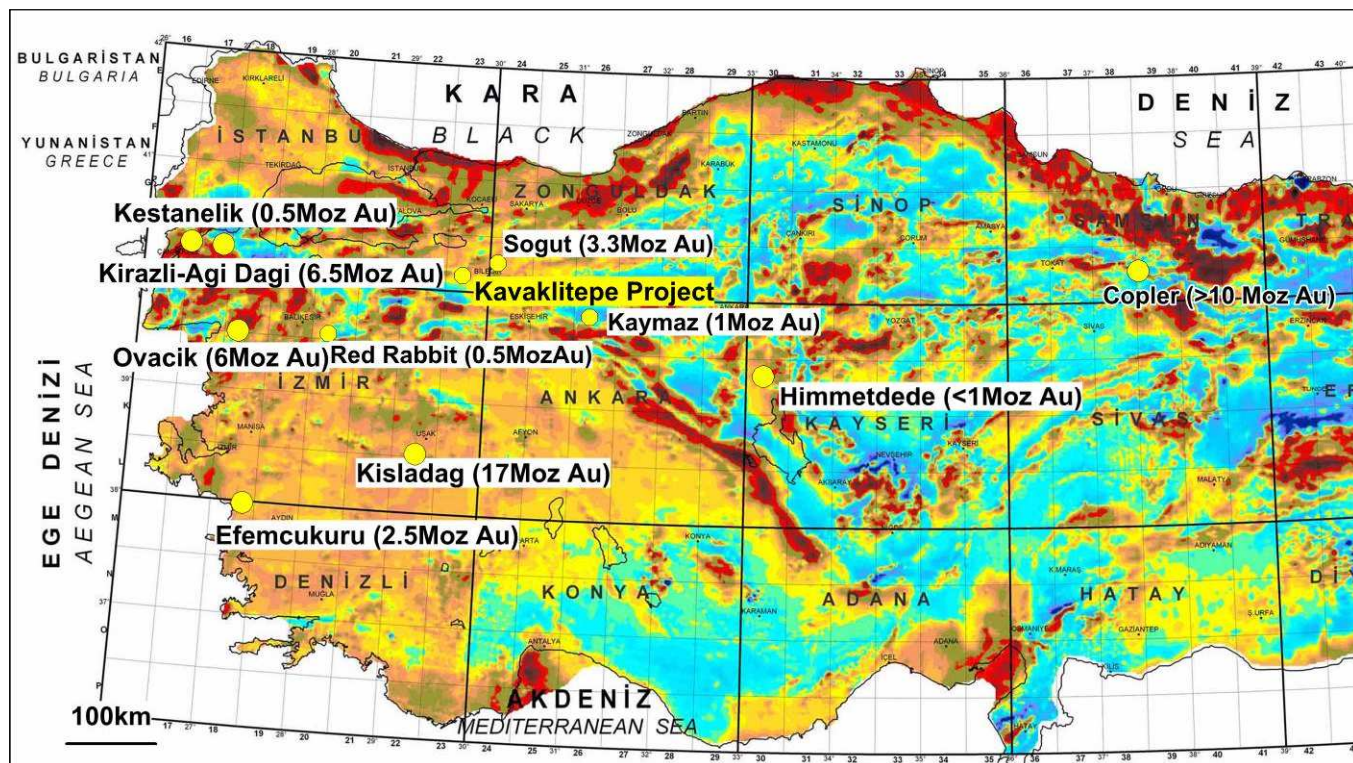
### Activities During the Year

No field work was completed this year.

### Planned Activities

Infill surface sampling and electrical geophysical surveys followed by drilling are the next steps in exploration of the Spencer project.

## KAVAKLITEPE GOLD JOINT VENTURE



*Kavaklitepe Project Location and Regional Gold Endowment (Image is Total Magnetic Intensity).*

## KAVAKLITEPE GOLD PROJECT – TURKEY (Zenith 30%)

- Two coherent plus 800-metre-long, high order gold in soil anomalies (+50 ppb), with peak soil sample values over 1 g/t gold;
- Continuous rock chip of 54.0m grading 3.33 g/t gold, including 21.5m grading 7.2 g/t gold within the northwest soil anomaly (Kuzey Zone);
- Continuous rock chip of 21m grading 2.67 g/t gold at the Discovery Zone, and 12m @ 2.5 g/t gold at the Guney Zone;
- Strong chargeable IP geophysical anomaly 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) at the Kuzey Zone;
- 2016 drill results include: 16m @ 4.7 g/t, 9m @ 5.2g/t and 7.8m @ 7.3g/t gold.

### Activities During the Year

All forestry permits were received to allow drill testing to proceed. Zenith is currently discussing the forward program with Teck for the next round of drill testing.

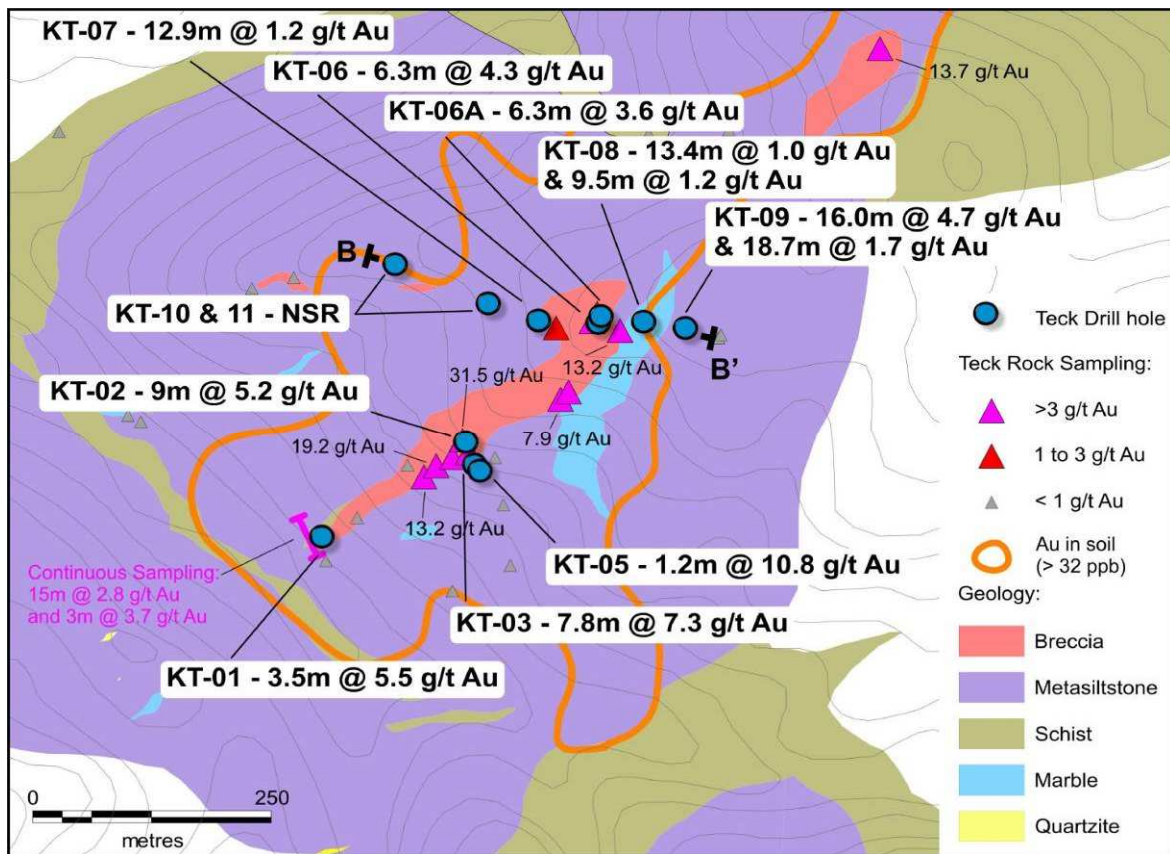


## Background

During 2016 the maiden short-hole diamond drilling program (25 holes/2558.5m) using a mobile rig was completed at the Kavaklitepe gold project in western Turkey. Zenith considers the 2016 program to have been successful with sulphide-related gold mineralisation being discovered at both the Discovery Zone and Kuzey Zone, and with near surface high-grade oxide and transition gold mineralisation also intersected at Kuzey.

## Kuzey Zone

Drilling completed in 2016 (11 holes (KT-01 to KT-11, including KT-06A) provided an initial wide spaced test of only 360m of the 900m by 250m wide Kuzey Zone gold-in-soil anomaly target (Figure 11).



**Figure 11: Kavaklitepe Kuzey Zone Drill Hole Locations, Gold Intersections & Location of Cross Section (B-B').**

Near surface oxide and transition gold mineralisation is interpreted to occur as a flat lying zone extending over the full 360m length that has been drill tested to date. Better intersections that are considered close to true width of high-grade, near surface, gold mineralisation (previously reported) include: KT-01; **3.5m @ 5.5 g/t Au** from surface, KT-02; **9.0m @ 5.2 g/t Au** from surface, KT-03; **7.8m @ 7.3 g/t Au** from 3.3m depth, KT-05; **1.2m @ 10.8 g/t Au** from 14.7m (as part of a 16.9m mineralised zone with lower core recovery), KT-06; **6.3m @ 4.3 g/t Au** from surface, KT-06A ; **6.3m @ 3.6 g/t Au** from surface and KT-07 ; **12.9m @ 1.2 g/t Au** from surface.

Deeper drill results previously reported (5<sup>th</sup> October 2016) from the Kuzey Zone include: hole KT-09; an overall 67.7m gold mineralised zone from 46.2 to end of hole at 113.9m (true width unknown) including several zones of higher grade: **18.7m @ 1.7 g/t Au** from 50.2m, **16.0m @ 4.7 g/t Au** from 82.1m, (including **8.0m @ 7.1 g/t Au**) and **8.8m @ 1.0 g/t Au** with the drill hole ending in mineralisation at 113.9m and hole KT-08; an overall 76.0m gold mineralised zone from 12.5m to 88.5m including: **13.4m @ 1.0 g/t Au** from 16.1m, **1.5m @ 1.3 g/t Au** from 33.0m, **2.0m @ 3.0 g/t Au** from 48.8m, and **9.5m @ 1.2 g/t Au** from 56.8m.

The, high-grade, wide, gold intersections in hole KT-09 are particularly significant, as they represent the best sulphide gold mineralisation intersected to date at Kavaklitepe. Sulphide gold intersections are down-hole widths as the orientation of that style of mineralisation is currently unknown. Gold mineralisation at the Kuzey Zone remains open to the north and east and is open along strike to the south (Figure 12) where drill holes KT-02, KT03 and KT05 only test a portion of the target zone (80m of width).

Reporting cut-off criteria and associated JORC tables are included in ASX release dated 22<sup>nd</sup> December 2016.

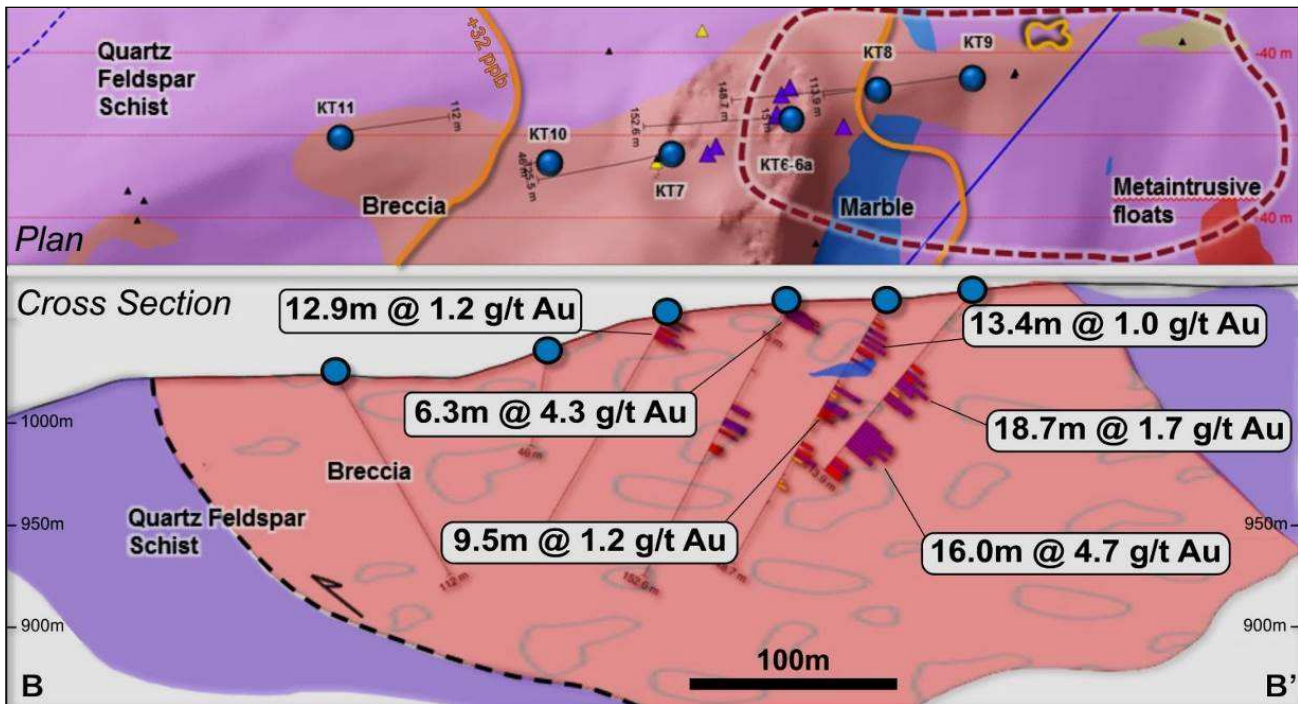


Figure 12: Kavaklitepe Kuzey Zone Cross Section (B-B').

### Discovery and Guney Zones

2016 drilling at the Discovery Zone (2 holes (KT-18A and KT-23) intersected gold mineralisation over a 23.5m interval from 22.5m to 46.0m depth with results including: **9.4m @ 1.5 g/t Au** and **3.5m @ 2.1 g/t Au** (true width intervals). The near surface gold mineralisation dips to the northwest and is 60m down dip of previously reported continuous roadside surface sample results that include: 21.0m @ 2.7 g/t Au and 27.0m @ 1.4 g/t Au (Figure 13). The roadside sampling was conducted as an initial test of the 400m long gold-in-soil anomaly at the Discovery Zone.

The new Discovery Zone gold mineralisation remains open to the northeast and southwest and is open down dip. A second drill hole 275m southwest along strike where surface rock chip samples returned up to 2.4g/t Au, intersecting **1.3m @ 1.3 g/t Au** within a 17.9m wide altered zone from 17.5m to 35.4m with associated anomalous silver, arsenic and antimony.

Drilling at the Guney Zone (11 holes (KT-12 to KT-17 & KT-19 to KT-22 & KT-24 to KT-25) has been technically difficult, intersecting a thick, flat-lying, massive sequence of calc-silicate rocks which contained multiple underground cavities up to 4 metres deep that caused several holes to fail at shallow depths and provided locally only very poor diamond drill core sample recoveries. Hole KT-12 returned **1.2m @ 1.4g/t Au** from 12.5m and **1.3m @ 0.6g/t Au** from 17.2m before being abandoned in a cavity and drill hole KT-21 drilled on the northern part of the prospect intersected a wide zone (30.7 m) of silicified and altered breccia crosscutting a meta-siltstone rock sequence from 54.9m to 85.6m with associated higher concentrations of trace elements arsenic, antimony and silver more similar to those returning significant gold intersections at the Kuzey and Discovery zones.



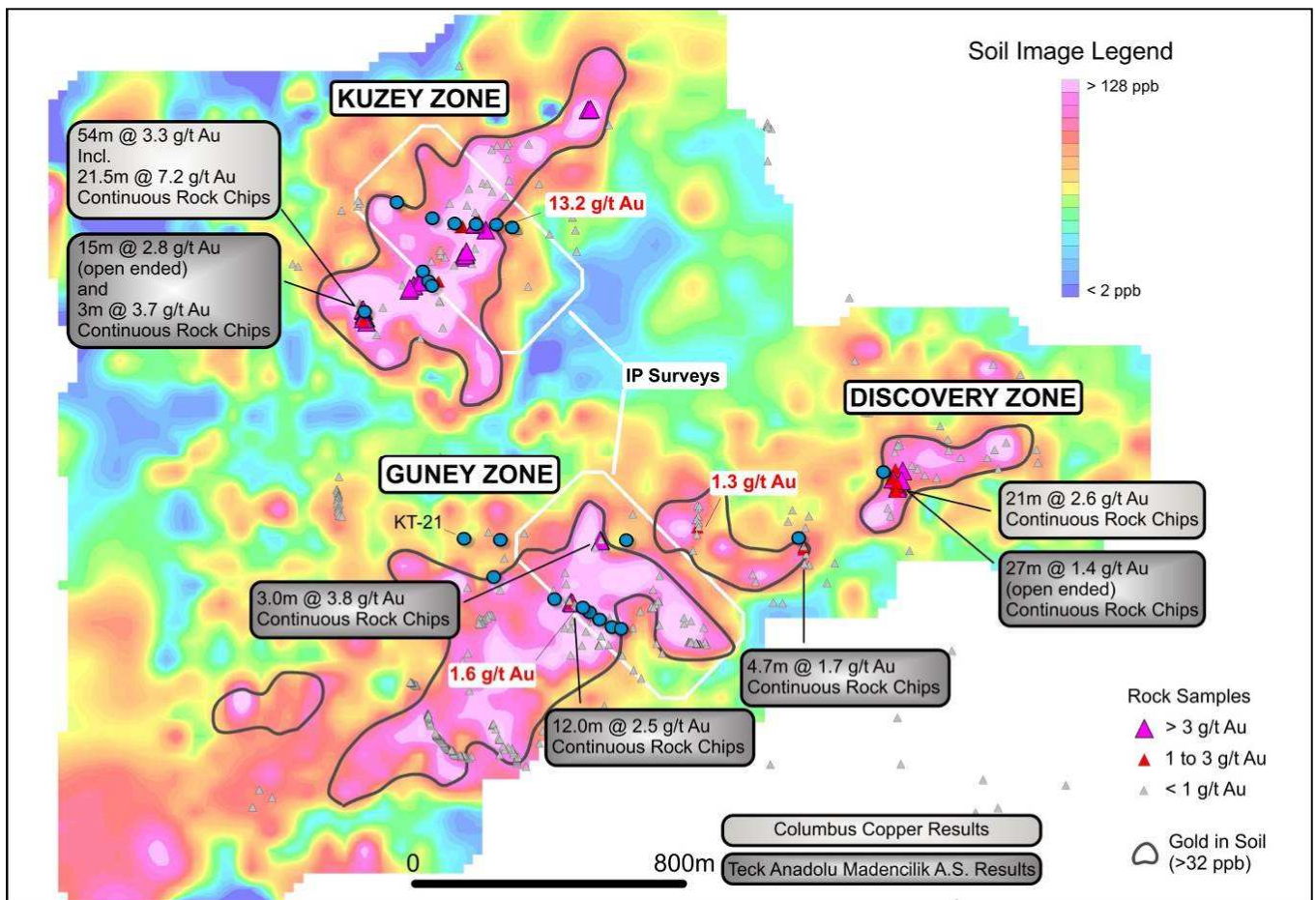
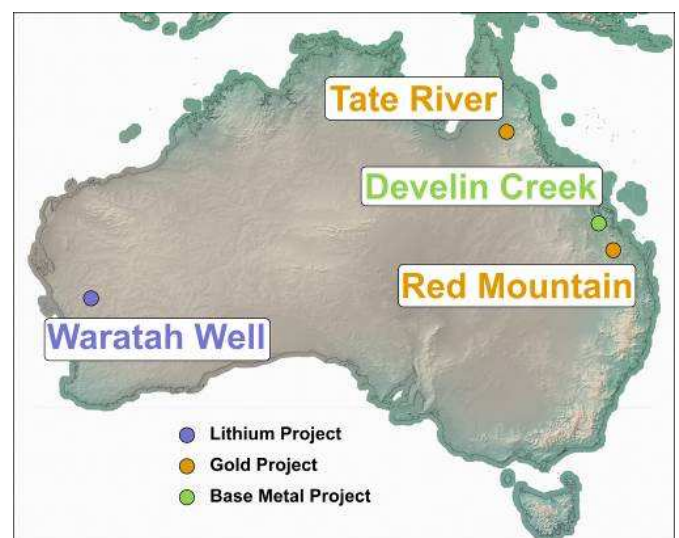


Figure 13: Plan Showing Kavaklitepe Project Gold Geochemistry.

## OTHER AUSTRALIAN EXPLORATION PROJECTS

The Company is continuing to explore projects that possess strong technical merit. The Company's focus is on advancing its project portfolio of high-quality lithium, gold and base metals projects.



**DEVELIN CREEK COPPER-ZINC-GOLD-SILVER PROJECT – QLD (Zenith 100%)**

- Inferred Mineral Resource (JORC 2012) of: 2.57Mt @ 1.76% copper, 2.01% zinc, 0.24g/t gold and 9.6g/t silver (2.62% CuEq) released to ASX on the 15<sup>th</sup> February 2015;
- Upside to resource grades with Zenith RC hole twinning previous 1993 percussion hole returning significantly higher copper, zinc, gold and silver grades (300% to 700% higher);
- Initial metallurgical testwork results show positive first stage “rougher” recoveries of 90%;
- Highly prospective host rock extends for up to 50km north - south in Develin Creek tenure;
- Wilsons Copper Prospect up to 2.7% copper and 0.4% zinc in surface gossans;
- Drilling planned to test new targets and twin historical potentially ineffective drill holes.

**Activities During the Year**

Systematic surface sampling program continued to screen regional target zones with total of approximately 2,679 soil samples and 10 rock chip samples collected.

**Planned Activities**

Geochemical analyses will be completed post the end of the reporting period in August 2018.

**TATE RIVER GOLD PROJECT – QLD (Zenith Earning up to 70%)**

- Widespread bedrock gold mineralisation confirmed by Zenith excavator trenching program at the Guppy Strike prospect: with results including: 5m @ 3.92g/t Au, 3m @ 1.72 g/t Au, 3m @ 1.09 g/t Au and 2m @ 0.82g/t Au. Wide zones of strongly anomalous gold i.e. Trench GT12 (entire length average 166m @ 0.14g/t Au) indicate large scale gold mineralised system;
- Setting and geochemical association is indicative of an intrusion related gold system. Nearby deposits of this type include Mungana / Red Dome gold mine that had gold endowment of 2.7Moz Au;
- Focus is now on assessing the large gold prospective land-holding, an initial 700 soil sample assay results part of a larger planned systematic sampling program are awaited.

**Activities During the Year**

Systematic surface sampling programs were completed over regional target areas with a total of approximately 700 soil samples and 16 rock chip samples collected whilst 985 metres of trenching was completed, and 300 soil samples and 14 rock chips were collected as part of the Guppy Strike prospect evaluation.

Widespread bedrock gold mineralisation was confirmed by Zenith excavator trenching program at the Guppy Strike prospect: with results including: 5m @ 3.92g/t Au, 3m @ 1.72 g/t Au, 3m @ 1.09 g/t Au and 2m @ 0.82g/t Au. Wide zones of strongly anomalous gold i.e. Trench GT12 (entire length average 166m @ 0.14g/t Au) indicate a large-scale gold mineralised system. The setting and geochemical association is indicative of an intrusion related gold system like the nearby Mungana / Red Dome gold mine that had gold endowment of 2.7Moz Au.

Several new gold mineralised quartz veins and vein breccia zones were recognized and sampled during the start of the ongoing regional assessment program. Although assays results have been received for the rock chip samples with 6 samples returning greater than 1 g/t Au (maximum 2.11g/t Au), the Company is awaiting soils assay results to assist in determining the context and significance of the wide spaced rock sample gold results.

**Planned Activities**

Approximately 700 soil samples require analysis.



**RED MOUNTAIN GOLD-SILVER PROJECT – QLD (Zenith 100%)**

- Initial reconnaissance field work by Zenith returned highly encouraging silver and gold rock chip sample results up to 114 g/t silver and 0.69 g/t gold;
- 1km long, high-order (>100 ppb) silver soil geochemical anomaly confirmed with results up to 1 g/t silver. Open ended silver soil anomaly provides target scale and immediate follow-up opportunity;
- Mineralisation hosted in felsic volcanic sequence that has not been previously recognized in this area and does not appear on regional government geological maps.

Limited exploration was completed during the year with field work proposed for the second half of calendar year 2018. Follow-up mapping and sampling is required to define the extents of the gold-silver mineralisation along with trenching to test the true thickness of the poorly exposed gold-silver zones and to track mineralisation where it extends beneath shallow soil cover to the southwest of mapped outcrop.

**WARATAH WELL LITHIUM-TANTALUM PROJECT – WA (Zenith 100%)**

- Waratah Well Project covers area of extensive outcropping pegmatites (3km x 2km) in area where no reported previous exploration for lithium;
- Lithium rock chip sample results up to 1.75% Li<sub>2</sub>O as well as widespread, high-grade tantalum up to 1166ppm Ta<sub>2</sub>O<sub>5</sub> (ZNC ASX release - 27/04/18);
- High-grade tantalum mineralisation to be assessed in conjunction with lithium potential.

**Activities During the Year**

During the year the focus of exploration has been on assessing the lithium and tantalum potential of an area of extensive outcropping pegmatites, the following work was completed:

- Collection and analysis of 271 surface geochemical soil samples;
- 37 portable XRF analyses of pegmatites;
- 23 rock chip samples of pegmatites; and
- XRF analysis of 779 surface lag and rock samples for base metals.

The work resulted in the discovery of high-grade lithium and tantalum within the pegmatites and given the high tantalum content of initial wide-spaced surface rock chip sampling the company also commissioned a study of the tantalum minerals (deportment and chemistry) to ascertain marketability. Three tantalum bearing rock samples were sent to Townend Mineralogical Laboratory for examination and testing. The samples were shown to contain the tantalum bearing minerals dominated by microlite with lesser wodginite, tantalite, tantite and plumbo-microlite with variable grain sizes between 10 microns and 400 microns. Based on discussions with a speciality minerals marketing expert the mineral assemblages in this initial test of surface material appear to be a potentially marketable tantalum product.

In addition, a campaign of surface geochemistry using a portable XRF was completed to assess base metal potential of the southwestern portion of the Waratah Well exploration licence with no significant drill targets generated.

**Planned Activities**

Additional surface mapping and sampling is required to scope out the distribution of tantalum mineralisation in conjunction with further assessment of the lithium potential of the project.

## JOINT VENTURES & OPTIONS ON ZENITH PROPERTIES

The company has continued to implement its strategy of being an exploration project generator. Projects are either advanced by the Company's experienced team applying innovative exploration techniques or by partners who have the technical and financial capability depending on how the Board believes shareholders' best interests are served.

The company has two projects optioned to partners:

- Earacheedy Zinc and
- Vivash Iron.



### EARAHEEDY ZINC PROJECT – WA (Zenith 100%, ASX: RTR option to acquire 75%)

- Wide spaced drilling defined stratiform zinc and lead mineralisation over 20km of strike within carbonate sediments of the Earacheedy Basin in Western Australia;
- Historical drilling intercepted high-grade zinc up to 18.6% within an intersection 3.3m @ 11.2% Zn, and 0.93% Pb from 150m. Other drill-holes include 2m @ 8.23% Zn and 2.77% Pb from 103m;
- Coarse grain sphalerite (Zn) and galena (Pb) with pyrite and marcasite occurs as breccias, veins and replacement zones within carbonates;
- Mineralisation style similar to Mississippi Valley Type (MVT) large high-grade base metal deposits that include the Devonian Lennard Shelf deposits of the Kimberley Region of Western Australia;
- Gravity survey outlined several non-magnetic and non-topographic related gravity anomalies and trends that lies close to both northwest (basement faults) and northeast (cross faults) that provide potential new target zones structures;
- Geochemical sampling program completed - results awaited;
- Drill testing planned by RTR in September 2018.

#### Activities During the Year

Rumble Resources completed gravity geophysical and geochemical surveys over the Earacheedy Zinc project. The geophysical program outlined several non-magnetic and non-topographic related gravity anomalies and trends that lies close to both northwest (basement faults) and northeast (cross faults) that provide potential new target zones structures, whilst a partial leach surface geochemical sampling program (370 samples) was completed to help delineate base metal leakage haloes associated with potential mineralised fault breccias. Assay results are awaited.

#### Planned Activities

Rumble Resources Limited (RTR) are planning to drill test the Earacheedy zinc targets in September 2018 having received Western Australian Government Exploration Incentive Scheme funding for the program.

#### Rumble Resources Limited Transaction

An option agreement was executed with Rumble Resources Limited (RTR) over the Earacheedy Zinc project, as announced to the ASX by RTR on the 12<sup>th</sup> October 2017. Zenith received RTR shares worth \$50,000 as an initial option payment. RTR may purchase a 75% interest in the Earacheedy Zinc project for \$550k in shares within 2 years, subject to a 2-year extension (for a further payment of \$200k cash or shares at Zenith's election). Upon exercise of option to purchase the Earacheedy Zinc project by RTR, ZNC is then free carried at 25% to the end of a BFS.

## **VIVASH GORGE IRON PROJECT – WA (ZENITH 100%, OPTION TO RTX)**

- The Vivash Gorge project covers areas of prospective Brockman and Marra Mamba iron formations along strike of Rio Tinto Iron Ore's Brockman 4 operating iron ore mine in the Pilbara region of Western Australia;
- Evaluation to commence once land access obtained.

### **Activities During the Year**

A binding term sheet was executed with Rio Tinto Exploration Pty Ltd (RTX) whereby RTX has the right to explore, and an option to acquire 100% of, Zenith's Vivash Gorge Iron Project.

### **Background on Vivash Gorge Iron Project**

The Vivash Gorge Iron Project (exploration licence E47/3071) is situated approximately 80km west of Tom Price in the Pilbara region of Western Australia. The project covers approximately 8km of strike of prospective Brockman and Marra Mamba iron formations along trend of Rio Tinto Iron Ore's Brockman 4 operating iron ore mine.

### **Option Terms**

- RTX to pay Zenith an initial option fee of \$50k for a 1-year option period (running from execution date until 1 year after achieving land access) to exclusively explore the Vivash Gorge iron project;
- RTX able to extend the option period by a further 2 years by paying Zenith \$50k/annum;
- RTX able to exercise option to acquire 100% of the Vivash Gorge iron project before the end of the option period by paying Zenith a once off cash payment of \$500k;
- RTX to pay a success fee to Zenith of a further \$1.0m when RTX expends more than \$7.5m on the Vivash Gorge iron project, excluding tenement rents, rates & native title related costs;
- Should RTX on-sell the Vivash Gorge project to a third party within 5 years of acquiring it, an on-sale payment of 10% of the consideration would be payable to Zenith; and
- Other terms and conditions that are of an industry standard nature.

## **MINERAL RESOURCES IN RETENTION**

The Company has secured retention licences over the Earacheedy Manganese and Mt Alexander Iron deposits. The retention licence/status allows Zenith to hold the Mineral Resources but negates any ongoing Department of Mines statutory annual expenditure requirements for those licences for an extended period.

The Company regularly assesses the iron and manganese market conditions to determine if a development review of these assets is warranted.



## **MT ALEXANDER IRON PROJECT – WA (Zenith 100%)**

Magnetite iron ore Mineral Resources are retained under retention licences pending an improvement in market conditions. Refer to the Company's website [www.zenithminerals.com.au](http://www.zenithminerals.com.au) for further details.

## EARAHEEDY MANGANESE PROJECT – WA (Zenith 100%)

Manganese Mineral Resources at Red Lake and Lockeridge are retained under retention licences pending an improvement in market conditions. Refer to the Company's website [www.zenithminerals.com.au](http://www.zenithminerals.com.au) for further details.

## MINERAL RESOURCE STATEMENT

### Develin Creek Copper-Zinc-Gold-Silver Project Mineral Resource

There was no change to the Inferred Mineral Resource for the Develin Creek Copper-Zinc-Gold-Silver Projects previously released to the ASX on the 15<sup>th</sup> February 2015.

Develin Creek Inferred Mineral Resource (JORC 2012) - February 2015					
Deposit	Tonnes	Cu% Grade	Zn% Grade	Ag g/t Grade	Au g/t Grade
SULPHIDE CITY	1,796,700	1.75	2.37	9.7	0.23
SCORPION	548,900	1.98	1.66	13.0	0.36
WINDOW	225,600	1.30	-	0.8	0.02
TOTAL	2,571,200	1.76	2.01	9.6	0.24

### Red Lake Manganese Mineral Resource

There was no change to the Red Lake Inferred Mineral Resource for manganese previously released to the ASX in August 2014.

Red Lake Manganese Mineral Resource Estimate as at August 2014									
Classification	Reporting Cut-off Grade	Tonnes (Mt)	Mn %	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	S %	LOI %
Inferred	25% Mn	0.2	30.0	14.1	13.8	7.9	0.24	0.03	12.1
	20% Mn	0.5	25.1	16.1	17.0	8.9	0.25	0.06	11.9
	15% Mn	1.1	20.8	17.7	20.5	9.3	0.24	0.17	11.5
	10% Mn	1.4	19.0	19.1	20.8	9.6	0.26	0.19	11.4
Note: The CSA Mineral Resource was estimated within constraining wireframe solids based on the specified nominal lower cut-off grade for Mn. The Mineral Resource is quoted from all blocks above the specified Mn cut-off grade %. Differences may occur due to rounding.									

### Lockeridge Manganese Mineral Resource

There was no change to the Lockeridge Inferred Mineral Resource for manganese previously released to the ASX on the 15<sup>th</sup> April 2015.

Lockeridge Manganese Mineral Resource Estimate as at April 2015									
Classification	Reporting Cut-off Grade	Tonnes (Mt)	Mn %	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	S %	LOI %
Inferred	20% Mn	1.0	30.2	7.0	18.9	4.1	0.12	0.01	5.7
	15% Mn	1.9	23.4	6.7	25.4	4.7	0.15	0.01	10.4
	10% Mn	2.6	20.6	6.9	27.6	5.1	0.16	0.01	12.0

Note: The Mineral Resource was estimated within constraining wireframe solids based on the specified nominal lower cut-off grade for Mn. The Mineral Resource is quoted from all blocks above the specified Mn cut-off grade %. Differences may occur due to rounding.

### Mt Alexander Iron Mineral Resource

There was no change to the Mount Alexander Inferred Mineral Resource for magnetite iron previously released to the ASX in June 2015.



<b>Mount Alexander BIF Inferred Mineral Resource estimate as at June 2015</b>							
		Head Grade					
Classification	Tonnes (Mt)	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	LOI %	P %	S %
Inferred	565.7	30.0	48.1	2.2	-0.4	0.1	0.46
	DTR	DTR Concentrate Grade					
	Mass Recovery %	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	LOI %	P %	S %
	24.8	69.9	2.4	0.1	-2.7	0.01	1.1

### **Mt Alexander West Iron Mineral Resource**

There was no change to the Mount Alexander West Inferred Mineral Resource for magnetite iron previously released to the ASX in June 2015.

<b>Mount Alexander West BIF Inferred Mineral Resource estimate as at June 2015 (18%Fe cut-off)</b>							
		Head Grade					
Classification	Tonnes (Mt)	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	LOI %	P %	S %
Inferred	25.9	22.7	50.0	7.9	0.27	0.35	0.04

### **Mineral Resource Governance and Internal Controls**

Zenith Minerals Limited ensures that the Mineral Resource estimates quoted are subject to governance arrangements and internal controls. All the Company's Mineral Resources have been estimated by independent third-party competent persons or for selected inferred resources by suitably qualified and experienced Company personnel. All resources have been subject to review by Zenith Minerals Limited technical staff and by a sub-committee appointed by the Board of Directors.

The Company re-affirms that its Mineral Resources are reported in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code) 2012 Edition.

## **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 Mineral Resources at Zenith's Red Lake Earraheedy project is based on information compiled by Mr Dmitry Pertel, a Competent Person who is a fulltime employee of CSA Global Pty Ltd and a member of the Australian Institute of Geoscientists (AIG). Mr Pertel has sufficient experience 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 Mineral Resources and Ore Reserves". Mr Pertel consents to the inclusion of such information in this report in the form and context in which it appears.*

*The information in this report that relates to Mineral Resources at Zenith's Lockeridge - Earraheedy project, Mt Alexander project and Mt Alexander West project is based on information compiled by Mr Rodney Michael Joyce, a Competent Person who is a director of the Company and a Member of the AusIMM. Mr Joyce has sufficient experience 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 Mineral Resources and Ore Reserves". Mr Joyce consents to the inclusion of such information in this report in the form and context in which it appears.*

The Directors present their report, together with the financial statements of the consolidated entity, being Zenith Minerals Limited and subsidiaries ("the Consolidated Entity") it controlled at the end of, or during, the year ended 30 June 2018, 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:

<b>Rodney M Joyce</b>	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 39 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):	None
Special Responsibilities:	Technical and Corporate
Interest in Shares:	11,469,619 ordinary shares
Interest in Options:	None
Contractual Right to Shares:	None
<b>Michael J Clifford</b>	Managing Director, appointed 18 March 2014
Qualifications:	BSc. (Hons), 1987, MSc
Experience:	Mick Clifford is a geologist with over 30 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, Mongolia and Turkey.
Other Current Directorships:	None
Former Directorships (last 3 years):	None
Special Responsibilities:	Executive Director

**Michael J Clifford (cont.)**

Interest in Shares: 2,357,876 Ordinary Shares  
Interest in Options 1,350,000 Unlisted Options  
Contractual Right to Shares: None

**Stanley A Macdonald**

Non-Executive Director, appointed 24 April 2006  
Experience: Stan Macdonald has been associated with the mining and exploration industry for over 24 years  
Other Current Directorships: Gascoyne Resources Limited (Non-Executive Director from 20 April 2011)  
Former Directorships (last 3 years): None  
Special Responsibilities: Company promotion and project acquisition  
Interest in Shares: 4,774,346 Ordinary Shares  
Interest in Options: None  
Contractual Right to Shares: None

**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 Chief Geologist 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: None  
Former Directorships (last 3 years): None  
Special Responsibilities: Technical and Corporate  
Interest in Shares: 2,220,526 Ordinary Shares  
Interest in Options: None  
Contractual Right to Shares: None

**Graham D Riley**

Non-Executive Director, appointed 2 May 2018  
Qualifications: B. Juris LLB  
Experience: Graham is a qualified legal practitioner, having gained his Bachelor of Law and Bachelor of Jurisprudence Degrees. After 10 years legal practice as a partner of a commercial firm in Perth, he resigned to pursue private interests in the resources and exploration sector, where he continues to act in various non-executive capacities. Graham previously served as Non-Executive Chairman of Giralia Resources NL, Buru Energy NL, Entek Energy Limited, Red Hill Iron Limited and a Director of Adelphi Energy NL. He was also a Non-Executive Director of Arc Energy Limited.



**Graham D Riley (cont.)**

Other Current Directorships:	Gascoyne Resources Limited (Non-Executive Director from 19 October 2009)
Former Directorships (last 3 years):	Entek Energy Ltd (Non-Executive Chairman, appointed 1 February 2011, resigned 1 September 2017)
Special Responsibilities:	Legal, Technical and Corporate
Interest in Shares:	7,995,000 Ordinary Shares
Interest in Options	None
Contractual Right to Shares:	None

*'Other current directorships'* mentioned above are current directorships for listed entities only, excluding directorships of all other types of entities, unless otherwise stated.

*'Former directorships (last 3 years)'* mentioned above are directorships held in the last 3 years for listed entities only, excluding directorships of all other types of entities, unless otherwise stated.

**2. COMPANY SECRETARY**

**Melinda Nelmes CA**

Melinda Nelmes was appointed Company Secretary on 20 March 2014

Melinda is a Chartered Accountant with over 27 years' experience, including eleven years as Chief Financial Officer and Company Secretary for ASX listed and private companies in the exploration industry, with companies operating in Australia, USA, Mexico, Indonesia and Turkey. Prior experience to this includes being a Financial Group Accountant in the financial services sector. Melinda has valuable 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	4	4	11	11
Mr S A Macdonald	4	4	11	11
Mr J D Goldsworthy	4	4	11	11
Mr G D Riley	2	2	3	3
Mr M J Clifford	4	4	11	11

**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. Key Management Personnel Remuneration
- C. Equity Instruments

The information provided under headings A-C 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 tables provided under heading 'B. Key Management Personnel Remuneration'. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

**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 framework aligns executive reward with achievement of strategic objectives and creation of long term growth and success for shareholders. The Board ensures that remuneration satisfies the following criteria:

- competitiveness and reasonableness
- transparency
- acceptability to shareholders
- attracts and retains high caliber executives
- rewards capability, experience and performance
- performance alignment of executive compensation.

The full Board acts on behalf of Nomination and Remuneration Committee matters and is responsible for determining and reviewing the remuneration packages for its directors and executives. Remuneration of key management personnel for the year ended 30 June 2018 has been determined by the Board. In this respect consideration is given to normal commercial rates of remuneration for similar levels of responsibility that is market competitive and complementary to the reward strategy of the consolidated entity. Alignment to shareholders interests focuses on pursuing long term growth in shareholder wealth, consisting of growth in share price and success of the Company within an appropriate control framework. The structure of non-executive directors' remuneration and executive remuneration are separate as recommended by Corporate Governance Council best practice.

**Executive Remuneration**

The consolidated entity aims to reward executives with a level of remuneration based on their position and responsibility, which has a mix of both fixed and variable components. The remuneration of executives and reward framework comprises a combination of:

- base pay and non-monetary benefits
- performance linked incentives
- share based payments
- other remuneration such as superannuation and long service leave.

### 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 acting in their capacity as the Nomination and Remuneration Committee 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 or short-term incentive components.

### Long-Term Incentive

Long-term incentives comprise of long service leave and share based payments in the form 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. The Board of Directors acting in their capacity as the Nomination and Remuneration Committee, review the long-term incentives for executives on an annual basis during its review process of the executive's performance.

### 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:

	2018 \$	2017 \$	2016 \$	2015 \$	2014 \$
Loss attributable to owners of the Group	682,929	952,932	1,068,003	6,351,356	846,223
Basic Loss per Share	0.003	0.005	0.008	0.051	0.008
Share Price at financial year end (\$)	0.18	0.10	0.11	0.04	0.09
Changes in share price (from initial listing of 25 cents)	-0.07	-0.15	-0.14	-0.21	-0.16

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 by the Board acting in its capacity as the Nomination and Remuneration Committee.

**Non-Executive Compensation**

Remuneration of Non-executives comprise fees in the form of cash and statutory superannuation entitlements, quantified by having regard to industry practice and the need to obtain appropriately qualified, independent persons. Fees may contain non-monetary elements. Fees and payments to non-executive directors have regard to the demands and responsibilities of their role which covers all main board activities and membership of applicable sub-committees.

The Board acting as the Nomination and Remuneration Committee reviews non-executive director fees and payments annually. 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.

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.

During the financial year ended 30 June 2018, the Chairman's fees were \$40,000 plus statutory superannuation of 9.50% per annum.

**Voting and comments made at The Consolidated Entity's 2017 Annual General Meeting ('AGM')**

At the 2017 AGM, 99.24% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. There was no specific feedback received at the AGM, regarding its remuneration practices.

**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 G D Riley - Non-Executive Director
- Mr M J Clifford – Managing Director

and the following persons:

- Mrs M J Nelmes – Company Secretary and Chief Financial Officer.



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

		Short-Term Benefits			Post-Employment Benefits	Other Long Term Benefits	Share-Based Payments	S300A(1)(e)(i)	S300A(1)(e)(vi)	
		Cash Salary & Fees	Cash Bonus	Non-Monetary Benefits	Super-annuation	Long Service Leave	Options	TOTAL	Proportion of Remuneration Performance Related %	Value of Options as Proportion of Remuneration %
		\$	\$	\$	\$	\$	\$	\$		
Non- Executive Directors:										
R M Joyce	2018	40,000	-	-	3,800	-	-	43,800	-	-
	2017	28,750	-	-	2,731	-	-	31,481	-	-
S A Macdonald	2018	30,000	-	-	2,850	-	-	32,850	-	-
	2017	22,500	-	-	2,138	-	-	24,638	-	-
J D Goldsworthy	2018	30,000	-	-	2,850	-	-	32,850	-	-
	2017	22,500	-	-	2,138	-	-	24,638	-	-
G D Riley	2018	2,500	-	-	237	-	-	2,737	-	-
	2017	-	-	-	-	-	-	-	-	-
Executive Director:										
M J Clifford	2018	208,219	-	4,113	19,781	-	-	232,113	-	-
	2017	192,603	-	-	18,297	-	69,924	280,824	-	24.90%
Other Key Management Personnel:										
M J Nelmes	2018	94,686	-	-	8,995	-	-	103,681	-	-
	2017	80,684	-	-	7,665	-	33,667	122,016	-	27.59%
TOTAL	2018	405,405	-	4,113	38,513	-	-	448,031		
TOTAL	2017	347,037	-	-	32,969	-	103,591	483,597		

**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	
	2018	2017	2018	2017
<b>Non-Executive Directors:</b>				
R M Joyce	100%	100%	-	-
S A Macdonald	100%	100%	-	-
J D Goldsworthy	100%	100%	-	-
G D Riley	100%	-	-	-
<b>Executive Director:</b>				
M J Clifford	100%	100%	-	-
<b>Other Key Management Personnel:</b>				
M J Nelmes	100%	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.

**Service Contracts**

Remuneration and other terms of employment for the 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
- Base salary of \$40,000 per annum plus superannuation of 9.50%.

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

- Annually renewable contract
- Base salary of \$30,000 per annum plus superannuation of 9.50%.

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

- Annually renewable contract
- Base salary of \$30,000 per annum plus superannuation of 9.50%.

**Graham D Riley**

- Non-Executive Director, appointed 2 May 2018
- Annually renewable contract
- Base salary of \$30,000 per annum plus superannuation of 9.50%.

**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 three months' notice or the Managing Director must provide three 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*

- Annual base salary of \$228,000 inclusive of 9.50% superannuation for the financial year ended 30 June 2018. Salary is reviewed annually by the Board acting as the Nomination and Remuneration Committee.

**Melinda J Nelmes** - Company Secretary and Chief Financial Officer, appointed 20 March 2014.

*Terms of Agreement* - The agreement is 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 of 0.4 of a full time equivalent employee with annual base salary of \$195,445 (0.4 of a full time equivalent: \$78,178) inclusive of 9.50% superannuation for the year ending 30 June 2018. Salary is reviewed annually by the Board acting as the Nomination and Remuneration Committee.

## **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 2018 (2017:Nil)

#### *ii) Options*

For 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:

#### **2018:**

There were no options granted over ordinary shares to the Directors and other key management personnel as part of compensation during the year ended 30 June 2018.

2017:

Grant date	Expiry date	Share price at grant date	Exercise price	Fair value at grant date	Vesting Date
29 Nov 2016	29 Nov 2019	\$0.115	\$0.161	\$0.05179	Vests at date of grant

Options granted carry no dividend or voting rights.

During the year or since the end of the financial year ended 30 June 2018, 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 2018	Number Granted during the Year 2017	Number of options vested during the Year 2018	Number of options vested during the Year 2017
<b>Director:</b> M J Clifford	-	1,350,000	-	1,350,000
<b>Other Key Management Personnel:</b> M J Nelmes	-	650,000	-	650,000

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 2018 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 %
<b>Director:</b> M J Clifford	-	-	*48,485	-
<b>Other Key Management Personnel:</b> M J Nelmes	-	-	-	-

\*On 21 December 2017, 1,000,000 unlisted options exercisable at \$0.13 expired. These had a fair value of \$0.0485.

#### *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 2018 (2017: Nil).



iii) Additional disclosures relating to key management personnel

### Share Holding

The number of shares in Zenith Minerals Limited held during the financial year by each director and other 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.

2018	Ordinary Shares				
Name	Balance at the start of the year	Received as part of remuneration	Additions	Other changes	Balance at the end of the year
<b>Directors:</b>					
Rodney M Joyce	11,469,619	-	-	-	11,469,619
Stanley A Macdonald	4,537,382	-	236,964	-	4,774,346
Julian D Goldsworthy	2,207,525	-	13,001	-	2,220,526
Graham D Riley	-	-	-	*7,995,000	7,995,000
Michael J Clifford	2,245,886	-	111,990	-	2,357,876
<b>Other Key Management Personnel:</b>					
Melinda J Nelmes	75,116	-	25,010	-	100,126
	20,535,528	-	386,965	7,995,000	28,917,493

\* Graham D Riley appointed Non Executive Director on 2<sup>nd</sup> May 2018.

### Option Holding

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

2018					
Name	Balance at the start of the year	Granted as Remuneration	Exercised	Expired/ forfeited/ other	Balance at the end of the year**
<b>Directors:</b>					
Rodney M Joyce	-	-	-	-	-
Stanley A Macdonald	236,964	-	(236,964)	-	-
Julian D Goldsworthy	13,001	-	(13,001)	-	-
Michael J Clifford	2,461,994	-	(111,990)	(1,000,004)	1,350,000
Graham D Riley*	-	-	-	-	-
<b>Other Key Management Personnel:</b>					
Melinda J Nelmes	675,010	-	(25,010)	-	650,000
	3,386,969		(386,965)	(1,000,004)	2,000,000

\* Graham D Riley appointed Non Executive Director on 2<sup>nd</sup> May 2018.

\*\* All options are vested and exercisable at 30 June 2018.

**Other Transactions With Key Management Personnel And Their Related Parties**

During the financial year ended 30 June 2018, other transactions with key management personnel and their related parties were as follows:

- i) Gascoyne Resources Limited is a director-related entity of Mr Rodney M Joyce, Mr Stanley A Macdonald, Mr Julian D Goldsworthy and Mr Graham D Riley. The Consolidated Entity made Nil payments (2017: \$7,261) to Gascoyne Resources Limited for actual cost reimbursement of services provided. During the financial year ended 30 June 2017, the Consolidated Entity hired out its Landcruiser Vehicle to Gascoyne Resources Limited at a cost of \$75 per day and received hire fees totaling \$17,100. The vehicle was not hired out during the financial year ended 2018.
- ii) Provision of Serviced Office – During the financial year ended 30 June 2018, fees of \$7,745 (2017: \$2,582) were received from Minasola Pty Ltd, a director related entity of Mr R M Joyce; fees of \$7,745 (2017: \$2,582) were received from Creekwood Nominees Pty Ltd, a director related entity of Mr S A Macdonald and fees of \$1,291 from Satinbrook Pty Ltd, a director related entity of Mr G D Riley (since G D Riley's appointment as a Non-Executive Director on 2 May 2018).

All transactions were made on normal commercial terms and conditions and at market rate.

There are no loans to directors and executives.

***This concludes the remuneration report, which is audited.***

**5. ACTIVITIES**

The principal activity of the Consolidated Entity during the course of the financial year was mineral exploration predominantly in Australia and also including Turkey (Europe), Mexico and United States of America.

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 2018, attributable to members of the Consolidated Entity, after income tax is \$682,929 (2017: \$952,932).

No dividends were paid or recommended for payment during the financial year ended 30 June 2018 (2017: Nil).

*Review of Financial Condition*

During the year, the net assets of the Consolidated Entity increased by \$1,652,118 from \$3,445,043 at 30 June 2017 to \$5,097,161 at 30 June 2018.

The directors consider that the Consolidated Entity holds a valuable portfolio of mineral tenements with a carrying value at 30 June 2018 of \$2,504,425 (2017: \$1,506,386). During the financial year, the consolidated entity booked an impairment loss on capitalised exploration and evaluation expenditure of \$151,862 (2017: \$116,965) following its review of its portfolio of mineral tenements.

**7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Significant changes in the state of affairs of the Consolidated Entity during the financial year ended 30 June 2018 were as follows:

- a) 1,000,000, \$0.13 unlisted options with expiry date 21 December 2017 expired. These had a fair value of \$0.0485.
- b) During the financial year ended 30 June 2018, 23,758,768 fully paid ordinary shares were issued following exercise of quoted options (ASX Code: ZNCO) at exercise price \$0.10 per share, raising \$2,375,877 upon exercise.
- c) On 19 July 2017, subsidiary of Zenith Minerals Limited, Mamucoal Pty Ltd made a payment of Turkish Lira TRY22,500 (AUD\$8,135) for 75% of its 30% shareholder interest in Turkish Lira TRY100,000, share capital of Kavak Madencilik A.Ş., a company incorporated under the laws of the Republic of Turkey.
- d) On 2 August 2017, Zenith Minerals Limited announced that its wholly owned subsidiary Caldera Metals Pty Ltd, signed a Farm-In agreement with private company Jumani Pty Ltd, whereby Caldera may earn up to 70% interest in the Tate River gold project in north Queensland.
- e) On 9 August 2017, a cash call payment of TRY506,880 (AUD\$183,364) was made to Kavak Madencilik A.Ş. in relation to the Kavaklitepe property per the shareholders agreement between Teck Anadolu Madencilik A.Ş., Mamucoal Pty Ltd and Kavak Madencilik A.Ş., representing a 30% share of exploration costs for joint venture activities commencing in September 2017. This was subsequently treated as an increase in share capital of Kavak Madencilik (30% shareholder interest), as published in the Turkish Trade Registry Gazette on 27<sup>th</sup> December 2017.
- f) On 12 October 2017, it was announced that Rumble Resources Ltd (ASX: RTR) ("Rumble") signed a binding option agreement with Zenith Minerals Ltd's wholly owned subsidiary Fossil Prospecting Pty Ltd, to acquire a 75% interest in Earahedy Zinc Project - E69/3464. The terms of the agreement are as follows:
  - i) Rumble to pay Fossil Prospecting Pty Ltd \$50,000 in RTR ordinary shares within 30 days from the execution of a joint venture agreement for a 2 year option to purchase a 75% interest.
  - ii) A minimum \$100,000 is to be expended by Rumble before it can withdraw from the joint venture agreement.
  - iii) For \$200,000 in RTR shares or cash, Rumble can extend the option for a further 2 years.
  - iv) Any time during the option period, Rumble can exercise the option to acquire 75% of the Earahedy Project by paying \$500,000 in RTR shares.
  - v) Fossil Prospecting Pty Ltd is free carried to completion of a Bankable Feasibility Study (BFS).
  - vi) Following the completion of a BFS and decision to mine, Fossil Prospecting Pty Ltd can either elect to contribute to ongoing project development or dilute to a 1.5% Net Smelter Royalty.
- g) On 12 April 2018, it was announced that Zenith's maiden drill program (104 aircore holes) at the Dulcie Prospect confirms high-grade near surface cobalt-nickel mineralisation, widespread scandium as well as intersecting pegmatites with anomalous lithium and returning strong gold results within Zenith's recently granted 100% owned Split Rocks project in Western Australia.

Following this, Zenith announced on 5 June 2018, that drilling recommenced at the Company's 100% owned Split Rocks project in Western Australia. Encouraged by the initial drill results of that first program and the recently received 1m re-split assays that have upgraded the mineralised intervals, Zenith embarked on a large multifaceted follow-up drill campaign. Zenith started exploration of the Split Rocks project in 2017 with active, ongoing programs focusing on the lithium, nickel-cobalt as well as the gold potential.

- h) As outlined in the ASX release on 27 April 2018, the American Lithium Joint Venture includes a US\$5 million farm-in deal with a private company controlled by prominent UK investor Jim Mellon (Bradda Head Ltd) (ASX Release 7th March 2017) to jointly unlock the potential of Zenith's USA and Mexican lithium project portfolio. Bradda Head recently appointed a new management team to drive the American Lithium JV forward. Mr John McGoldrick the new Executive Chairman and Jim Guilinger the Chief Operating Officer both have extensive USA exploration and development experience. Zenith agreed to restructure the joint venture so that Bradda Head currently holds 55% interest in the projects (subject to fulfilling the expenditure requirements detailed above) with the benefit of reducing the administration burden to Zenith. It was also agreed to extend the period within which Bradda Head may confirm its 55% interest until 28th February 2021, due to delays in the restructure of the joint venture, and tenement grant. Bradda Head Ltd now plans to advance the American lithium JV projects prior to listing its interests in the joint venture on London's Alternative Investment Market (AIM) later in 2018. The partners have also agreed to collaborate on any additional lithium projects that either party acquires within the same jurisdictions.
- i) The Zenith Minerals Limited Board announced on 2 May 2018, the appointment of Non-Executive Director Mr Graham Riley.

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial year.

## 8. EVENTS SUBSEQUENT TO REPORTING DATE

No other matter or material event has arisen since 30 June 2018, 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.

## 9. 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.

## 10. ENVIRONMENTAL REGULATION

The Consolidated Entity is subject to significant environmental regulation in relation to its exploration activities from the Department of Minerals and Petroleum (West Australian operations), Code of Environmental Compliance for exploration and mineral development projects, Version 1.1 and provision of the Environmental Heritage Protection Act 1994 (Queensland operations), State Lands Department of Arizona laws and regulations (Arizona state lease), The General Mining Act of 1872 United States (Federal Lode mining claims Arizona), Turkish Mining Law as administered by the Mining Affairs General Directorate of the Ministry of Energy and Natural Resources (Turkish operations) 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.



## 11. INDEMNITY AND INSURANCE OF OFFICERS

The Consolidated Entity has indemnified the Directors and Officers for costs incurred by them in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity, of the Consolidated Entity, and any other payments arising from liabilities incurred by the Directors and Officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the Directors or Officers of the improper use of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Consolidated Entity.

During the financial year, the company paid a premium in relation to a contract to insure the Directors and Officers of the Consolidated Entity against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## 12. 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.

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

## 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
29 November 2016	29 November 2019	\$0.161	2,500,000

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

On 21 December 2017, 1,000,000 unlisted options exercisable at \$0.13 expired.

## 14. SHARES ISSUED ON THE EXERCISE OF OPTIONS

Zenith Minerals Limited issued the following ordinary shares during the year ended 30 June 2018 and up to the date of this report on the exercise of options granted:

Date options Granted	Exercise Price	Number of shares issued
15 March 2017	\$0.10	3,000,000
24 March 2016	\$0.10	20,758,768

## 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 were paid or provided for during the year.

**17. NON-AUDIT SERVICES**

Details of the amounts paid or payable to the auditor (PKF Mack) for non-audit services provided during the financial year are outlined in Note 8 to the financial statements.

The directors are satisfied that the provision for non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the external auditor's independence requirements of the Corporations Act 2001 due to the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethics Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**18. OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF PKF MACK**

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

**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 continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors




**Mr R M Joyce**  
**Chairman**

Dated: 26 September 2018  
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 2018, 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**



**SHANE CROSS  
PARTNER**

**26 SEPTEMBER 2018  
WEST PERTH,  
WESTERN AUSTRALIA**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME FOR THE YEAR ENDED 30 JUNE 2018**

	NOTE	Consolidated Entity	
		2018	2017
		\$	\$
<b>Revenue</b>	5	145,420	48,785
Gain on deconsolidation of subsidiary	6	77,700	-
<b>Expense</b>			
Employee benefits expenses		(319,094)	(218,001)
Share option based payment		-	(129,488)
Depreciation and amortisation expense	18	(7,304)	(9,094)
Management fee		-	(31,795)
Premises costs		(70,200)	(23,500)
Exploration expenditure expensed		(9,548)	(106,290)
Exploration expenditure write off	19	(77,125)	(132,775)
Impairment loss on exploration & evaluation expenditure	19	(151,862)	(116,965)
Loss on sale subsidiary	15	(7,313)	-
Net fair value loss on other financial assets	13	(572)	-
Share of losses of Associate accounted for using equity method	16	(11,463)	-
Other operating expenses	7	(239,087)	(233,809)
Loss before income tax		(670,448)	(952,932)
Income tax expense	10	(12,481)	-
<b>Loss after income tax benefit for the year</b>		<b>(682,929)</b>	<b>(952,932)</b>
<b>Other comprehensive income</b>			
<i>Items that might be reclassified subsequently to profit or loss:</i>			
Foreign currency translation	23(a)	(40,830)	5,742
Other comprehensive income for the period (net of tax)		(40,830)	5,742
<b>Total comprehensive loss for the period</b>		<b>(723,759)</b>	<b>(947,190)</b>
<b>Loss per share</b>		<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share	9	(0.3)	(0.5)

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 2018**

	NOTE	<b>Consolidated Entity</b>	
		<b>2018</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	11	2,449,932	2,004,505
Trade and other receivables	12	42,745	31,542
Financial asset at fair value through profit or loss	13	49,428	-
Other current assets	14	6,729	6,674
<b>TOTAL CURRENT ASSETS</b>		<b>2,548,834</b>	<b>2,042,721</b>
<b>NON-CURRENT ASSETS</b>			
Investment in associate	16	147,733	-
Investments at cost	17	115,772	2,786
Plant and equipment	18	24,487	25,054
Exploration and evaluation expenditure	19	2,504,425	1,506,386
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,792,417</b>	<b>1,534,226</b>
<b>TOTAL ASSETS</b>		<b>5,341,251</b>	<b>3,576,947</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	161,361	80,982
Provision for income tax		12,481	-
Employee benefits	21	70,248	50,922
<b>TOTAL CURRENT LIABILITIES</b>		<b>244,090</b>	<b>131,904</b>
<b>TOTAL LIABILITIES</b>		<b>244,090</b>	<b>131,904</b>
<b>NET ASSETS</b>		<b>5,097,161</b>	<b>3,445,043</b>
<b>EQUITY</b>			
Issued capital	22	20,475,655	18,099,778
Reserves	23(a)	104,048	193,363
Accumulated losses	23(b)	(15,482,542)	(14,848,098)
<b>TOTAL EQUITY</b>		<b>5,097,161</b>	<b>3,445,043</b>

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 2018**

	Issued Capital \$	Reserve \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2017</b>	<b>18,099,778</b>	<b>193,363</b>	<b>(14,848,098)</b>	<b>3,445,043</b>
Loss for the period	-	-	(682,929)	(682,929)
Other comprehensive income	-	(40,830)	-	(40,830)
Total comprehensive income	-	(40,830)	(682,929)	(723,759)
<i>Transactions with owners, recorded directly in equity</i>				
Issue of shares, net of transaction costs (note 22)	2,375,877	-	-	2,375,877
Expiry/Cancellation of staff options (note 23)	-	(48,485)	48,485	-
<b>Balance at 30 June 2018</b>	<b>20,475,655</b>	<b>104,048</b>	<b>(15,482,542)</b>	<b>5,097,161</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

	Issued Capital \$	Reserve \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2016</b>	<b>16,494,620</b>	<b>74,553</b>	<b>(13,911,586)</b>	<b>2,657,587</b>
Loss for the period	-	-	(952,932)	(952,932)
Other comprehensive income	-	5,742	-	5,742
Total comprehensive income	-	5,742	(952,932)	(947,190)
<i>Transactions with owners, recorded directly in equity</i>				
Issue of shares, net of transaction costs (note 22)	1,605,158	-	-	1,605,158
Issue of staff options (note 23)	-	129,488	-	129,488
Expiry/Cancellation of staff options (note 23)	-	(16,420)	16,420	-
<b>Balance at 30 June 2017</b>	<b>18,099,778</b>	<b>193,363</b>	<b>(14,848,098)</b>	<b>3,445,043</b>

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 2018**

	NOTE	Consolidated Entity	
		2018	2017
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		43,200	54,475
Cash paid to suppliers and employees		(773,068)	(825,308)
Payments for capitalised exploration and expenditure		(1,295,931)	(955,255)
Reimbursement of exploration costs per Farm in agreement		267,111	661,603
Interest received		4,360	4,989
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	30	<b>(1,754,328)</b>	<b>(1,059,496)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for investments		(191,498)	(2,786)
Proceeds on sale of subsidiary interest		7	-
Payments for plant and equipment		(6,887)	(454)
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		<b>(198,378)</b>	<b>(3,240)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of equity securities		2,375,877	1,612,645
Cost of issuing equity securities		-	(7,487)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>2,375,877</b>	<b>1,605,158</b>
Net increase in cash and cash equivalents		423,171	542,422
Cash and cash equivalents at the beginning of the financial period		2,004,505	1,473,472
Effect of movement in exchange rates on cash held		22,256	(11,389)
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE 2018</b>	11	<b>2,449,932</b>	<b>2,004,505</b>

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 2018**

**1. REPORTING ENTITY**

Zenith Minerals Limited and controlled entities ("Consolidated Entity") is domiciled in Australia, incorporated in Australia, publicly 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**

These general-purpose financial statements have 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.

These financial statements of the Consolidated Entity comply 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 26 September 2018. The directors have the power to amend and reissue the financial statements. Comparative information is for period 1 July 2016 to 30 June 2017.

**(b) Basis of Measurement**

These financial statements have been prepared on the historical cost and accrual accounting basis, except for available for sale investments and financial assets and liabilities at fair value through profit or loss, 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 33.

**(c) Functional and Presentation Currency**

These financial statements are presented in Australian dollars, which is 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 statements 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.)***(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. Key judgements are applied in considering costs to be capitalised, including determining those expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. 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 2018, the carrying value of capitalised exploration expenditure is \$2,504,425 (2017: \$1,506,386).

*(iii) Impairment of Non-Financial Assets*

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Fair value less cost of disposal or value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Impairment loss recorded in the current financial year was \$151,862 (2017: \$116,965).

*(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) Estimation of Useful Lives of Assets*

The Consolidated Entity determines the useful lives and related depreciation and amortisation charges for its property, plant & equipment and finite live intangible assets. Events such as technical innovations or other events could change the useful lives of assets significantly. Depreciation and amortisation charges will increase where the useful lives are less than the previously estimated lives, or technically obsolete or non-strategic assets which have been abandoned or sold will be written down or written off.

**2. BASIS OF PREPARATION (cont.)***(vi) Fair Value Measurement Hierarchy*

The Consolidated Entity is required to classify all assets and liabilities measured at fair value, using a three level hierarchy which is based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. In determining what is significant to fair value there is considerable judgement required. Therefore, the category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or use of observable inputs requiring significant adjustments based on unobservable inputs.

**(e) Going Concern Basis**

The Group has net assets of \$5,097,161 (2017: \$3,445,043) as at 30 June 2018 and incurred a loss of \$682,929 (2017: \$952,932) and net operating cash outflow of \$1,754,328 (2017: \$1,059,496) for the year ended 30 June 2018.

The Directors consider there are reasonable grounds to believe that the Group will be able to continue as a going concern after consideration of the following factors:

- The Group has the ability to adjust its exploration expenditure subject to results of its exploration activities and the company's funding position.
- The Directors are confident that the Group will be able to raise further capital as required.

The Directors believe that the above indicators demonstrate that the Group will be able to pay their debts as and when they fall due and to continue as a going concern. Accordingly, the Directors also believe that it is appropriate to adopt the going concern basis in the preparation of the 2018 financial report.

In the event that the Group does not achieve the above actions, there exists significant uncertainty as to whether the Group will be able to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements 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 by the Consolidated Entity for the annual reporting period ended 30 June 2018.

Any significant impact on the accounting policies of the Consolidated Entity from the adoption of these new or amended 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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

*AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income. For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' model to recognise an allowance. Impairment will be measured under a 12-month expected credit loss method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime expected credit loss method is adopted. The standard introduces additional new disclosures. The initial adoption of this standard will have no significant impact on the net assets of the consolidated entity.

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018. Based on the current activities of the consolidated entity there will be no impact from the adoption of this standard.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)****AASB 16 Leases**

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019. The initial adoption of this standard will have no significant impact on the net assets of the consolidated entity.

**(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 2018 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)****(a) Principles of Consolidation (cont.)**

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) Associates**

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**(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.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)****(d) Foreign Currency Translation (cont.)***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) Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition are included as part of the initial recognition, other than financial assets and financial liabilities at fair value through profit or loss. Depending on their classification, they are subsequently measured at either amortised cost or fair value. Classification is determined based on the purpose of the acquisition. Subsequent reclassification to other categories is restricted.

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.

*Financial Assets at Fair Value Through Profit or Loss*

An instrument is classified as at fair value through profit or loss if it is either:

- i) held for trading and is acquired principally for the purpose of selling it in the near term with intention of making a profit; or
- ii) is designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch.
- iii) 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.

**(f) Loans**

Loans are recognised initially at fair value, net of transaction costs. Subsequent to initial recognition loans are measured at amortised cost using the effective interest method, less any impairment losses.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)****(g) Finance Costs**

Finance costs directly attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**(h) Revenue**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. 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.

*Interest Revenue*

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

*Research and Development Tax Incentive*

The research and development tax incentives are recognised at their fair value where there is reasonable assurance that the incentive will be received and all conditions will be complied with.

*Other Revenue*

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

**(i) 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, unused tax losses and the adjustment recognised in prior periods, where applicable.

*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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)****(i) Income Tax (cont.)***Deferred Tax (cont.)*

In principle, deferred tax liabilities are recognised for all deductible temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient future 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.

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 settled 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 deferred tax assets against deferred tax liabilities; and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**(j) Discontinued operations**

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)****(k) Current and non-current classification**

Assets and liabilities are presented in the Statement of Financial Position based on current and non-current classification.

The asset is classified as current when:

- i) It's either expected to be realised or intended to be sold or consumed in normal operating cycle;
- ii) it's held primarily for the purpose of trading;
- iii) it's expected to be realised within 12 months after the reporting period; or
- iv) the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- i) it's either expected to be settled in normal operating cycle;
- ii) it's held primarily for the purpose of trading;
- iii) it's due to be settled within 12 months after the reporting period; or
- iv) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

**(l) 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. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or there are indications from observable data that there is a measurable decrease in estimated future cash flows.

An impairment loss in respect of a financial asset carried at cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)****(l) Impairment (cont.)***(ii) Non-Financial Assets*

The carrying amounts of the Consolidated Entity's non-financial assets, deferred tax assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount is the higher of the assets fair value less costs of disposal and value-in-use. Value in use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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.

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.

**(m) Cash and Cash Equivalents**

Cash and cash equivalents 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.

**(n) 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.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)****(o) Joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

**(p) 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.

*(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) Derecognition*

An item of property plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

*(iv) 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 lives, 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.)****(q) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases are where effectively substantially all the risks and benefits incidental to the ownership of the leased asset are transferred from the lessor to the lessee. Operating leases are where the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight line basis.

**(r) 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 by its sale; 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 otherwise 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 3(l)(ii)).

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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)****(r) Exploration and Evaluation Expenditure (cont.)**

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.

**(s) 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.

**(t) 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.

**(u) 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.)****(u) Employee Benefits (cont.)***(iii) Share-Based Payment Transactions*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- During the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- From the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)****(u) Employee Benefits (cont.)***(iii) Share-Based Payment Transactions (cont.)*

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**(v) 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.

**(w) 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)****(x) 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.

**(y) 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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the tax authority.

**4. OPERATING SEGMENTS***Identification of Reportable Operating Segments*

The Consolidated Entity operates in geographical locations, Australia, United States of America (USA), Mexico and Turkey-Europe (as acquired through the 2014 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.



**4. OPERATING SEGMENTS (cont.)***Identification of Reportable Operating Segments (cont.)*

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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Australia	-	-	2,106,755	1,071,225
USA	-	-	115,772	38,059
Turkey	-	-	569,890	424,942
	-	-	<b>2,792,417</b>	<b>1,534,226</b>

**5. REVENUE**

	Consolidated Entity	
	2018	2017
	\$	\$
<b>Other Revenue</b>		
Interest	4,362	4,345
Exploration Income	59,923	-
Other revenue	81,135	44,440
	<b>145,420</b>	<b>48,785</b>

**6. GAIN ON DECONSOLIDATION OF SUBSIDIARY**

Effective 28 February 2018, the consolidated entity sold its 55% membership interest in Zenolith (USA) LLC for consideration of AUD\$7 (USD\$5.50) per the Subscription Agreement between Bradda Head Ltd and Zenolith (USA) LLC. Refer to note 32 'Subsidiaries' for further information. The consolidated entity's former wholly owned subsidiary, Earaaheedy Minerals Pty Ltd ('Earaaheedy') and Bradda Head entered into an 'Amended and restated Limited Liability Company Agreement' ('LLC Agreement') of Zenolith (USA) LLC to govern the relationships as members and their rights and obligations in respect to the assets.

The 55% membership interest was sold to Bradda Head Limited Group of companies ('Bradda Head') to enable Bradda Head to meet its 'Earn-in' requirements (US\$5million over a period up to 28<sup>th</sup> February 2021) in relation to lithium exploration tenements in USA per the LLC Agreement and restated Farm-in and Joint Venture Agreement ('JVA') between Earaaheedy and Bradda Head Limited.

During the Earn-in phase, Bradda Head has sole right and control of the operations and Zenolith (USA) LLC, without obtaining approval from Earaaheedy or the management committee. Earaaheedy does not have 'control' or any 'significant influence' over the financial and operating policy decisions during the Earn-in phase and so Zenolith (USA) LLC was deconsolidated from the consolidated entity effective 28 February 2018. This resulted in a Gain on deconsolidation of \$77,700.

## 6. GAIN ON DECONSOLIDATION OF SUBSIDIARY (cont.)

Carrying amounts of assets and liabilities deconsolidated:

	Consolidated Entity	
	2018	
	\$	
Cash and cash equivalents	13	
Capitalised exploration and evaluation expenditure	38,059	
Total assets	38,072	
Total Liabilities	-	
Net Assets	38,072	
Carrying value of retained investment	115,772	
Carrying amount of net assets disposed	(38,072)	
Gain on disposal after income tax	(77,700)	

## 7. OTHER OPERATING EXPENSE

	Consolidated Entity	
	2018	2017
	\$	\$
Accounting and Admin Services	27,940	49,610
Auditors Remuneration	36,755	24,420
Computer Expenses	14,197	7,299
Consulting Fee	5,626	13,662
Legal Expenses	1,336	5,120
Motor Vehicle Expense	4,260	4,227
Share Registry and Securities Exchange	44,458	39,877
Fringe Benefits Tax	5,114	5,662
Subscriptions, Publications, Memberships	6,782	6,697
Insurance	16,521	15,092
Sundry Administration Expenses	76,098	62,143
	239,087	233,809

**8. AUDITOR'S REMUNERATION**

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

	<b>Consolidated Entity</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Audit services</b>		
Auditors of the Group – PKF Mack		
Audit and review of financial report	36,755	24,420
Total remuneration for audit services	36,755	24,420
Non-audit services	-	-
Total Audit Services	36,755	24,420

**9. LOSS PER SHARE**

	<b>Consolidated Entity</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Basic and diluted loss per share – cents	(0.3)	(0.5)
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	(682,929)	(952,932)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	201,609,094	177,911,813

**10. INCOME TAX EXPENSE**

	<b>Consolidated Entity</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>a) Income Tax Expense</b>		
Current tax	12,481	-
Aggregate Income tax expense	12,481	-
Income tax expense is attributable to:		
Profit from continuing operations	12,481	-
Profit from discontinued operations	-	-
Aggregate income tax expense	12,481	-
Deferred tax - origination and reversal of temporary differences	-	-

## 10. INCOME TAX EXPENSE (cont.)

	Consolidated Entity	
	2018 \$	2017 \$
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	(670,448)	(952,932)
Prima facie tax benefit on loss at 27.5% (2017: 27.5%)	(184,373)	(262,056)
Add:		
Tax effect of:		
Other non-allowable items	(20,030)	14,128
Share based payments	-	35,609
Effective income tax rate change	-	3,883
Overs/unders from prior year	(16,165)	(3,167)
Tax losses not recognised (recognised)	534,183	302,516
Deferred tax balances not recognised (recognised)	(301,134)	(90,913)
Income tax expense on pre-tax net loss	12,481	-

	Consolidated Entity	
	2018	2017
The applicable average weighted tax rates are as follows:	-2%	0%

**Deferred Tax Assets**  
**At 27.5% (2017: 27.5%)**

	Consolidated Entity	
	2018 \$	2017 \$
Carry forward losses	4,066,110	4,594,757
Cash and cash equivalents	-	3,132
Financial Assets	157	-
Provisions and accruals	22,971	16,180
Merger/acquisition costs	4,475	4,475
	<b>4,093,713</b>	<b>4,618,544</b>

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.)**

	Consolidated Entity	
	2018	2017
	\$	\$
<b>Deferred Tax Liabilities</b>		
<b>At 27.5% (2017: 27.5%)</b>		
Exploration expenditure	521,182	203,669
Capital raising costs	13,921	9,667
Property, plant and equipment	6,715	6,862
Accrued income	39	38
Prepayments	778	1,283
	<b>542,635</b>	<b>221,519</b>

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	
	2018	2017
	\$	\$
Cash at bank and in hand	2,434,404	1,988,977
Deposits at call	528	528
Term deposits	15,000	15,000
	<b>2,449,932</b>	<b>2,004,505</b>

- a) Reconciliation to cash and cash equivalents at the end of the year.

The above figures are reconciled to cash and cash equivalents at the end of the financial year, as shown in the Statement of Cash Flows, as follows:

Balances as above	2,449,932	2,004,505
Cash and cash equivalents in statement of cash flows	2,449,932	2,004,505

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 24.

**12. TRADE AND OTHER RECEIVABLES**

	Consolidated Entity	
	2018	2017
	\$	\$
Accrued interest	141	139
Other receivables (a)	42,604	31,403
	<b>42,745</b>	<b>31,542</b>

**a) Terms and conditions**

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

**13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS**

	Consolidated Entity	
	2018 \$	2017 \$
Listed ordinary shares – at fair value through profit and loss.	49,428	-
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial years.		
Opening fair value	-	-
Additions	50,000	-
Revaluation decrement	(572)	-
Closing fair value	49,428	-

**14. OTHER CURRENT ASSETS**

	Consolidated Entity	
	2018 \$	2017 \$
Bonds & deposits	2,010	2,010
Prepayments	4,719	4,664
	<b>6,729</b>	<b>6,674</b>

**15. DISPOSAL OF SUBSIDIARY**

On 28 December 2017, the consolidated entity sold its 100% equity interest Minera Salmuera S.A. de C.V. (incorporated in Mexico City) for consideration of AUD\$0.07 (MXN\$1) for each shareholding held by Zenith Minerals Limited and its wholly owned subsidiary, as outlined below:

- Zacatecas Minerals Pty Ltd 4,999 fixed shares for AUD\$0.07 (MXN\$1) consideration
- Zenith Minerals Limited 1 fixed share for AUD\$0.07 (MXN\$1) consideration
- Zenith Minerals Limited 104,729 variable shares for AUD\$0.07 (MXN\$1) consideration

Total Consideration for Sale of Minera Salmuera S.A. de C.V. is AUD\$0.20 (MXN\$3).

This resulted in a loss on disposal before income tax of AUD\$7,313. The company was sold to Bradda Head Limited Group of companies ("Bradda Head") to enable Bradda Head to meet its farm-in requirements in relation to lithium exploration tenements in Mexico per the Farm In Agreement between Zenith Minerals Limited and its wholly owned subsidiaries and Bradda Head Limited.



**15. DISPOSAL OF SUBSIDIARY (cont.)**

*Carrying amounts of assets and liabilities disposed:*

	<b>Consolidated Entity</b>
	<b>2018</b>
	<b>\$</b>
Cash and cash equivalents	963
Trade and other receivables	10,046
Total assets	11,009
Trade and other payables	2,852
Total Liabilities	2,852
Net Assets	8,157
 Total sale consideration	 1
Carrying amount of net assets disposed	(8,157)
Derecognition of foreign currency reserve	843
Loss on disposal before income tax	(7,313)
Loss on disposal after income tax	(7,313)

**16. INTEREST IN ASSOCIATE**

The consolidated entity has a 30% interest in Kavak Madencilik A.Ş., which is a for-profit joint venture established to explore mineral resources in Turkey. The consolidated entity's investment in Kavak Madencilik A.Ş. is accounted for using the equity method in the consolidated financial statements.

Summarised statement of financial position of Kavak Madencilik:

	<b>Consolidated Entity</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	124,661	-
Trade and other receivables	94,517	-
Exploration and evaluation expenditure	498,633	-
Trade and other payables	(225,365)	-
Net assets/ equity	492,446	-
Zenith's 30% share of Kavak Madencilik's net assets	147,733	-
Zenith's carrying account of investment in Kavak Madencilik	147,733	-

Summarised statement of profit or loss of Kavak Madencilik:

Administration Costs	(38,211)	-
Loss for the period	(38,211)	-
Zenith's 30% share of Kavak Madencilik loss for the period	(11,463)	-

**16. INTEREST IN ASSOCIATE (cont.)**

	Consolidated Entity	
	2018	2017
	\$	\$
<b>Movement Reconciliation:</b>		
Balance at beginning of financial year	-	-
Payments for investment	194,285	-
Share of loss recognised	(11,463)	-
Foreign exchange gain/loss	(35,089)	-
Balance at end of financial year	<b>147,733</b>	-

**17. INVESTMENTS AT COST**

	Consolidated Entity	
	2018	2017
	\$	\$
Investments at cost	115,772	2,786
	<b>115,772</b>	<b>2,786</b>

Reconciliation of the cost at the beginning and the end of the current and previous financial year are set out below:

	Consolidated Entity	
	2018	2017
	\$	\$
<b>Movement Reconciliation:</b>		
Opening cost	2,786	-
Additions (Refer Note 6)	115,772	2,786
Disposals	(2,786)	-
Closing cost	<b>115,772</b>	<b>2,786</b>

**18. PROPERTY, PLANT AND EQUIPMENT**

	Consolidated Entity	
	2018	2017
	\$	\$
Plant and equipment – at cost	24,324	23,793
Less: Accumulated depreciation	(21,489)	(21,768)
	<b>2,835</b>	<b>2,025</b>
Motor vehicles – at cost	94,652	94,652
Less: Accumulated depreciation	(79,756)	(74,791)
	<b>14,896</b>	<b>19,861</b>
Computer equipment and software – at cost	46,477	41,302
Less: Accumulated depreciation	(39,721)	(38,134)
	<b>6,756</b>	<b>3,168</b>
Carrying Amount	<b>24,487</b>	<b>25,054</b>

**18. PROPERTY, PLANT AND EQUIPMENT (cont.)****a) Movement Reconciliation**

<b>Cost</b>	<b>Plant &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Computer Equipment &amp; Software</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>				
Balance at 1 July 2016	23,793	94,652	40,848	159,293
Additions	-	-	454	454
Disposals	-	-	-	-
Balance at 30 June 2017	<b>23,793</b>	<b>94,652</b>	<b>41,302</b>	<b>159,747</b>
Balance at 1 July 2017	23,793	94,652	41,302	159,747
Additions	1,712	-	5,175	6,887
Disposals	(1,181)	-	-	(1,181)
<b>Balance at 30 June 2018</b>	<b>24,324</b>	<b>94,652</b>	<b>46,477</b>	<b>165,453</b>
<b>Depreciation</b>				
Balance at 1 July 2016	20,691	68,170	36,738	125,599
Depreciation for the year	1,077	6,621	1,396	9,094
Depreciation on asset disposal	-	-	-	-
Balance at 30 June 2017	<b>21,768</b>	<b>74,791</b>	<b>38,134</b>	<b>134,693</b>
Balance at 1 July 2017	21,768	74,791	38,134	134,693
Depreciation for the year	752	4,965	1,587	7,304
Depreciation on asset write off	(1,031)	-	-	(1,031)
<b>Balance at 30 June 2018</b>	<b>21,489</b>	<b>79,756</b>	<b>39,721</b>	<b>140,966</b>
<b>Carrying Amount</b>				
At 30 June 2017	2,025	19,861	3,168	25,054
<b>At 30 June 2018</b>	<b>2,835</b>	<b>14,896</b>	<b>6,756</b>	<b>24,487</b>

**19. EXPLORATION AND EVALUATION EXPENDITURE**

	<b>Consolidated Entity</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of financial year	1,506,386	1,256,768
Capitalised expenditure	1,265,085	962,480
Less capitalised expenditure reimbursed – Farm in Agreement	-	(463,122)
Deconsolidation of subsidiary capitalised amount (refer note 6)	(38,059)	-
Less capitalised expenditure written off	(77,125)	(132,775)
Less impairment of exploration expenditure	(151,862)	(116,965)
Balance at end of financial year	<b>2,504,425</b>	<b>1,506,386</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.

**19. EXPLORATION AND EVALUATION EXPENDITURE (cont.)****Exploration and Evaluation Assets (cont.)**

During the financial year, the consolidated entity booked an impairment loss on capitalised exploration and evaluation expenditure of \$151,862 (2017: \$116,965) following its review of its portfolio of mineral tenements, whereby decisions have been made for certain areas of interest, not to incur substantial expenditure on further exploration for and evaluation of mineral resources. Capitalised expenditure written off totaling \$77,125 (2017: \$132,775) is as a result of decisions being made for certain areas of interest being abandoned or the right to explore has expired or will not be renewed.

**20. TRADE AND OTHER PAYABLES**

	<b>Consolidated Entity</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Other payables (a)	144,434	69,454
Accrued fees and employment expenses (b)	16,927	11,528
	<b>161,361</b>	<b>80,982</b>

**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.

**21. EMPLOYEE BENEFITS**

	<b>Consolidated Entity</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Current liabilities:</b>		
Employee benefits	70,248	50,922
	<b>70,248</b>	<b>50,922</b>

**22. ISSUED CAPITAL**

	<b>2018 Shares No.</b>	<b>2018 \$</b>	<b>2017 Shares No.</b>	<b>2017 \$</b>
<b>(a) Share capital</b>				
Fully paid ordinary shares	189,003,360	18,099,778	172,876,909	16,494,620
Balance at beginning of year				
Issue of ordinary shares	23,758,768	2,375,877	16,126,451	1,612,645
Costs of issue		-		(7,487)
<b>Total</b>	<b>212,762,128</b>	<b>20,475,655</b>	<b>189,003,360</b>	<b>18,099,778</b>

**22. ISSUED CAPITAL (cont.)****2018**

During the year to 30 June 2018, the following changes to equity securities took place:

- i) 1,000,000 unlisted options exercisable at \$0.13, expired on 21 December 2017. These had a fair value of \$0.0485.
- ii) 23,758,768 fully paid ordinary shares were issued following exercise of quoted options (ASX Code: ZNCO) at exercise price of \$0.10 per share, raising \$2,375,877 upon exercise.

**2017**

During the year to 30 June 2017, the following changes to equity securities took place:

- i) 100,000 unlisted options exercisable at \$0.29, expired on 20 August 2016 expired. These had a fair value of 16.42 cents.
- ii) 1,126,451 fully paid ordinary shares were issued following exercise of quoted options (ASX Code: ZNCO) at exercise price of \$0.10 per share, raising \$112,645 upon exercise.
- iii) Following an announcement on 7<sup>th</sup> March 2017 regarding Zenith Minerals Limited ('Zenith') agreeing to a funding deal with a private company controlled by prominent UK investor Jim Mellon (Bradda Head Ltd), to unlock the potential of Zenith's USA and Mexican lithium project portfolio, on the 15<sup>th</sup> March 2017, a placement of 15,000,000 fully paid ordinary shares at \$0.10 with a free attaching option exercisable at \$0.10, expiring 31 December 2017 on the basis of one (1) free option for every five (5) shares subscribed under the placement took place. This raised \$1,500,000 upon placement.

**(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 29.

(d) There is no current on market share buy-back.

**23. RESERVES AND RETAINED LOSSES**

	<b>Consolidated Entity</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Reserves</b>		
<i>Options reserve</i>		
Balance at beginning of financial year	187,621	74,553
Issue of Staff Options	-	129,488
Expired/cancelled staff options (refer note 22(a)(i))	(48,485)	(16,420)
<b>Balance at end of financial year</b>	<b>139,136</b>	<b>187,621</b>
<i>Foreign Currency Translation Reserve</i>		
Balance at beginning of financial year	5,742	-
Foreign currency translation	(35,088)	5,742
Reversal of translation reserve	(5,742)	-
<b>Balance at end of financial year</b>	<b>(35,088)</b>	<b>5,472</b>
<b>Total Reserves</b>	<b>104,048</b>	<b>193,363</b>

**23. RESERVES AND RETAINED LOSSES (cont.)**

	Consolidated Entity	
	2018	2017
	\$	\$
<b>(b) Accumulated losses</b>		
Movements in accumulated losses were as follows:		
Balance at beginning of financial year	(14,848,098)	(13,911,586)
Expired/cancelled staff options (refer note 22(a)(i))	48,485	16,420
Loss for the year	(682,929)	(952,932)
<b>Balance at end of financial year</b>	<b>(15,482,542)</b>	<b>(14,848,098)</b>

*Options Reserve*

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

*Foreign Currency Reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

**24. 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 identified.

**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.

The consolidated entity does not hold any collateral.

**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.



**24. FINANCIAL INSTRUMENTS (cont.)****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:

	<b>Consolidated Entity</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	2,449,932	2,004,505
Other receivables	42,745	31,542
Financial asset at fair value through profit or loss	49,428	-
	<b>2,542,105</b>	<b>2,036,047</b>

**Impairment Losses**

None of the Consolidated Entity's other receivables are past due (2017: 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 2018 the Consolidated Entity does not have any collective impairment on its other receivables (2017: 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 (mainly cash and cash equivalents) 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.

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. The cashflows in the maturity analysis below are not expected to occur significantly earlier than contractually disclosed above.

**24. FINANCIAL INSTRUMENTS (cont.)****Consolidated Entity – 30 June 2018**

Non-derivative Non Interest Bearing	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Other payables*	161,361	161,361	161,361	-	-	-	-

\*The weighted average interest rate on other payables is Nil% as it is non-interest bearing.

**Consolidated Entity - 30 June 2017**

Non-derivative Non Interest Bearing	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Other payables*	80,982	80,982	80,982	-	-	-	-

\*The weighted average interest rate on other payables is Nil% as it is non interest bearing.

**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**

The Consolidated Entity is exposed to foreign currency risk through foreign exchange rate fluctuations when it enters into certain transactions denominated in foreign currency. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

At 30 June, the carrying amount of the Consolidated Entity's financial assets denominated in foreign currencies as detailed below.

	Consolidated Entity	
	2018 \$	2017 \$
<i>Financial Assets</i>		
Cash and cash equivalents denominated in US dollars	695,507	681,956

A 5% movement in foreign exchange rates would increase or decrease the loss before tax by \$34,775 (2017: \$34,098).

**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.

**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 2017.

**24. FINANCIAL INSTRUMENTS (cont.)**

	2018 Profit or Loss		2017 Profit or Loss	
	100 bp Increase \$	100 bp Decrease \$	100 bp Increase \$	100 bp Decrease \$
Cash & cash equivalents	24,499	(24,499)	20,045	(20,045)

**Fair Values**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Fair Value Hierarchy**

The table below details the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability.

**Consolidated –  
30 June 2018**

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Financial asset at fair value through profit or loss	49,428	-	-	49,428
<b>Total Assets</b>	49,428	-	-	49,428

There are no comparatives for the financial year ended 30 June 2017.

There were no transfers between levels during the financial year.

The carrying amounts of other receivables, trade and other payables are assumed to approximate their fair values due to their short-term nature.

**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.

**24. FINANCIAL INSTRUMENTS (cont.)****Capital Management (cont.)**

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

**25. OPERATING LEASE COMMITMENTS**

	Consolidated Entity	
	2018 \$	2017 \$
Not later than one year	76,575	81,417
Later than one year but not later than two years	-	47,686
	<b>76,575</b>	<b>129,103</b>

The Consolidated Entity's operating leases comprise:

- i) Office lease expiring 28 February 2019.
- ii) Storage facility lease expired 30 November 2017 with payments ongoing invoiced on a month to month basis. Commitment recognised for an additional 12 months.
- iii) Office equipment lease expiring 1 January 2019.

**26. 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 \$692,481 during the next 12 months (2017: \$436,000). 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.

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

	Consolidated Entity	
	2018 \$	2017 \$
Short-term employee benefits	409,518	347,037
Post-employment benefits	38,513	32,969
Other long-term benefits	-	-
Share-based payments	-	103,591
	<b>448,031</b>	<b>483,597</b>

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

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

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

**(b) Subsidiaries**

Interests in subsidiaries are set out in Note 32.

**(c) Key Management Personnel**

Disclosures relating to key management personnel are set out in Note 27.

**(d) Transactions with Related Parties**

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

- i) Gascoyne Resources Limited is a director-related entity of Mr Rodney M Joyce, Mr Stanley A Macdonald, Mr Julian D Goldsworthy and Mr Graham D Riley. The Consolidated Entity made Nil payments (2017: \$7,261) to Gascoyne Resources Limited for actual cost reimbursement of services provided.

During the financial year ended 30 June 2017, the Consolidated Entity hired out its Landcruiser Vehicle to Gascoyne Resources Limited at a cost of \$75 per day and received hire fees totaling \$17,100. The vehicle was not hired out during the financial year ended 2018.

- ii) Provision of Serviced Office – During the financial year ended 30 June 2018, fees of \$7,745 (2017: \$2,582) were received from Minasola Pty Ltd, a director related entity of Mr R M Joyce; fees of \$7,745 (2017: \$2,582) were received from Creekwood Nominees Pty Ltd, a director related entity of Mr S A Macdonald and fees of \$1,291 from Satinbrook Pty Ltd, a director related entity of Mr G D Riley (since G D Riley's appointment as a Non-Executive Director on 2 May 2018).

**(e) Outstanding balances arising from transactions with related parties**

There were no outstanding balances arising from transactions with related parties (2017: \$Nil).

**29. 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. A current version of the Zenith Minerals Limited's Employee Option Plan was approved by shareholders at the Annual General Meeting held on 24<sup>th</sup> November 2016.

The Board may offer free options to persons ("Eligible Persons") who are:

- i) full time, part time or casual employees, a contractor or an associated body corporate of the Company who have accepted a written offer of engagement; 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.

**29. SHARE BASED PAYMENTS (cont.)**

When exercisable, each option is convertible into one ordinary share, in any event no later than thirty 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.

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

**2018:**

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
29 Nov 2016	29 Nov 2019	\$0.161	2,500,000	-	-	-	2,500,000	2,500,000
21 Mar 2014	21 Dec 2017	\$0.13	1,000,000	-	-	(1,000,000)*	-	-
			3,500,000	-	-	(1,000,000)	2,500,000	2,500,000

\*1,000,000 \$0.13 unlisted options expired on 21 December 2017. These had a fair value of \$0.0485.

**2017:**

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
29 Nov 2016	29 Nov 2019	\$0.161	-	2,500,000	-	-	2,500,000	2,500,000
21 Mar 2014	21 Dec 2017	\$0.13	1,000,000	-	-	-	1,000,000	1,000,000
20 Nov 2012	20 Aug 2016	\$0.29	100,000	-	-	(100,000)*	-	-
			1,100,000	2,500,000	-	(100,000)	3,500,000	3,500,000

\*100,000 \$0.29 unlisted options expired on 20 August 2016. These had a fair value of \$0.1642.

Zenith Minerals Limited	Weighted average exercise price	Number of options	Weighted average exercise Price	Number of options
	2018	2018	2017	2017
Outstanding at the beginning of the period	\$0.15	3,500,000	\$0.14	1,100,000
Exercised during the period	-	-	-	-
Granted during the period	-	-	\$0.16	2,500,000
Forfeited during the period	-	-	\$0.29	(100,000)
Lapsed during the period	\$0.13	(1,000,000)	-	-
Outstanding at end of the period	\$0.16	2,500,000	\$0.15	3,500,000
Exercisable at the end of the period	\$0.16	2,500,000	\$0.15	3,500,000



**29. SHARE BASED PAYMENTS (cont.)**

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.39 years (2017: 1.84 years).

The weighted average exercise price during the financial year was \$0.16 (2017: \$0.15).

There were no options granted during the 2018 financial year. For the options granted during the 2017 financial year, the valuation model inputs used in the Black-Scholes Model to determine the fair value at the grant date, are as follows:

**2017:**

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
29 Nov 2016	29 Nov 2019	\$0.115	\$0.161	81.30%	-	1.80%	\$0.05179

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 for the year was \$Nil (2017: \$129,488).

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

	<b>Consolidated Entity</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
(a) Loss for the year	(682,929)	(952,932)
Add:		
Non cash items		
Share of losses of Associate accounted for using equity method	11,463	-
Net fair value loss on other financial assets	572	-
Exploration expenditure written off	77,125	132,776
Impairment loss on exploration & evaluation expenditure	151,862	116,965
Depreciation	7,304	9,094
Plant and equipment written off	150	-
Foreign exchange (gain)/loss	(22,269)	11,389
Share based payment	-	129,488
Unrealised foreign exchange	(5,742)	5,742
Gain on deconsolidation of subsidiary	(77,700)	-
<b>Changes in operating liabilities:</b>		
Decrease/(Increase) in trade and other receivables	(11,203)	(11,171)
Decrease/(Increase) in other assets	(50,055)	9,409
Decrease/(Increase) in exploration expenditure capitalised	(1,197,334)	(492,133)
Increase/(Decrease) in trade and other payables	12,621	(22,652)
Increase/(Decrease) in provision for income tax	12,481	-
Increase/(Decrease) in employee benefits	19,326	4,529
Net cash (used in) operating activities	<b>(1,754,328)</b>	<b>(1,059,496)</b>

(b) Non-cash investing and financing activities.

During 2018, there were no non-cash investing and financing activities to disclose.

**31. SUBSEQUENT EVENTS**

No other matter or material event has arisen since 30 June 2018, 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.

**32. 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	
		2018 %	2017 %
Nanutarra Minerals Pty Ltd	Australia	100%	100%
Earaheedy Minerals Pty Ltd	Australia	100%	100%
S2M2 Coal Pty Ltd	Australia	100%	100%
Kalicoal Pty Ltd	Australia	100%	100%
Mamucoal Pty Ltd	Australia	100%	100%
S2M2 Eastern Coal Pty Ltd	Australia	100%	100%
BlackDragon Energy (Aus) Pty Ltd	Australia	100%	100%
Zenolith (USA) LLC. <sup>(1)</sup>	USA	45%	100%
Zacatecas Minerals Pty Ltd	Australia	100%	100%
Fossil Prospecting Pty Ltd	Australia	100%	100%
Caldera Metals Pty Ltd <sup>(2)</sup>	Australia	100%	0%
Minera Salmuera S.A. de C.V. <sup>(3)</sup>	Mexico	0%	100%

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

- (1) Zenolith (USA) Inc. converted into a Delaware Limited Liability Company on 30 November 2017 and filed an election to be classified as an association taxable as a Company for United States federal income tax purposes. Effective 28 February 2018, Bradda Head Ltd purchased 55% of the membership interest in Zenolith (USA) LLC from the Consolidated Entity for \$7 consideration. (Refer to note 6 for details).
- (2) Caldera Metals Pty Ltd was incorporated on 17 July 2017.
- (3) On 28 December 2017, the Consolidated Entity sold its 100% equity interest in Minera Salmuera S.A. de C.V. (Refer note 15 for details).

**33. PARENT ENTITY DISCLOSURES**

As at and throughout the financial year ended 30 June 2018, the parent entity of the Group was Zenith Minerals Limited.

	2018 \$	2017 \$
<b>Result of Parent Entity:</b>		
Profit (loss) for the period	(730,478)	(930,775)
Other comprehensive income (loss)		-
<b>Total Comprehensive Income (loss) for the period</b>	<b>(730,478)</b>	<b>(930,775)</b>
<b>Financial Position of Parent Entity at Year End:</b>		
Current assets	2,416,649	1,908,100
<b>Total Assets</b>	<b>4,755,752</b>	<b>3,010,621</b>
Current liabilities	231,609	131,877
<b>Total Liabilities</b>	<b>231,609</b>	<b>131,877</b>
<b>Total Equity of the Parent Entity Comprising of:</b>		
Share capital	20,475,655	18,099,778
Reserves	139,136	187,621
Retained earnings/(losses)	(16,090,648)	(15,408,655)
	<b>4,524,143</b>	<b>2,878,744</b>

**34. DIVIDENDS**

No dividends have been paid or provided for.

**35. CONTINGENT ASSETS AND LIABILITIES**

There are no contingent assets and liabilities at reporting date (2017: Nil).

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 Consolidated Entity's financial position as at 30 June 2018, and its performance for the financial year ended on that date; and
    - ii) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
  - (b) the Financial Report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board 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*.

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

On behalf of the Directors



**Mr R M JOYCE**  
**Chairman**

**Dated: 26 September 2018**  
**PERTH, WA**

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF ZENITH MINERALS LIMITED

#### Report on the Financial Report

##### Opinion

We have audited the accompanying financial report of Zenith Minerals Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion 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 consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

##### Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

##### Emphasis of Matter

Without modifying our opinion, we draw attention to the financial report which indicates the consolidated entity has incurred a loss of \$682,929 and operating cash outflows of \$1,754,328 for the year ended 30 June 2018. These conditions along with other matters in note 2(e), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report of the consolidated entity does not include any adjustments in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

## Independence

We are independent of the consolidated entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

## Key Audit Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed the matters is provided in that context.

### 1. Carrying value of capitalised exploration expenditure

#### Why significant

As at 30 June 2018 the carrying value of exploration and evaluation assets was \$2,504,425 (2017: \$1,506,386), as disclosed in Note 19. This represents 47% of total assets of the consolidated entity.

The consolidated entity's accounting policy in respect of exploration and evaluation expenditure is outlined in Note 3 (r).

Significant judgement is required:

- in determining whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources ("AASB 6"); and
- in determining the treatment of exploration and evaluation expenditure in accordance with AASB 6, and the consolidated entity's accounting policy. In particular:
  - whether the particular areas of interest meet the recognition conditions for an asset; and
  - which elements of exploration and evaluation expenditures qualify for capitalisation for each area of interest.

#### How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Conducting a detailed review of management's assessment of impairment trigger events prepared in accordance with AASB 6 including:
  - assessing whether the rights to tenure of the areas of interest remained current at reporting date as well as confirming that rights to tenure are expected to be renewed for tenements that will expire in the near future;
  - holding discussions with the directors and management as to the status of ongoing exploration programmes for the areas of interest, as well as assessing if there was evidence that a decision had been made to discontinue activities in any specific areas of interest; and
  - obtaining and assessing evidence of the consolidated entity's future intention for the areas of interest, including reviewing future budgeted expenditure and related work programmes;
- considering whether exploration activities for the areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;
- testing, on a sample basis, exploration and evaluation expenditure incurred during the year for compliance with AASB 6 and the consolidated entity's accounting policy; and
- assessing the appropriateness of the related disclosures in Note 3 (r) and 19.

## 2. Valuation of Interest in Associate

### Why significant

The consolidated entity has a 30% interest in an associate, Kavak Madencilik, which is a for-profit joint venture established for mineral exploration activities in Turkey. The value of the investment in the consolidated entity as at 30 June 2018 is \$147,733 as detailed in Note 16.

The consolidated entity's accounting policy in respect of joint ventures is outlined in Note 3 (b) and (o).

The estimates and judgements in relation to the valuation of the capitalised exploration and evaluation expenditure have a significant impact on Kavak Madencilik's position and performance, which effects the consolidated entity's investment in Kavak Madencilik and its share of the loss recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income totalling \$11,463.

### How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- We considered the control relationship to confirm that equity accounting is appropriate;
- We assessed the work performed by the component auditor on Kavak Madencilik to ensure in accordance with relevant auditing standards, including in particular:
  - Appropriately addressed the capitalisation of exploration costs in accordance with IFRS 6; and
  - Appropriately addressed the potential impact of the impairment triggers within IFRS 6.
- We ensured all other component auditor instructions provided by us were followed and addressed appropriately; and
- We assessed the appropriateness of the related disclosures in Note 3 (b) and (o) and 16.

## Other Information

Other information is financial and non-financial information in the annual report of the consolidated entity which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the Corporate Information, Chairman's Report, Review of Operations, Directors' Report, Corporate Governance Statement, Additional Shareholder Information and Interest in Mining Tenements. The remaining Other Information, if any, is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.



## Directors' Responsibilities 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 Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

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 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 entity'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 entity's internal control.

## Auditor's Responsibilities for the Audit of the Financial Report (continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

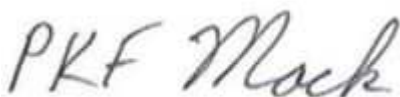
### Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Zenith Minerals Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

### Responsibilities

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.



PKF MACK



SHANE CROSS  
PARTNER

26 SEPTEMBER 2018  
WEST PERTH,  
WESTERN AUSTRALIA

**CORPORATE GOVERNANCE STATEMENT**

Zenith Minerals Limited and its subsidiaries ('**Group**') Corporate Governance Statement outlines the main corporate governance practices of Zenith Minerals Limited and its subsidiaries ('**Group**') in place throughout the financial year ended 30 June 2018, which comply with the 3<sup>rd</sup> Edition of the Australian Securities Exchange ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council, unless otherwise stated.

The Group's Corporate Governance Statement for the financial year ending 30 June 2018 is current as at 26 September 2018 and has been approved by the Board of Directors of Zenith Minerals Limited. The Corporate Governance Statement is available on the Zenith Minerals Limited website at [www.zenithminerals.com.au/corporate.27.html](http://www.zenithminerals.com.au/corporate.27.html).

The company's ASX Appendix 4G, which is a checklist that cross-references the ASX Principles and Recommendations to the relevant disclosures in either this statement, the Annual Report or the company website, is contained in the website at [www.zenithminerals.com.au](http://www.zenithminerals.com.au).

**In Compliance with ASX Requirements**

The shareholder information set out below was applicable as at 17 September 2018.

**1. DISTRIBUTION OF EQUITY SECURITIES**

a) Analysis of numbers of shareholders by size of holding – ordinary fully paid shares (ZNC)

	<b>Number of Shareholders</b>	<b>Number of Fully Paid Ordinary Shares</b>
1 – 1,000	449	167,792
1,001 – 5,000	466	1,087,006
5,001 – 10,000	170	1,423,483
10,001 – 100,000	578	19,536,365
100,001 and over	162	190,547,482
	<b>1,825</b>	<b>212,762,128</b>

b) Number of shareholders holding less than a marketable parcel – 831 (at 17 September 2018).

**2. PARTICULARS OF TWENTY LARGEST SHAREHOLDERS**

The names of the twenty largest holders of quoted shares are listed below:

	<b>Shareholder Shares Issued</b>	<b>Fully Paid Ordinary Shares</b>	
		<b>Number held</b>	<b>% of total</b>
1	HSBC CUSTODY NOMINEES AUSTRALIA LTD	25,838,578	12.14%
2	GRANICH NADA	11,469,619	5.39%
3	J P MORGAN NOM AUST LTD	10,131,449	4.76%
4	MIQUILINI SUZI QUELI	9,064,901	4.26%
5	ABINGDON NOM PTY LTD	8,809,997	4.14%
6	GDR PTY LTD (RILEY S/F A/C)	7,995,000	3.76%
7	BREAMLEA PTY LTD	5,850,000	2.75%
8	GALLOWAY LTD	4,800,000	2.26%
9	CUSTODIAL SERVICES LTD	4,619,282	2.17%
10	MILLER AUSTIN SYDNEY E	4,525,003	2.13%
11	PERSHING NOM LTD	4,320,000	2.03%
12	JENKINS EUAN WILLIAM	4,213,532	1.98%
13	TILBROOK J B + P + J E (TILBROOK S/F A/C)	3,301,014	1.55%
14	YANDAL INV PTY LTD	3,262,417	1.53%
15	STRUVEN NOM PTY LTD	2,741,000	1.29%
16	RYAN JOHN ALBERT J + C (JOHN A J RYAN S/F)	2,500,000	1.18%
17	CREEKWOOD NOMINEES PTY LTD (CHALLENGER A/C)	2,438,116	1.15%
18	CITICORP NOM PTY LTD	2,435,276	1.14%
19	YOVICH WALTER MICK G	2,406,791	1.13%
20	TINTERN VIC PTY LTD	2,336,829	1.10%
<b>TOTAL FOR TOP 20:</b>		<b>123,058,804</b>	<b>57.84%</b>

**3. VOTING RIGHTS**

Ordinary Shares: 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.

Options: No voting rights.

**4. SUBSTANTIAL SHAREHOLDERS**

Substantial shareholders in the Company are:

Ordinary Shares	Number held	% Interest
HSBC CUSTODY NOMINEES AUSTRALIA LTD	25,838,578	12.14%
NADA GRANICH	11,469,619	5.39%

**5. UNQUOTED EQUITY SECURITIES**

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 16.1 cents each by 29 <sup>th</sup> November 2019.	2,500,000 <sup>(1)</sup>	3
<sup>(1)</sup> Persons holding 20% or more: M J Clifford M J Nelmes A D'hulst	54% 26% 20%	

**INTERESTS IN MINING TENEMENTS at 17 September 2018**

PROJECT	LOCATION	TENEMENT NUMBER	HOLDER	ZENITH MINERALS INTEREST	STATUS
Earaheedy	Western Australia	E69/2733	Zenith Minerals Limited	100%	Granted
Earaheedy	Western Australia	E69/3414	Zenith Minerals Limited	100%	Granted
Earaheedy	Western Australia	R69/2	Zenith Minerals Limited	100%	Granted
Vivash Gorge	Western Australia	E47/3071	Zenith Minerals Limited	ASX: RTX Option to Purchase	Granted
Mount Alexander	Western Australia	R08/01	Zenith Minerals Limited	100%	Granted
Mount Alexander	Western Australia	E08/1972	Zenith Minerals Limited	100%	Granted
Mount Alexander	Western Australia	E08/1987	Nanutarra Minerals Pty Ltd	100%	Granted
Earaheedy Zinc	Western Australia	E69/3464	Fossil Prospecting Pty Ltd	ASX: RTR Option to Purchase	Granted
Develin Creek	Queensland	EPM16749	Kalicoal Pty Ltd	100%	Granted
Develin Creek	Queensland	EPM17604	Kalicoal Pty Ltd	100%	Granted
Tate River	Queensland	EPM25942	Jumani Pty Ltd	Option to earn 70%	Granted
Cardinals	Western Australia	E45/4445	S2M2 Eastern Coal Pty Ltd	100%	Granted
Red Mountain	Queensland	EPM26384	Black Dragon Energy (AUS) Pty Ltd	100%	Granted
Yalgoo	Western Australia	E59/2170	Black Dragon Energy (AUS) Pty Ltd	100%	Granted
Split Rocks	Western Australia	E77/2375	Black Dragon Energy (AUS) Pty Ltd	100%	Granted
Split Rocks	Western Australia	E77/2394	Black Dragon Energy (AUS) Pty Ltd	100%	Granted
Split Rocks	Western Australia	E77/2395	Black Dragon Energy (AUS) Pty Ltd	100%	Granted
Split Rocks	Western Australia	E77/2392	Black Dragon Energy (AUS) Pty Ltd	100%	Granted
Split Rocks	Western Australia	E77/2386	Black Dragon Energy (AUS) Pty Ltd	100%	Granted
Split Rocks	Western Australia	E77/2388	Black Dragon Energy (AUS) Pty Ltd	100%	Granted
Split Rocks	Western Australia	E77/2453	Black Dragon Energy (AUS) Pty Ltd	100%	Granted
Split Rocks	Western Australia	E77/2454	Black Dragon Energy (AUS) Pty Ltd	100%	Granted
Split Rocks	Western Australia	E77/2455	Black Dragon Energy (AUS) Pty Ltd	100%	Granted
Split Rocks	Western Australia	E77/2456	Black Dragon Energy (AUS) Pty Ltd	100%	Granted
Split Rocks	Western Australia	E77/2513	Black Dragon Energy (AUS) Pty Ltd	100%	Granted
Split Rocks	Western Australia	E77/2515	Black Dragon Energy (AUS) Pty Ltd	100%	Granted
Kavaklitepe	Turkey	EL20079861	Empire International Anadolu Madencilik Anonim Sirketi	30%	Granted
San Domingo	Arizona – USA	State Mineral Exploration Permits 08-118824 & 08-118825	Zenolith (USA) Inc.	Bradda Head confirming its 55% interest	Granted
San Domingo	Arizona – USA	Federal Claims 1 to 69	Zenolith (USA) Inc.	Bradda Head confirming its 55% interest	Granted

**INTERESTS IN MINING TENEMENTS at 17 September 2018 (cont.)**

PROJECT	LOCATION	TENEMENT NUMBER	HOLDER	ZENITH MINERALS INTEREST	STATUS
San Domingo	Arizona - USA	San Domingo WP28, Midnight Owl #2, RPZ1	Zenolith (USA) Inc.	Bradda Head confirming its 55% interest	Granted
Wilson Salt Flat	Nevada – USA	Federal Claims 1 to 168	Zenolith (USA) Inc.	Bradda Head confirming its 55% interest	Granted
Spencer	Nevada - USA	Federal Claims 1 to 146	Zenolith (USA) Inc.	Bradda Head confirming its 55% interest	Granted
Burro Creek	Arizona - USA	Federal Claims BC1 to BC4, 11- 92022 to 11- 92029, 11- 86283	Zenolith (USA) Inc.	Bradda Head confirming its 55% interest – Option to acquire 100%	Granted
Burro Creek	Arizona - USA	Federal Claims ZL1 to ZL46, CP1 to CP12	Zenolith (USA) Inc.	Bradda Head confirming its 55% interest	Granted
Zacatecas – Illescas	Mexico	67/21991	Minera Salmuera, S.A. de C.V.	Bradda Head confirming its 55% interest	Granted
Zacatecas – San Juan Salado	Mexico	67/21993	Minera Salmuera, S.A. de C.V.	Bradda Head confirming its 55% interest	Granted
Zacatecas – San Vicente	Mexico	67/21994	Minera Salmuera, S.A. de C.V.	Bradda Head confirming its 55% interest	Granted

\* Bradda Head Ltd earning initial 55% - Refer to ASX release dated 7<sup>th</sup> March 2017