



Zenith  
Minerals  
Limited

ABN 96 119 397 938

**Consolidated Interim Financial Report**  
**for the Half-Year Ended**  
**31 December 2015**

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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

**Company Secretary**

Melinda Nelmes

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**Stock Exchange Listing**

Australian Securities Exchange

Home Exchange: Perth, Western Australia

ASX Code: ZNC

## **Directors' Report**

The Directors of Zenith Minerals Limited ("The Company") and subsidiaries ("Consolidated Entity") submit herewith the Interim Financial Report for the half-year ended 31 December 2015. In order to comply with the provisions of the Corporation Act 2001, the directors report as follow:

### **Directors**

The names of the Directors of the Company during the whole of the financial half-year and up to the date of this report, unless otherwise stated are:

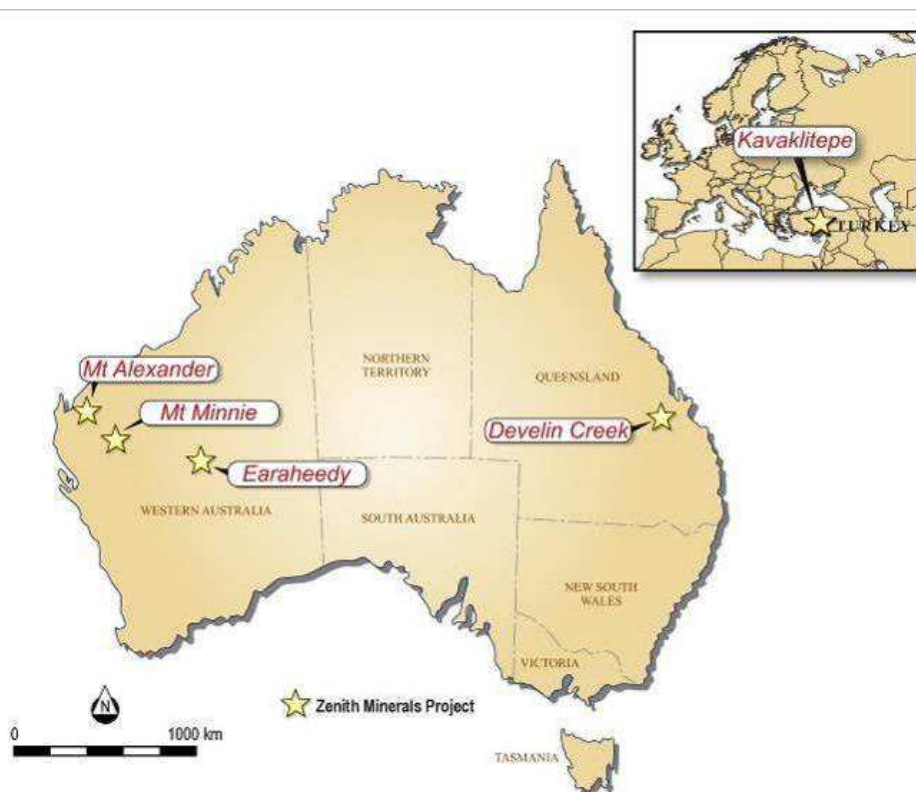
Rodney M Joyce	–	Non-Executive Chairman
Michael J Clifford	–	Managing Director
Stanley A Macdonald	–	Non-Executive Director
Julian D Goldsworthy	–	Non-Executive Director

### **Company Secretary**

Melinda Nelmes

### **Review of Operations**

In the half year to 31 December 2015 the Company continued to progress its copper and gold projects:



**Figure 1: Zenith Project Locations**

## **DEVELIN CREEK COPPER-ZINC-GOLD-SILVER PROJECT – QUEENSLAND**

**(Zenith 51%, right to acquire 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.**
- **Mineralisation remains open at all 3 massive sulphide deposits, with 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;**
- **Ongoing systematic soil geochemical programs proven a successful, initial screening tool;**
- **Soil sampling has generated several new targets including the Huntsman prospect, where recent follow-up mapping identified gossans containing up to 1.1% copper.**
- **New drill target identified at Wilsons South where soil sampling defined a prospective corridor 2000 metres by 750 metres which overlies a discrete EM conductor defined by a HeliTEM geophysical survey.**

### **Activities During the Half Year**

#### **Wilsons South Prospect**

During the half year period assay results were received from soil and rock sampling in the Wilsons area located 30km south of the known Develin Creek copper-zinc-gold-silver deposits (Figure 4). Results from the program define a 1000 metre by 500 metre, coincident copper-zinc soil anomaly\* overlying the Wilsons Copper Prospect where samples of gossans (up to 2.7% copper and 0.4% zinc) were mapped (Figure 2). Based on mapping by Zenith geologists and historical drilling records the Wilsons Prospect represents the footwall stringer or feeder position typically observed below copper-zinc massive sulphide bodies.

In addition to identifying the known prospect at Wilsons, the soil sampling defined a prospective corridor 2000 metres by 750 metres continuing to the south which overlies a discrete EM conductor defined by a HeliTEM geophysical survey (Figure 2). The coincident soil anomaly and EM conductor at Wilsons South are located at higher topographic elevations directly along geological strike from the Wilsons prospect and are therefore considered to be an attractive drill target as preservation of the copper-zinc massive sulphide bodies are considered likely. A second large copper-zinc soil anomaly situated to the west of the Wilsons South target requires field checking to assess its significance.

\*Refer to ASX Release 7<sup>th</sup> October 2015 for JORC Tables relevant to Develin Creek soil sampling programs.

#### **Huntsman Prospect**

During the half year period trenching was completed at the Huntsman Prospect located 3km south of the known Develin Creek copper-zinc-gold-silver deposits to test a 350 metre by 100 metre, coincident, copper-zinc soil anomaly surrounding the area where float samples of gossans (up to 1.1% copper) were found in an area of very poor outcrop. Two trenches were excavated exposing stockwork and veined basalts with anomalous copper and zinc values over significant widths up to 54m. Best results included: 2m @ 0.12% zinc. The style and tenor of the copper-zinc mineralisation mapped in the Huntsman trenches is consistent with a footwall stringer or feeder position typically observed below copper-zinc massive sulphide bodies. The recognition of a well-developed stringer zone at Huntsman increases the prospectivity of a nearby EM conductor identified by the recent VTEM SuperMax airborne geophysical survey (Figure 3).

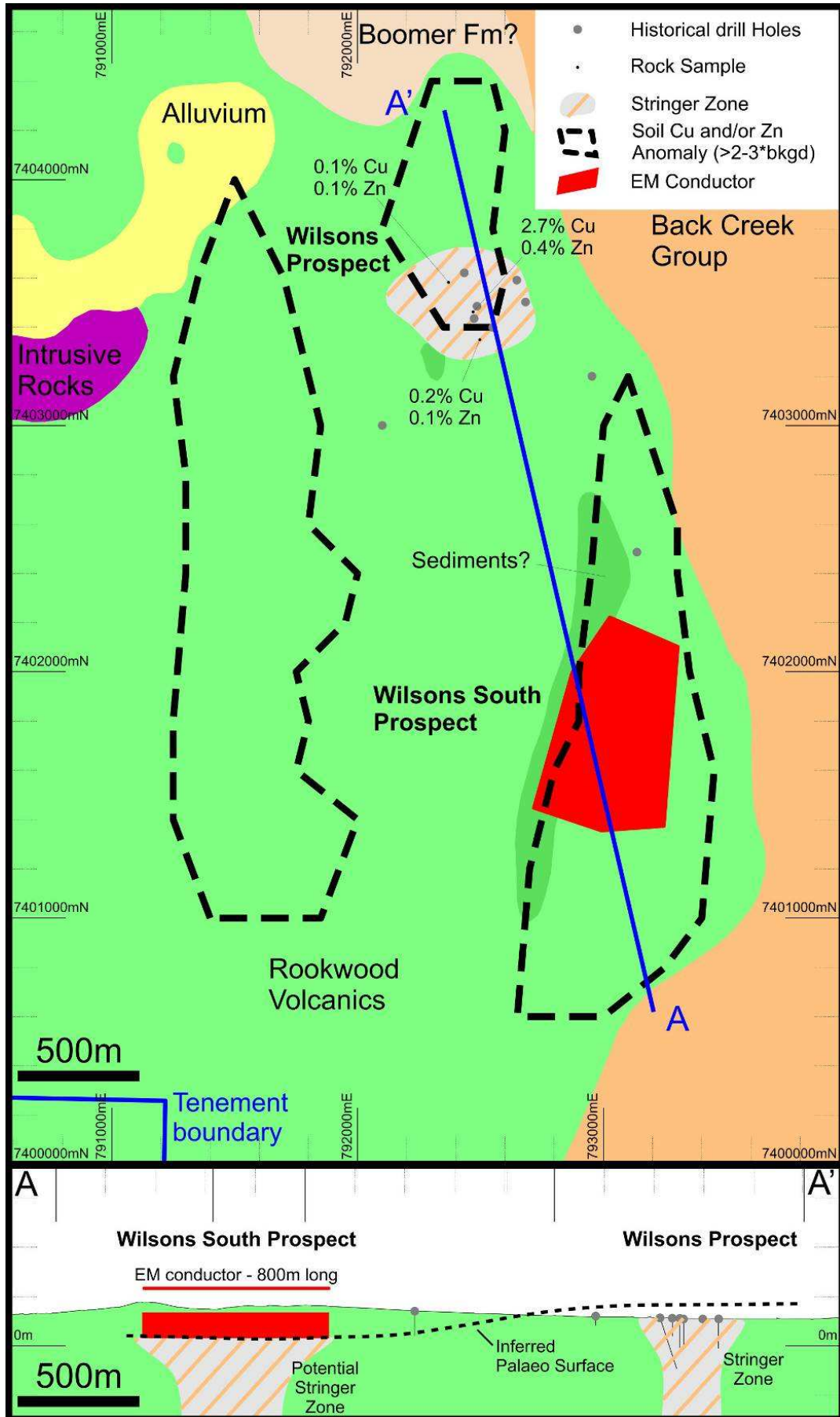


Figure 2: Wilsons South Target



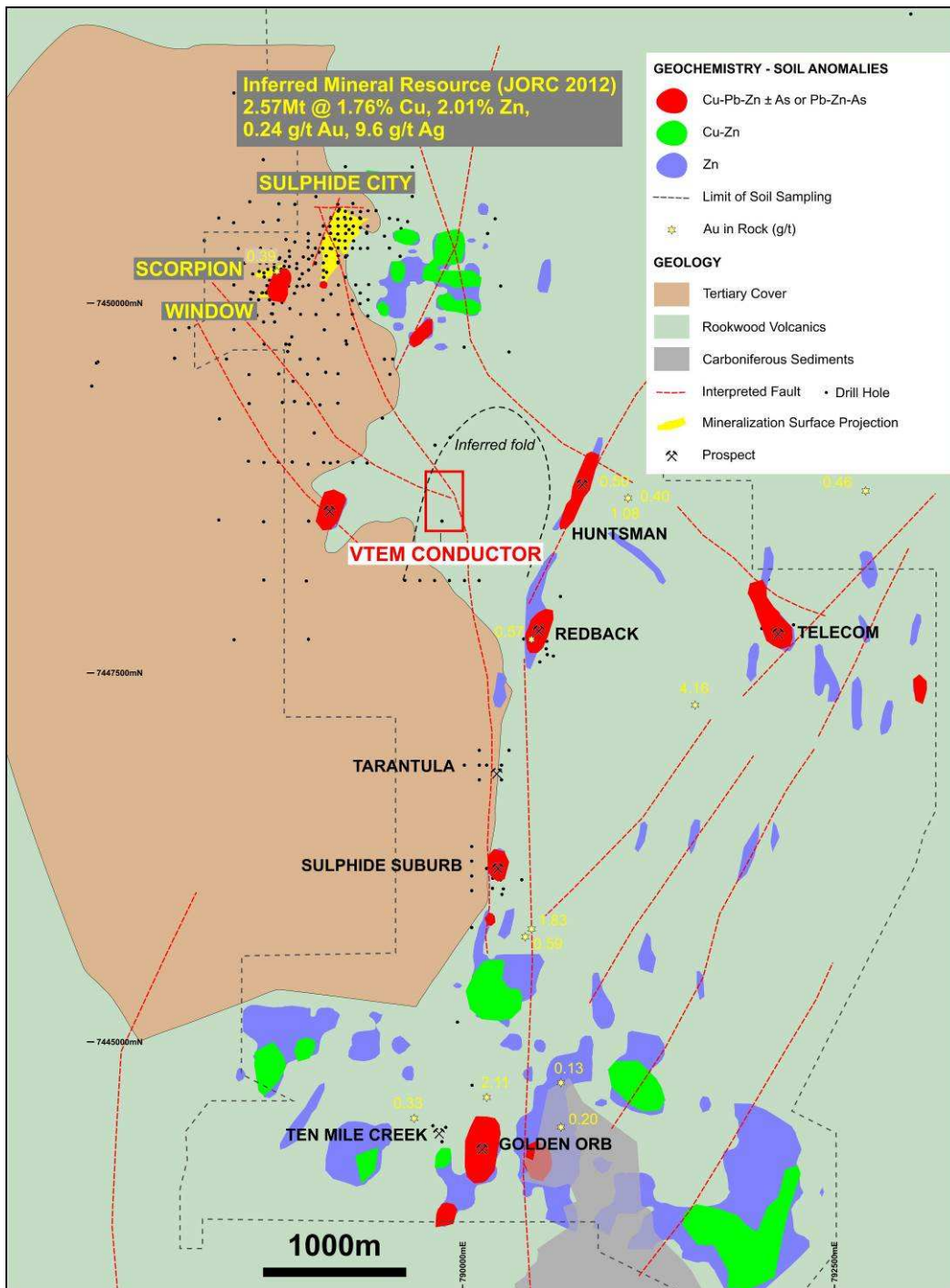


Figure 3: Develin Creek Prospects and Targets

### Regional Targets

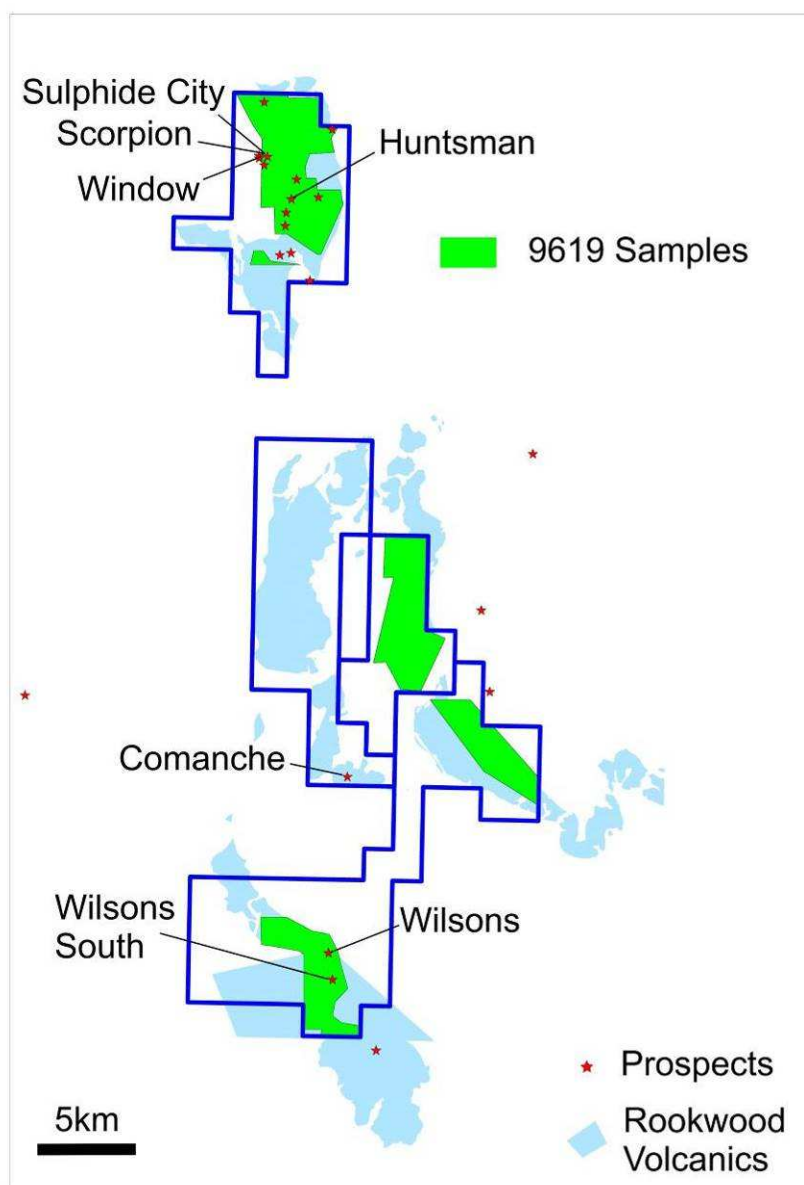
Within the Develin Creek project area, Zenith believes that there is good potential to discover new massive sulphide copper-zinc mineralisation, in the extensive landholdings totalling 300km<sup>2</sup>. Zenith controls over 50km of strike length of prospective volcanic host rock sequence.

To date approximately 9,000 soil samples have been collected and analysed by Zenith as part of a systematic geochemical surveying program. Historically there has been little to no systematic geochemical soil sampling over much of the prospective target horizons, and thus the Zenith program was the first to provide effective regional geochemical coverage over key portions of the target area.

Following the success of that first and second phase soil programs in discovering the Huntsman and Wilsons South prospects (as well as confirming the location of all historical prospects) further sampling will be conducted in 2016 in an ongoing program to expand coverage over priority host rock horizons within the highly prospective tenure surrounding the Develin Creek deposits.

### Planned Activities

- Geological mapping of the Wilsons South prospect, prior to drill testing;
- Completion of review of the recently collected lithogeochemical, multi-element samples and spectral samples in an attempt to trace the prospective mineralisation horizons around the known copper-zinc-gold-silver deposits of Sulphide City, Scorpion and Window.



**Figure 4: Summary Map of Develin Creek Priority Regional Exploration Targets and Geochemical Survey Coverage**

### Background on Develin Creek Project

Located 80km north-west of Rockhampton in Central Queensland, the Develin Creek base metals project hosts several copper-zinc-gold-silver volcanic hosted massive sulphide deposits and covers an extensive belt of underexplored prospective host rocks. Mineralisation comprises massive sulphide, stringer and breccia style copper-zinc-gold-silver deposits, hosted by basalts.

The Develin Creek deposits are of a style similar to those currently being mined by Sandfire Resources NL at DeGrussa and Independence Group NL at Jaguar-Bentley, which are both located in Western Australia. These types of deposits typically occur in clusters making them attractive exploration targets.

On the 15<sup>th</sup> February 2015 the Company announced a new mineral resource of: **2.57Mt @ 1.76% copper, 2.01% zinc, 0.24g/t gold and 9.6g/t silver (2.62% CuEq).**



<b>Deposit</b>	<b>Tonnes</b>	<b>Cu% Grade</b>	<b>Zn% Grade</b>	<b>Ag g/t</b>	<b>Au g/t</b>
<b>SULPHIDE CITY</b>	<b>1,796,700</b>	<b>1.75</b>	<b>2.37</b>	<b>9.7</b>	<b>0.23</b>
<b>SCORPION</b>	<b>548,900</b>	<b>1.98</b>	<b>1.66</b>	<b>13.0</b>	<b>0.36</b>
<b>WINDOW</b>	<b>225,600</b>	<b>1.30</b>	<b>-</b>	<b>0.8</b>	<b>0.02</b>
<b>TOTAL</b>	<b>2,571,200</b>	<b>1.76</b>	<b>2.01</b>	<b>9.6</b>	<b>0.24</b>

The resource is classified under the JORC Code 2012 as Inferred, based on several criteria including drill spacing, continuity of mineralisation, wireframe geometry and confidence in assays from various drilling campaigns. \*CuEq refer to JORC Code Reporting Criteria Section 2, ASX Release 15<sup>th</sup> Feb 2015.

The resource update followed a successful resource extension drilling campaign (ASX Release 26<sup>th</sup> Nov 2014) that confirmed the high-grade core of the Sulphide City deposit (Figure 5) extends a further 140m south of the previous resource whilst the thick sub-horizontal copper zone at Window was extended to the north of existing drilling. New results from holes in that drill campaign at Sulphide City included: 5m @ 2.45% copper, 2.14% zinc, 0.4 g/t gold and 30.7 g/t silver and 3m @ 2.63% copper, 0.88% zinc, 0.5 g/t gold and 36.7 g/t silver supporting results from a diamond drill hole completed in 2011 that returned an intersection of 13.2 metres @ 3.3% copper, 4.0% zinc and 0.4g/t gold.

Massive bedded copper-zinc sulphide mineralisation remains open at depth beyond the main Scorpion deposit (Figure 6) to the north and north-east, whilst bedded massive sulphide remain open ended to the north west of the Sulphide City deposit. Incremental resource extensions are likely to the immediate north of the Window resource.

In addition a Zenith RC hole completed in the drill program twinned a 1993 percussion drill hole as the older hole appeared to have anomalously low results compared to the more recent diamond drill holes and other older 1993 diamond drill hole results further to the north. Zenith's new hole returned significantly higher copper, zinc, gold and silver grades (3x copper, 5x zinc, 5x gold and 7x silver) for the equivalent drilled interval. Results from the newer twin hole replaced the older drill hole results allowing a zone of continuous high-grade copper to be defined through the core of the Sulphide City deposit.

The Sulphide City mineralisation consists of stockwork, disseminated and massive sulphide mineralisation. The main Sulphide City lens, outlined with a 1% copper equivalent cut-off, has a horizontal projection of about 400m x 150m. The lens varies from 2.5m to 29m in thickness, generally dips 25-30° west-northwest and has been intersected at depths between 80m and 200m. Better historic drill intersections (previously reported) include:

- **DDH-016      14.5m @ 0.6% Cu and 4.3% Zn (includes 2.5m @ 12.0% Zn)**
- **DDH-044      11.3m @ 2.1% Cu, 5.9% Zn, 16g/t Ag & 1.21g/t Au**
- **PD-052      15.0m @ 3.1% Cu, 2.3% Zn**

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

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

The highly weathered Window mineralisation consists of a ~40m thick sub-horizontal supergene blanket of copper mineralisation at 50m depth within a wider zone of stringer style mineralisation. The location and style of mineralisation indicates that the Window Deposit may be the partially eroded footwall stringer zone to the nearby Scorpion massive sulphide lenses. Better historic drilling results from Window (previously reported) include:

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

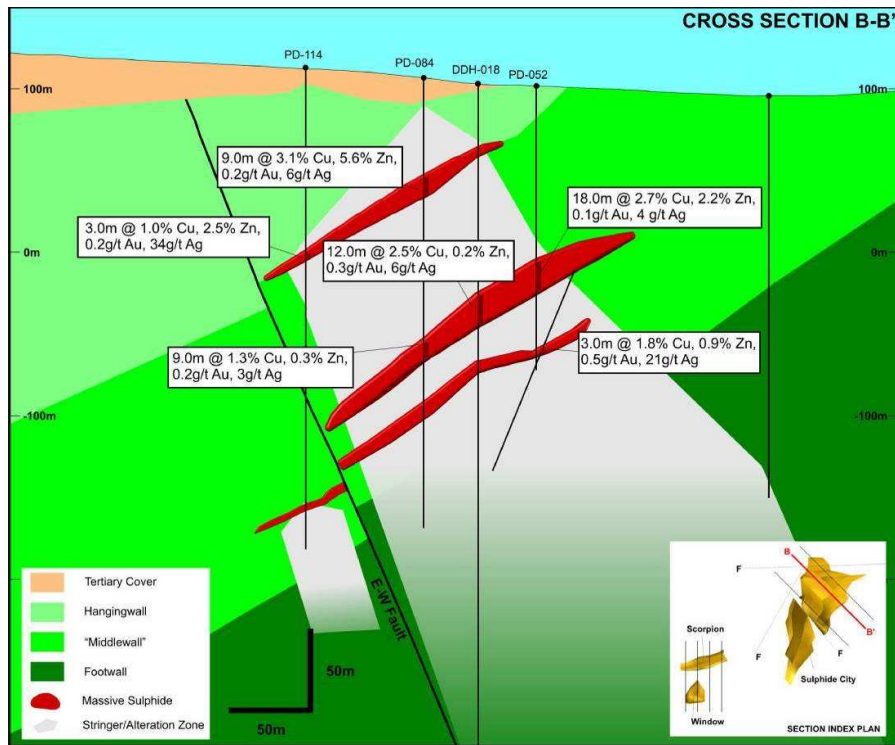


Figure 5: Sulphide City Deposit – Cross Sections

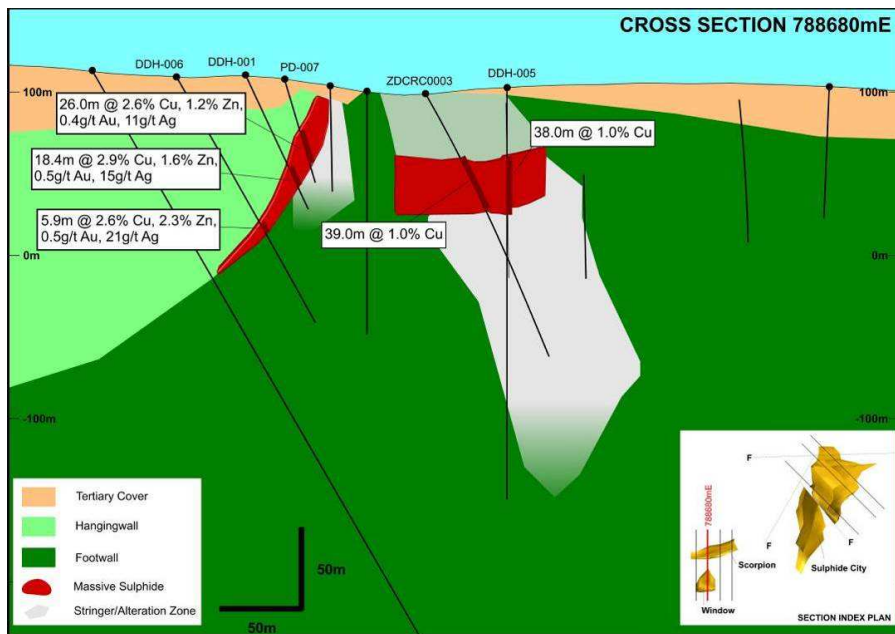


Figure 6: Scorpion-Window Deposit – Cross Section

**KAVAKLITEPE GOLD PROJECT – TURKEY (Teck earning up to 70%)**

- Two coherent plus 800 metre long, high order gold in soil anomalies, with peak soil sample values over 1 g/t gold,
- Continuous rock chip traverse of 54.0 metres grading 3.33 g/t gold, including 21.5 metres grading 7.2 g/t gold within the northwest soil anomaly (Kuzey Zone),
- Continuous rock chip traverse of 21 metres grading 2.67 g/t gold at the Discovery 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,
- Kavaklitepe has yet to be drilled (only discovered in early 2013).

**Activities During the Half Year**

During the half year period Zenith announced the restructuring of the Kavaklitepe gold project joint venture, whereby a Turkish subsidiary of Teck Resources Limited will take over management under a new option agreement (ASX Release 30<sup>th</sup> November 2015).

Under the new arrangement Teck may now earn a 70% interest in the Kavaklitepe gold project by spending US\$700,000 in property expenditures including a minimum of 1500m of drilling. Following the initial option stage both companies can then continue to explore or develop the property by contributing their pro-rata costs or they may elect to dilute their interests according to a standard industry formula. If Zenith reduces its equity below 10% then the remaining interest may be compulsorily acquired by Teck in exchange for a 5% net profit interest royalty.

Should Teck not exercise its initial option to earn 70% equity then Zenith will own 100% of the project with Teck retaining a 2% net smelter royalty.

The new option deal with Teck alleviates Zenith's expenditure and cash payment burden required under the initial Turkish Agreement. It also provides a pathway forward to unlocking the potential of the Kavaklitepe gold project at low initial cost, at the same time as maintaining a significant interest in the project for Zenith shareholders.

**Background on Kavaklitepe Project**

Zenith's wholly owned subsidiary S2M2 Coal Pty Ltd previously announced that it had entered into an exclusive option to earn up to a 70% interest in the Kavaklitepe gold property ("Kavaklitepe" or "the Property") located in western Turkey (see Zenith December 23, 2013 ASX release).

Columbus Copper announced on the 7<sup>th</sup> January 2015 the sale of the subsidiary that holds the Bursa and Kavaklitepe properties in Turkey to an affiliate of Teck Resources Limited. Under the Turkish Agreement, S2M2 Coal had the option to earn an initial 51% interest in the Property over three years by making a further US\$100,000 cash payment and completing US\$2,500,000 in cumulative exploration expenditures on the Property. If S2M2 had earned the initial 51% interest in the Property, it may then have elected to earn a further 19%, for 70% in total, by making an additional US\$500,000 payment and by completing a bankable feasibility study within a four year period. The Turkish Agreement has now been replaced by the option agreement with Teck, as detailed in the 30<sup>th</sup> November 2015 ASX Release.

Columbus Copper discovered mineralization at Kavaklitepe by following up a stream sediment anomaly to a stream bed outcrop that returned 5.2 grams per tonne ("g/t") gold. Subsequently a small trench in a nearby road cut returned 2.67 g/t gold over 21 metres of exposure. About 1.4 kilometres northwest from the discovery outcrop four samples from a gold bearing breccia zone returned 28.2 g/t, 21.7 g/t, 6.7 g/t and 3.66 g/t gold respectively (see Columbus Copper release March 1, 2013). Further rock sampling along a road bank in this zone confirmed the presence of high-grade gold mineralization returning 54.0 metres of continuous rock chips with an average grade of 3.33 g/t gold, including 21.5 metres grading 7.2 g/t gold. A total of 2,127 soil samples were also collected on

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

Successful IP geophysical survey trials by Zenith over two of the major gold-in-soil anomalies (Güney and Kuzey) identified strong chargeability anomalies beneath the high-grade gold in soil anomalies. Two survey configurations were tested (a grid of gradient array and single pole-dipole lines) both returning strong to moderate chargeable responses ( $>20\text{Mv/v}$ ). Beneath the Kuzey zone a strong chargeable IP geophysical anomaly was identified directly beneath high-grade surface rock chip samples (7.68, 22.7 g/t gold) and gold in soil (up to 6.05 g/t gold), while a second strong chargeable IP geophysical anomaly was identified beneath the Güney Zone (Figure 7).

At Kuzey the chargeability anomaly lies directly beneath the 900m long (50ppb Au) high-grade gold in soil anomaly (maximum 6050ppb Au, 6.05 g/t Au) and can be detected in the survey data to a depth of at least 100m (Figure 8).

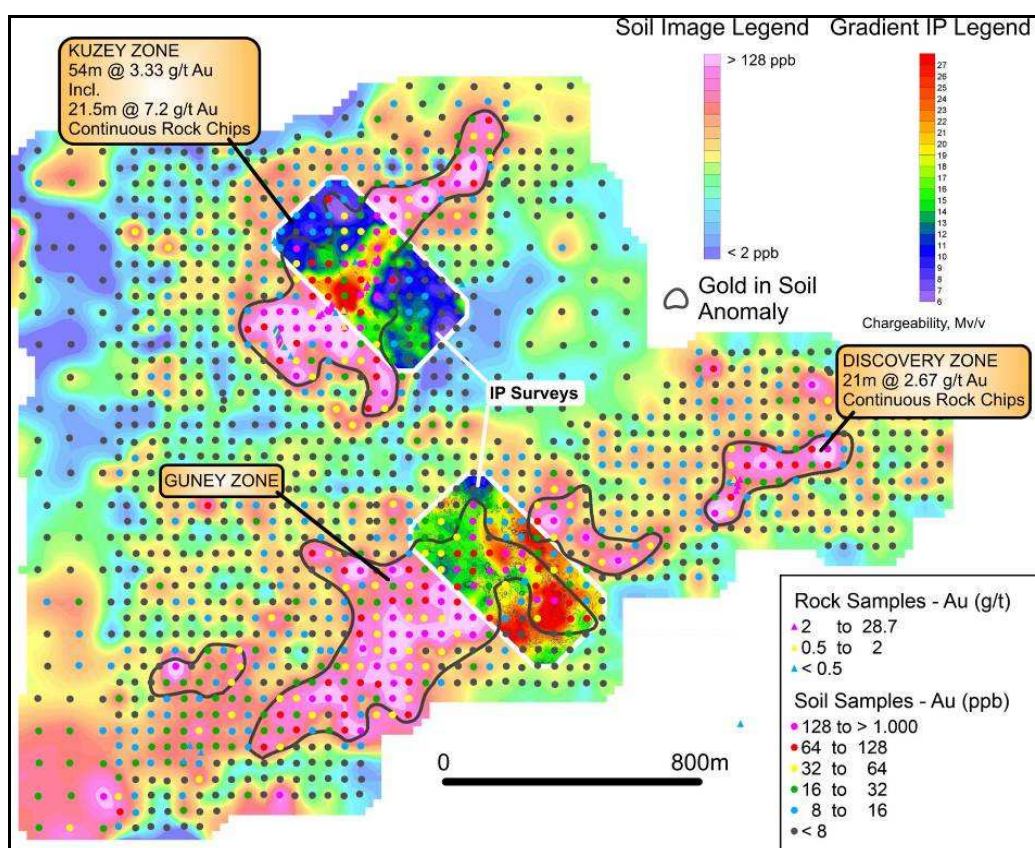
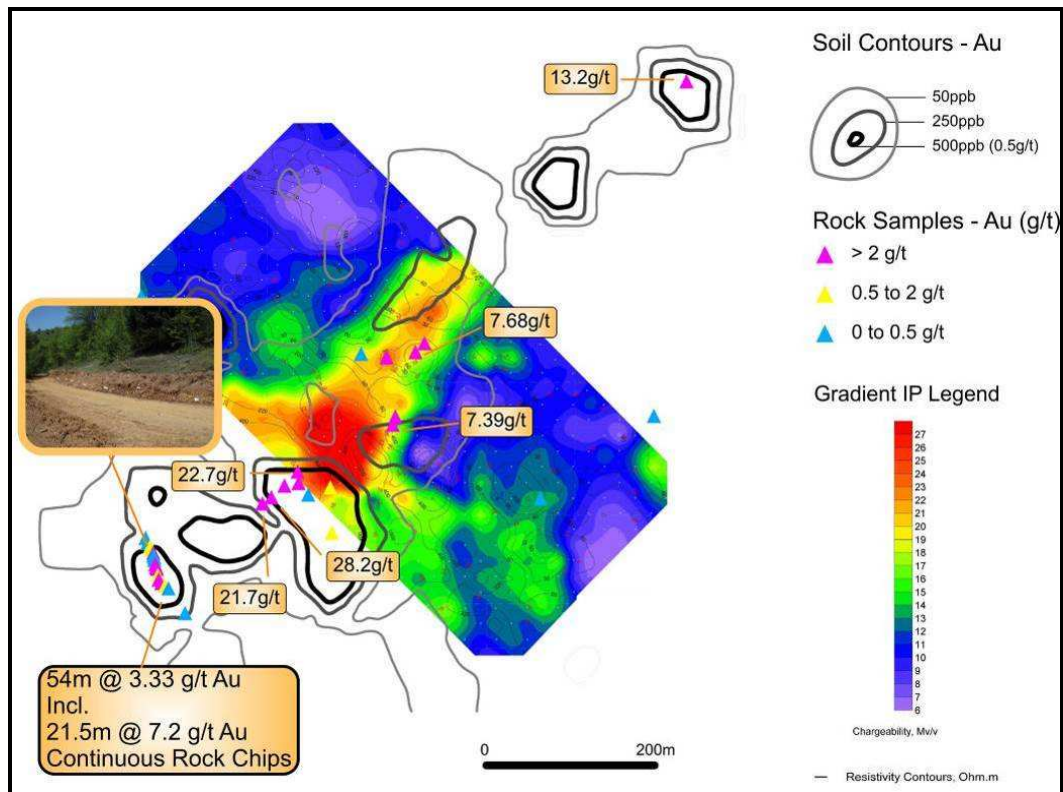


Figure 7: Plan Showing Kavaklıtepe Project IP Geophysical Surveys (Images of chargeability at 25m below surface) overlying Gold in Soil Geochemical Anomaly with Rock Chip Sample Locations





**Figure 8: Plan Showing Kuzey Zone Gold in Soil Geochemical Anomaly Contours and Rock Chip Sample Locations overlying IP Geophysical Survey Image of Chargeability (25m depth slice)**

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

- Mineral Resources at Red Lake and Lockeridge,
- Red Lake 2012 – 1<sup>st</sup> direct shipping ore (DSO) grade Mn intersected by drilling in Earahedy Basin;
  - 3m @ 41.0% Mn within 5m @ 34.8% Mn from 22m
  - 1m @ 40.2% Mn within 3m @ 30.7% Mn from 3m.

### **Activities During the Half Year**

- ◆ New high-grade manganese zones (up to 43.5%Mn) discovered during regional reconnaissance mapping and sampling programs at Zenith's 100% owned Earahedy Project (ASX Release 5<sup>th</sup> November 2015);
- ◆ Surface rock sampling from the new Birthday Prospect discovery returned assay results up to 37.6%Mn over a coherent 500m long zone (Figure 9). This new prospect is located 350m east of the previously announced Blue Elbow Prospect (ASX Release 12<sup>th</sup> August 2014), where surface sampling returned up to 38.2%Mn;
- ◆ Second new zone of high-grade manganese mineralisation 250m long with grades up to 33%Mn has been discovered 1km west of the Bluegrass Prospect (ASX Release 12<sup>th</sup> August 2014), where previous surface sampling returned up to 48.1%Mn;
- ◆ New isolated manganese outcrops also sampled to the northeast and southwest of the Birthday manganese discovery returned assays results including: 28.0%Mn, 43.5%Mn and 42.3%Mn; and
- ◆ A single sample taken from a zone of iron enrichment along the main access track returned very high-grade iron (61.1%Fe) with very low deleterious elements typical of those in direct shipping iron ores (DSO).



**Figure 9: High-Grade Manganese Outcrop at the Birthday Prospect**

### **Planned Activities**

The Company noted that during the half year period that production was halted at two of Australia's premier manganese operations: Woodie Woodie in Western Australia and Bootu Creek in the Northern Territory. As a direct result of the significant fall in manganese prices the Company has reduced its landholdings to key exploration targets and has filed applications for retention licences over its two manganese Mineral Resources, and the latter if successful will allow Zenith to hold the resources but negate any Department of Mines statutory annual expenditure requirements for those licences.

### **Background on Earacheedy Project**

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

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

Primary manganiferous carbonate at Lockeridge is supergene enriched near surface. Previous Zenith drilling completed in 2010 was stepped out more than 250 metres down dip from the outcrop, and intersected primary manganiferous carbonate with Mn grades in the range 3 to 10% Mn for up to 1.2 km down dip. The 2013 program established potential for supergene manganese oxide with both holes intersecting mineralisation. Hole ZTAC026 (3m @ 25.1% Mn incl. 1m @ 29.6%) intersected the target around 100 metres down dip from the high grade outcrop, and hole ZTAC025 (3m @ 20.2% Mn) hit partially oxidised mineralisation around 150m down dip from surface outcrop.

The first DSO grade Mn drill intersections recorded in the Earacheedy Basin were reported by Zenith in 2012 at the Red Lake prospect. Drilling results include; 3m @ 41% Mn (within 5m @ 34.8% Mn from 22m depth), and 3 metres @ 34.8% Mn from 19 metres, including 1m @ 42.3% Mn. Subsequent drill programs defined continuous near surface high-grade manganese at Red Lake. Based on a revised geological interpretation (ASX Release 9<sup>th</sup> September 2014) the Red Lake resource is: **1.4Mt @ 19.0% Mn** at a 10% Mn cut-off grade with a higher grade component of 0.2Mt @ 30.0% Mn at a 25% Mn cut-off grade as presented in the Table below. The resource is classified under the JORC Code 2012 as Inferred, based on confidence in, and continuity of, the results from the drilling campaigns, and surface mapping.



Red Lake Manganese Mineral Resource Estimate as at August 2014									
Classification	Reporting Cut-off Grade	Tonnes (Mt)	Mn %	Fe %	Si %	Al <sub>2</sub> O <sub>3</sub> %	P %	S %	LOI %
Inferred	25% Mn	0.2	30.0	14.1	13.85	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

On the 15<sup>th</sup> April 2015 Zenith reported an Inferred Mineral Resource (JORC 12) for the near surface oxide portion of the Lockeridge manganese prospect. The maiden estimate is: **2.6Mt @ 20.6% Mn** at a 10%Mn cut-off grade as presented in the Table below. The resource is classified under the JORC Code 2012 as Inferred, based on confidence in, and continuity of, the results from the drilling campaigns, and surface mapping.

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 MINNIE GOLD PROJECT – WA (Zenith 100%)**

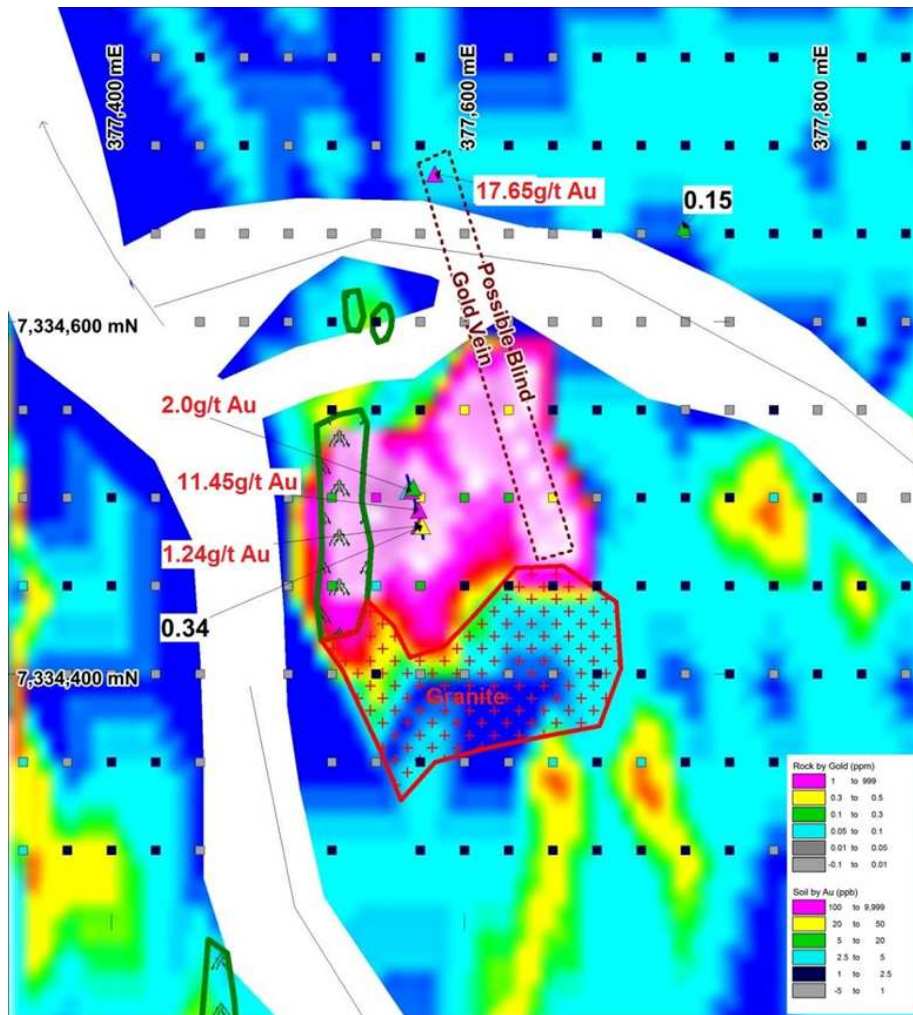
- Zenith rock chip sampling confirms high-grade gold in quartz veins. New surface rock sample results include: 17.65 g/t gold and 11.45g/t gold;
- Previous high-grade rock samples returned up to 64.2 g/t gold & 21.5 g/t gold;
- Only cursory historic reconnaissance activity by previous explorer; and
- Zenith is applying a new geological model to assess gold targets over 25km of strike, prospective for reduced intrusion related gold deposits.

### **Activities During the Half Year**

During the half year period the Company announced (ASX Release 26<sup>th</sup> October 2015) that assay results were received from a surface soil and rock sampling program from the Woods gold prospect defining a 200 metre by 200 metre gold anomaly surrounding the area where high-grade gold results were returned from quartz vein samples in an area of very poor outcrop (Figure 10).

Soil sampling was conducted by Zenith's field staff, with 25m spaced samples on grid lines 50m apart. Assay results show a discrete gold anomaly (peak 184ppb gold) coincident with the Woods gold-rich quartz vein (rock samples up to 11.45g/t gold). A strong linear gold in soil trend west of known gold rich quartz vein and trending to north where 17.65g/t gold quartz vein float sample provides a buried gold vein target. Note soil and colluvium cover thickens across a creek to the north and east of the gold in soil anomaly and soil samples taken that direction may not be effective.

Drilling is now required to test the subsurface extent of gold mineralisation.



**Figure 10: Woods Prospect Gold in Soil Anomaly (Triangles = rock samples, squares = soil samples, green polygons = dolerite dykes, red hatched polygons = granite outcrop)**

### Background on Mt Minnie Project

The Mt Minnie project consisting of one exploration licence is situated approximately 240 km northeast of Carnarvon in Western Australia. The tenement covers a portion of terrain composed predominantly of mid-Proterozoic granite assigned to the Minnie Creek batholith prospective for reduced intrusion related gold deposits.

Previous rock chip sampling at the Woods Prospect identified a zone of very positive gold results up to 21.5 g/t gold (Au). Sampling by Zenith confirmed the high-grade tenor of gold mineralisation at the Woods Prospect with new samples returning: 11.45 and 1.24 g/t Au from the core of a 2-3m wide ferruginous quartz vein over an outcrop strike length of 30 metres with a further sample taken 200 metres north returning 17.65 g/t Au. A continuous rock chip sample across the strike of the vein returned 2 metres @ 1.24 g/t Au. The prospect is on the edge of a soil covered plain and outcrop is sparse.

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

- **Advantages over other WA magnetite deposits;**
  - Location close to coast and infrastructure (Well located close to sealed roads, gas pipelines and only 120km from coast near Onslow (Mitsui, Chevron ports)
  - Coarser grained = better beneficiation
  - Low waste to ore ratio ~ 1:1, provides a good compact mining shape
- **Base case in 2011 Scoping study - slurry pipeline, tranship by barge to vessel offshore**
- **80km to API JV (Baosteel-AMCI) West Pilbara proposed railway to Anketell Port – third party access indicated by developers,**
- **Prominent range, magnetite zone +4 km long and up to 200 metres thick,**
- **JORC Inferred Resource of 566Mt @ 30 % Fe is only ~ 50% of target iron formation (“BIF”) area. Clear potential to grow resource within significant additional Exploration Target.**

No field work was conducted during the half year period.

**Background on Mt Alexander Project**

The Mount Alexander Project is 120 km from the port of Onslow, and 260 km south west of Karratha in the West Pilbara region of Western Australia, close to the Pilbara coast, the sealed North West Coastal Highway and the Dampier Bunbury gas pipeline. Planned rail from the nearby West Pilbara Iron Project (Baosteel/AMCI JV) to a new port development at Anketell Point provides a possible alternative infrastructure solution.

Zenith has discovered magnetite iron mineralisation occurs in a banded iron formation (BIF) associated with a sequence of amphibolite, dolomite, schist and quartzite of Proterozoic age in the northern Gascoyne Province.

In May 2013 the Company announced an Inferred Mineral resource for magnetite iron at Mount Alexander of 535 million tonnes @ 30.0% Fe. This mineral resource was updated and reported in June 2015 to include magnetite iron zones that extend on to an exploration licence acquired post that May 2013 resource estimate. The new Inferred Mineral resource (JORC12) for magnetite iron at Mount Alexander is: **565.7 million tonnes @ 30.0% Fe**. The resource is the total of the 2013 Inferred Mineral Resource (535.1Mt @ 30.0%Fe) and the updated BIF extensions of the central and south west domains (30.6Mt @ 30.0% Fe). Details are included in JORC Code Reporting Criteria Section 2 of the June 2015 Quarterly Report.

Mount Alexander BIF Inferred Mineral Resource estimate as at June 2015							
		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

In addition the Company reported a maiden Inferred Mineral resource estimate for magnetite iron at the Mt Alexander West prospect in June 2015. That Inferred Mineral resource (JORC12) for magnetite iron at Mount Alexander West is: **25.9 million tonnes @ 22.7% Fe**. The resource is classified as

Inferred based on confidence in, and continuity of, the results from the drilling campaigns, detailed aeromagnetic data and detailed structural surface mapping. Details are included in JORC Code Reporting Criteria Section 2 of the June 2015 Quarterly Report.

Mount Alexander West BIF Inferred Mineral Resource estimate as at June 2015 (18%Fe cut-off)							
		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

Substantial additional potential exists for increased tonnage at both Mt Alexander and Mt Alexander West with only ~55% of target BIF drill tested to date. The Company reported in June 2015 a revised additional **Exploration Target of 510 to 620 million tonnes @ 25 to 35% Fe** (excluding the Inferred Resources), in accordance with Section 17 and Section 38 of the JORC Guidelines 2012. *The potential quantity and grade of this Exploration Target is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. The Exploration Target has been estimated on the basis of 3D modelling of the along strike extensions of resource wireframes at Mt Alexander and Mt Alexander West by using outcrop mapping (by Zenith and by Jigsaw Geoscience, assays from outcrop rock chip samples taken by Zenith, magnetic susceptibility measurements, 2.5D profile and 3D inversion modelling of detailed ground (~100-200m line spacing) and airborne magnetic (~50m line spacing) survey data by Core Geophysics,. A volume for the magnetite mineralisation was calculated to - 100mRL and a bulk density range of 3.1g/cc to 3.7g/cc (consistent with a grade of 25-35wt% iron as magnetite) was applied to the volume derived from the modelling. Further drilling to test the validity of the Exploration Target is planned within the next 2 years subject to receipt of the necessary permits and approvals, and the availability of funding.*

A Scoping Study by consultants ProMet was reported to ASX on 10 May 2011. The Study assessed the basic mining, processing and infrastructure requirements, and estimated Capital Costs and Operating Costs. Based on detailed test work on diamond drill core the Study applied a weight recovery of 30.2% at p80 minus 40 micron grind and a DTR concentrate grade of 69.9% Fe and 3.0% SiO<sub>2</sub>. The Base Case selected included processing by crushing, grinding, wet magnetic separation. The Base Case transport option for the concentrate was by slurry pipeline 120 km to the coast near Onslow, and transport by barge to an offshore mooring for transfer into ships for export (transshipment).

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

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

## NEW OPPORTUNITIES

The Company is continuing to assess resource opportunities that have both synergies with existing Zenith projects or that will enhance the Company's existing project portfolio.

Although the focus of new projects is on gold and copper in which 100% ownership can be secured, lithium potential has been recognized within Zenith's 100% owned Mt Alexander project (as announced to the ASX on the 2<sup>nd</sup> February 2016 post the end of the half year period). As such the Company is now assessing the lithium potential of its entire tenement portfolio as well as several new lithium target opportunities.

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

The net loss of the Consolidated Entity after income tax for the half-year ended 31 December 2015 was \$375,073 (31 December 2014: \$3,581,374). No dividends were paid or provided for during the half-year.

At 31 December 2015, the Company had \$429,890 (30 June 2015: \$726,277) in cash and term deposits to finance its operations.

### **Review of Operations**

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

**Auditor's Independence Declaration**

The Auditor's Independence Declaration, as required under Section 307C of the Corporations Act 2001, for the half-year ended 31 December 2015 has been received and included on page 19 of the Interim Financial Report.

Signed in accordance with a Resolution of Directors.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'R. Joyce', with a stylized flourish at the end.

**Rodney Michael Joyce**  
**Chairman**  
Perth

Dated: 3rd March 2016



**AUDITOR'S INDEPENDENCE DECLARATION**

**TO THE DIRECTORS OF ZENITH MINERALS LIMITED**

In relation to our review of the financial report of Zenith Minerals Limited for the half year ended 31 December 2015, 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*

**PKF MACK**

*Shane Cross*

**SHANE CROSS  
PARTNER**

**3<sup>RD</sup> MARCH 2016  
WEST PERTH,  
WESTERN AUSTRALIA**

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**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

**For the Half-Year ended 31 December 2015**

	<b>Consolidated</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Revenue	68,837	15,550
<b>Expense</b>		
Employee benefits expenses	(111,307)	(86,449)
Depreciation and amortisation expense	(6,104)	(8,401)
Exploration expenditure written off	(37,829)	(645,111)
Impairment loss on exploration	(159,196)	(2,709,535)
Management fee	(21,792)	(40,012)
Other operating expenses	(107,682)	(107,416)
<b>Loss before income tax</b>	<b>(375,073)</b>	<b>(3,581,374)</b>
Income tax benefit	-	-
<b>Loss after income tax benefit for the period</b>	<b>(375,073)</b>	<b>(3,581,374)</b>
<b>Other comprehensive income</b>		
Other comprehensive income for the period (net of tax)	-	-
<b>Total comprehensive loss for the period</b>	<b>(375,073)</b>	<b>(3,581,374)</b>
<b>Loss per share</b>	<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share	(0.3)	(2.9)

*The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

**Condensed Consolidated Statement of Financial Position  
as at 31 December 2015**

	<b>Note</b>	<b>Consolidated 31 December 2015 \$</b>	<b>30 June 2015 \$</b>
<b>Current assets</b>			
Cash and cash equivalents		429,890	726,277
Trade and other receivables		17,256	20,236
Other current assets		27,827	29,032
<b>Total current assets</b>		<b>474,973</b>	<b>775,545</b>
<b>Non-current assets</b>			
Plant and equipment		39,901	43,903
Exploration and evaluation expenditure	5	1,231,079	1,321,707
<b>Total non-current assets</b>		<b>1,270,980</b>	<b>1,365,610</b>
<b>TOTAL ASSETS</b>		<b>1,745,953</b>	<b>2,141,155</b>
<b>Current liabilities</b>			
Trade and other payables		81,480	114,166
Provisions		33,836	21,279
<b>Total current liabilities</b>		<b>115,316</b>	<b>135,445</b>
<b>TOTAL LIABILITIES</b>		<b>115,316</b>	<b>135,445</b>
<b>NET ASSETS</b>		<b>1,630,637</b>	<b>2,005,710</b>
<b>Equity</b>			
Issued capital	6	14,774,740	14,774,740
Reserves		90,973	90,973
Accumulated losses		(13,235,076)	(12,860,003)
<b>TOTAL EQUITY</b>		<b>1,630,637</b>	<b>2,005,710</b>

*The above Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.*

**Condensed Consolidated Statement of Changes in Equity  
For the Half-Year ended 31 December 2015**

	Issued Capital	Share Based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
<b>Consolidated</b>				
<b>Balance at 1 July 2014</b>	13,424,740	90,973	(6,508,647)	7,007,066
Loss for the period	-	-	(3,581,374)	(3,581,374)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(3,581,374)	(3,581,374)

*Transactions with owners,  
recorded directly in equity*

Issue of shares	1,150,000	-	-	1,150,000
<b>Balance at 31 December 2014</b>	<b>14,574,740</b>	<b>90,973</b>	<b>(10,090,021)</b>	<b>4,575,692</b>

<b>Consolidated</b>				
<b>Balance at 1 July 2015</b>	14,774,740	90,973	(12,860,003)	2,005,710
Loss for the period	-	-	(375,073)	(375,073)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(375,073)	(375,073)

*Transactions with owners,  
recorded directly in equity*

Issue of shares	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>14,774,740</b>	<b>90,973</b>	<b>(13,235,076)</b>	<b>1,630,637</b>

*The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**Condensed Consolidated Statement of Cash Flows  
For the Half-Year ended 31 December 2015**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flow from operating activities</b>		
Receipts from customers	4,500	8,874
Payments paid to suppliers and employees	(277,664)	(283,441)
Receipt of research and development incentive	60,451	256,020
Interest received	3,990	8,505
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>(208,723)</b>	<b>(10,042)</b>
	<hr/>	<hr/>
<b>Cash flow from investing activities</b>		
Deposits refunded	-	18,731
Payments for property, plant and equipment	(2,102)	-
Payments for capitalised exploration and evaluation expenditure	(203,588)	(913,929)
Receipt of research and development incentive	118,026	-
Relating to capitalised exploration	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(87,664)</b>	<b>(895,198)</b>
	<hr/>	<hr/>
<b>Cash flow from financing activities</b>		
Proceeds from issue of shares and options	-	1,000,000
	<hr/>	<hr/>
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>1,000,000</b>
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents held	(296,387)	94,760
Cash and cash equivalents at the beginning of the period	726,277	862,038
Cash and cash equivalents at the end of the period	<b>429,890</b>	<b>956,798</b>
	<hr/> <hr/>	<hr/> <hr/>

*The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

**Notes to the Condensed Consolidated Financial Report  
For the Half-Year ended 31 December 2015**

**1. Corporate Information**

Zenith Minerals Limited and controlled entities ("Consolidated Entity") are incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

The Company was granted official quotation on the Australian Securities Exchange ("ASX") on 25 May 2007 as an exploration company.

The Condensed Consolidated Financial Report of Zenith Minerals Limited and controlled entities ("Consolidated Entity") for the half-year ended 31 December 2015 was authorised for issue in accordance with a Resolution of the Directors on 3<sup>rd</sup> March 2016.

**2. Basis of Preparation and Accounting Policies**

**STATEMENT OF COMPLIANCE**

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134 'Interim Financial Reporting' as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

**BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Consolidated Entity's annual financial report for the financial year ended 30 June 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.



**Notes to the Condensed Consolidated Financial Report  
For the Half-Year ended 31 December 2015 (continued)**

**GOING CONCERN**

The half-year consolidated financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Consolidated Entity incurred a net loss after tax of \$375,073 for the period ended 31 December 2015 (31 December 2014: \$3,581,374).

The ability of the Consolidated Entity to continue to pay its debts as and when they are due is dependent upon the Consolidated Entity successfully raising additional share capital and ultimately developing one of its mineral properties.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- the Directors have an appropriate plan to raise additional funds as and when it is required. In light of the Consolidated Entity's current exploration projects, the Directors believe that any additional capital required can be raised in the market; and
- the Directors have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable.

Should the Consolidated Entity be unable to achieve the factors outlined above, there is material uncertainty which may cast significant doubt over the Consolidated Entity's ability to continue as a going concern.

The half-year consolidated financial statements have been prepared on the basis that the Consolidated Entity can meet its commitments as and when they fall due and can therefore continue normal business activities, and the realisation of assets and liabilities in the ordinary course of business.

**ADOPTION OF NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS**

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

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

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

**Notes to the Condensed Consolidated Financial Report  
For the Half-Year ended 31 December 2015 (continued)**

**Accounting standards issued but not yet effective:**

<b>AASB No.</b>	<b>Title</b>	<b>Application date of standard</b>	<b>Issue date</b>
AASB 9	Financial Instruments	1 January 2018	December 2010
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	August 2014
AASB 2014-4	Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	August 2014
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	1 January 2016	December 2014
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016	December 2014
AASB 1057	Application of Australian Accounting Standards	1 January 2016	July 2015
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016	January 2015
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	January 2015

**3. Operating Segments**

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

The CODM review expenditure in exploration. The accounting policies adopted for Internal reporting to the CODM are consistent with those adopted in the financial statements as described in the 30 June 2015 Annual Report.

**Geographical Information**

	<b>Sales to external customers</b>		<b>Geographical non-current assets</b>	
	<b>31 December 2015</b>	<b>30 June 2015</b>	<b>31 December 2015</b>	<b>30 June 2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Australia	-	-	849,858	947,435
Turkey	-	-	421,122	418,175
	<b>-</b>	<b>-</b>	<b>1,270,980</b>	<b>1,365,610</b>

**Notes to the Condensed Consolidated Financial Report  
for the Half-Year ended 31 December 2015 (continued)**

**4. Dividends**

During the current half-year ended 31 December 2015 or previous financial year, no dividends were paid, recommended or declared.

**5. Exploration and Evaluation Expenditure**

	<b>Consolidated</b>	
	<b>31 December 2015</b>	<b>30 June 2015</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of financial period	1,321,707	5,910,858
Capitalised expenditure	224,423	1,388,961
Less: exploration expenditure written off	(37,829)	(1,571,489)
Less: impairment of exploration expenditure	(159,196)	(4,406,623)
Less: research and development incentive	(118,026)	-
Balance at end of financial period	<b>1,231,079</b>	<b>1,321,707</b>

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.

During the half year ended 31 December 2015, the consolidated entity booked an impairment loss on capitalised exploration and evaluation expenditure of \$159,196 (30 June 2015: \$4,406,623) 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 totalling \$37,829 (30 June 2015: \$1,571,489) 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.

**6. Issued Capital**

	<b>Shares No.</b>	<b>31 December 2015 \$</b>	<b>Shares No.</b>	<b>30 June 2015 \$</b>
Fully paid ordinary shares balance at beginning of period	128,634,608	14,774,740	112,301,274	13,424,740
Issue of ordinary shares	-	-	16,333,334	1,350,000
<b>Total</b>	<b>128,634,608</b>	<b>14,774,740</b>	<b>128,634,608</b>	<b>14,774,740</b>

**Notes to the Condensed Consolidated Financial Report  
for the Half-Year ended 31 December 2015 (continued)**

**6. Issued Capital (cont.)**

During the half year ended 31 December 2015, there were no changes to Equity Securities.

**7. Fair value measurement of financial instruments**

Management assessed that the fair value of cash and short-term deposits, trade & other receivables and trade & other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

**8. Related Party Transactions**

Arrangements with related parties continue to be in place. For details on these arrangements, please refer to the 30 June 2015 Annual Report.

**9. Contingent Liabilities and Assets**

The Consolidated Entity had no contingent liabilities or assets as at 31 December 2015 or 2014.

**10. 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 \$370,785 during the next 12 months (30 June 2015: \$639,304). 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.

**11. Events after the reporting period**

On 22nd February 2016, the Zenith Minerals Limited announced an intention to raise up to approximately \$1,500,000 through a two stage process comprised of:

- (a) a placement to institutional and sophisticated investors to raise \$400,000 (before costs) by the issue of 10,000,000 new shares at 4 cents per share together with a free attaching option on the basis of one (1) new option for every (2) new shares subscribed; and
- (b) a non-renounceable rights issue to raise up to approximately \$1,100,000 (before costs)

The Rights Issue Offer is expected to raise up to approximately \$1,100,000 (before costs) through the issue of up to 27,726,922 New Shares at an issue price of 4 cents per share on the basis of one (1) New Share for every five (5) Existing Shares held, together with 13,863,461 free attaching New Options on the basis of one (1) New Option for every two (2) New Shares subscribed for and issued under the Rights Issue Offer. The Rights Issue Offer is made available to all Shareholders with registered addresses in Australia, New Zealand, United Kingdom and Singapore on the Record Date of 2 March 2016.

**Notes to the Condensed Consolidated Financial Report  
for the Half-Year ended 31 December 2015 (continued)**

**11. Events after the reporting period (cont.)**

On 24<sup>th</sup> February 2016, 10,000,000 new shares at 4 cents per share were allotted to institutional and sophisticated investors under the Placement.

Other than the matter mentioned above, no other matters or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of operations, or the consolidated entity's state of affairs in future financial years.

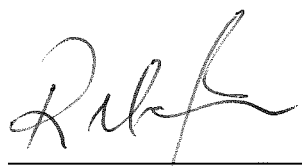
## **Directors' Declaration**

In the Directors' opinion:

1. The Financial Statements and notes thereto, comply with the *Corporations Act 2001* including:
  - (a) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements;
  - (b) giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2015 and of its performance for the half year ended on that date.
2. There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a Resolution of the Board of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



**Rodney Michael Joyce**  
**Chairman**

Perth, 3rd March 2016



## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ZENITH MINERALS LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Zenith Minerals Limited (the Company) and controlled entities (consolidated entity) which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at 31 December 2015, or during the half year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001. As the auditor of Zenith Minerals Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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## Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors' of the company a written Auditor's Independence Declaration.

## Conclusion


Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Zenith Minerals Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

## Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2 in the financial report, which confirmed that the consolidated entity incurred a net loss after tax of \$375,073 during the half year ended 31 December 2015. These conditions, along with other matters as set out in Note 2, indicates 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.



PKF MACK



SHANE CROSS  
PARTNER

3<sup>RD</sup> MARCH 2016  
WEST PERTH,  
WESTERN AUSTRALIA