

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2016

WP16-50



**Zenith
Minerals
Limited**

ABN 96 119 397 938

Cover Page Photo - Giant Spodumene Crystals
(lithium minerals) at San Domingo

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CORPORATE INFORMATION

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Michael J Clifford (Managing Director)

Stanley A Macdonald (Non-Executive Director)

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

Dear fellow shareholders,

While there was a modest recovery in sentiment in the Australian resource sector, particularly for gold and lithium focused stocks, the 2015–2016 financial year was again challenging for small resource companies, and shareholders are thanked for their strong support for the oversubscribed rights issue completed in March 2016.

Tough times are however also times of great opportunity in a cyclical business like ours, and with asset valuations heavily discounted and many small resource companies leaving the sector, good projects are more readily available for staking or purchase at low cost.

Zenith's experienced management and highly qualified technical team thrive in this type of environment and have been busy, securing a number of new projects over the last 12 months as we continue to build and strengthen the quality and diversity of our portfolio.

Lithium project generative activities were concentrated in North America and Australia. In Arizona, USA the Company secured 100% ownership of the San Domingo lithium project covering at least 10 known lithium bearing pegmatite dykes within the area subject to Zenith's 9 km long tenement package. Numerous other lithium projects and targets in North America have been identified and in many cases due diligence sampling has now been completed. Further acquisitions are likely.

Following the end of the financial year, Zenith also secured 100% interest in a large area prospective for lithium and gold at Split Rocks in the Forrestania Greenstone Belt of Western Australia, close to significant lithium discoveries announced by competitors.

We are excited that drilling is now finally underway at the Kavaklitepe gold project in Turkey, which we rate as an outstanding exploration opportunity. After a period of frustration due to permitting delays, our new joint venture partner has now commenced preliminary shallow drill testing of the Kuzey Zone, the first of 3 large gold anomalies. Encouraging near surface gold intersections reported so far include 9 m @ 5.2 g/t Au and 7.8 m @ 7.3 g/t Au.

We continued to explore the Develin Creek copper-zinc-gold-silver project in Queensland, where we have a current JORC Mineral Resource of 2.57 million tonnes of massive sulphide, and numerous new drill targets over 50 km of strike. After the end of the financial year the Company increased its interest to 100% at Develin Creek after securing the remaining 49% interest from its joint venture partner.

Surface sampling at the wholly owned Mt Minnie gold project, and our lithium projects in the Pilbara region of Western Australia continued to provide encouragement, while we also continue to hold existing JORC Mineral Resources at our Mt Alexander magnetite iron and Earahedy manganese projects under retention status.

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



Rodney (Mike) Joyce

Chairman

19 September 2016

Exploration and Development Activities

Projects Overview

During the last 12 months the Company has expanded its portfolio of projects, exposing shareholders to hard rock pegmatite lithium projects in Australia and the USA, in addition to the existing gold projects in Australia and Turkey and the Develin Creek copper-zinc-gold-silver massive sulphide project in Queensland (Figure 1).

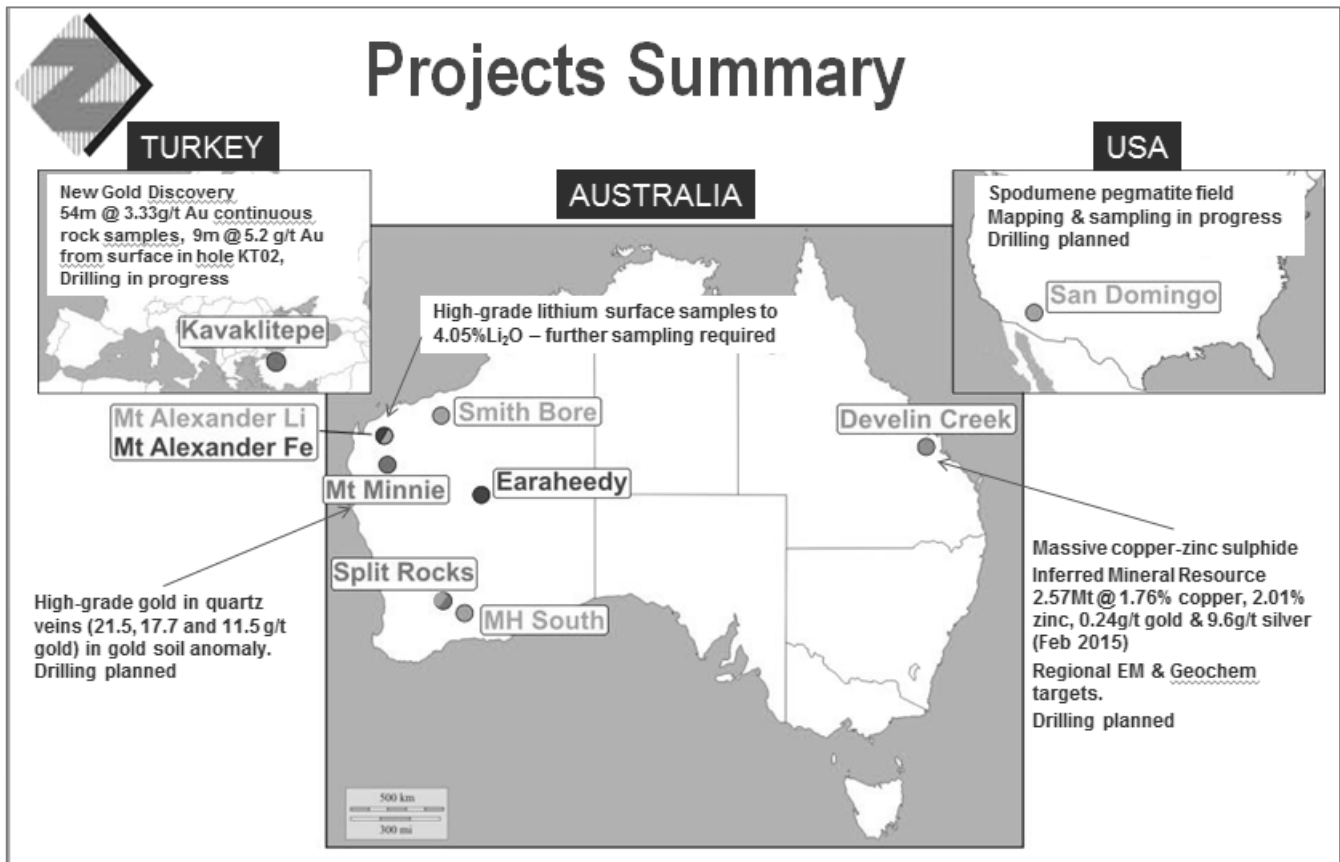


Figure 1: Zenith Project Locations

In Arizona, USA the Company secured 100% ownership of the San Domingo lithium project that covers a 9km by 1.5km lithium-bearing pegmatite dyke swarm. Initial mapping and sampling by Zenith's consultants to date has identified 10 lithium bearing pegmatite dykes ranging in outcrop size up to 60m in width and up to 600m in length within the area subject to Zenith's tenements. Initial continuous rock chip sampling conducted within the new applications has returned very encouraging results up to 5m @ 1.97% Li₂O including 2.4m @ 2.49% Li₂O from a 14.1m zone grading 1.02% Li₂O. Sampling of historical Lithia King workings also returned up to 1.44% Li₂O over a 3 metre composite. San Domingo is an exciting target that requires drill testing.

Following the end of the year Zenith submitted 100% owned exploration licence applications at Split Rocks in the Forrestania Greenstone Belt of Western Australia. The area was applied for in early March 2016 following the recognition by the Company that the region contained lithium enriched granites, and was subsequently replaced by a larger, expanded exploration licence application area following ASX announcements by Western Areas Limited and Kidman Resources Limited of significant lithium discoveries. The licences are located 10km northwest of the new Earl Grey lithium pegmatite discovery announced by Kidman Resources Limited (ASX release 6th September 2016) where reported drill intercepts include: 93m @ 1.53% Li₂O. Zenith's geologists believe that the new

application area is prospective for lithium as well as gold mineralisation. The Forrestania Greenstone Belt is intruded by abundant pegmatite dykes, many of which are now being shown to be lithium (spodumene) rich.

Ongoing lithium project generative activities focused in North America and Australia will likely result in near term additions to Zenith's project portfolio.

At the Kavaklitepe gold project in Turkey, our joint venture partner a Turkish affiliate of Teck Resources Limited has commenced preliminary ongoing shallow drill testing of the Kuzey Zone, the first of 3 large gold-in-soil anomalies to be tested. Drill results from the first six holes have been highly encouraging returning near surface intersections over 680 metres of strike including: 9 m @ 5.2 g/t Au from surface, 7.8 m @ 7.3 g/t Au from 3.3 m depth, 3.5m @ 5.5 g/t Au from surface, 6.3m @ 4.3 g/t Au from surface, and 7.7m @ 1.2 g/t Au from 66.0m in a deeper primary zone.

Post the end of the financial year, the Company secured the remaining 49% interest in the Develin Creek copper-zinc-gold-silver project from its joint venture partner, following their change of business focus acquiring a Silicon Valley based memory developer. Having now secured a 100% interest in the project, the Company plans further exploration activities to unlock the potential of the existing 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 15th February 2015, and the highly prospective surrounding tenure. Drill testing is planned of the new Wilsons South target and at Sulphide City where a twin hole drilling program will test historic drilling assay under-call and provide further metallurgical samples. In addition the program to expand geochemical coverage over priority host rock horizons within the highly prospective tenure surrounding the Develin Creek deposits remains ongoing.

During the year, systematic surface sampling at the Woods Prospect within the Mt Minnie gold project in Western Australia returned further encouraging, early stage, surface, gold results. Trenching to test the Woods Prospect where soil geochemical sampling defined a 200m x 200m gold in soil anomaly coincident with and extending east of Zenith's high-grade gold rock chips (up to 11.4g/t gold) commenced post year end.

Expenditure on both the Mt Alexander iron project and the Earraheedy manganese project has remained at a minimum this year whilst bulk commodity markets remain at a cyclical low. These Inferred Mineral Resources are now held under retention licences/status and require minimal annual expenditure to maintain.

SAN DOMINGO LITHIUM PROJECT – ARIZONA USA (Zenith 100%)

- **100% owned state mineral exploration leases and federal mineral claim applications submitted over the San Domingo pegmatite field in Arizona, USA (as announced to the ASX 7th June 2016);**
- **Abundant known lithium bearing pegmatite dykes within Zenith's new lease applications stretching 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% Li₂O including 2.4m @ 2.49% Li₂O within 14.1m zone @ 1.02%Li₂O from spodumene rich pegmatites; and**
- **Lithium as spodumene and amblygonite concentrates along with tantalum was produced from pegmatites within the district during the period 1947 – 1952.**

During the year, a wholly owned subsidiary of Zenith Minerals secured a 100% interest in a new lithium exploration project in Arizona, USA. The San Domingo project is in an adjoining state to Tesla's lithium ion battery production facility (Gigafactory) that is under construction in Nevada.

The project covers a 9km by 1.5km lithium-bearing pegmatite dyke swarm that intrudes Proterozoic mafic gneiss host rocks that are in turn locally overlain by Tertiary age volcanic and sedimentary rocks (Figure 2).

Initial mapping and sampling by Zenith's consultants to date has identified 10 lithium bearing pegmatite dykes ranging in outcrop size up to 60m in width and up to 600m in length within the area subject to Zenith's tenements. First phase continuous rock chip sampling conducted within the new applications has returned very encouraging results up to **5m @ 1.97% Li₂O** including **2.4m @ 2.49% Li₂O from a 14.1m zone grading 1.02% Li₂O**, and sampling of Lithia King workings returned up to **1.44% Li₂O** over a 3 metre composite. A further 3 lithium bearing pegmatite dykes are known to occur at least partly within small claims that are believed to be excised from the land recently applied for by Zenith.

The pegmatite dykes show clear zonation, with lithium enrichment within the inner "core" zones. Historical records refer to spodumene crystals up to 11 feet long at the Lithia King pegmatite (held by Zenith).

Lithium (as spodumene and amblygonite concentrates) along with tantalum was produced from small scale mining of the pegmatites within the district during the period 1947 – 1952, historic production of lithium from two small scale mines within Zenith's claims produced amblygonite concentrates grading from 7.4 to 8.5% Li₂O (Arizona Bureau of Mines Bulletin 1952). However, the area has been subject to sparse systematic exploration for lithium. No drilling for lithium appears to have been completed since the early 1950s when diamond drilling on 4 of the pegmatite bodies and associated minor surface and underground exploration is mentioned in historical documents. Very little detail on this work has been sighted by the Company, other than partial results from one drillhole and anecdotal information mentioning "...considerable thicknesses of spodumene-bearing pegmatite.." penetrated in several other holes reported by a 3rd party. Since hole locations, sampling details and assay methodology are not known the Company considers the results not to be reportable under the JORC Code. A third party reference to a 1980-82 exploration program for tantalum and niobium does not mention lithium analyses.

The Company will conduct additional mapping and sampling prior to planned drill testing. Understanding the size, shape and zoning of the pegmatites, along with distribution, weathering and alteration of lithium bearing minerals will be a focus of Zenith's future exploration of the district. Mapping and sampling by Zenith and past academic research has noted that surface weathering and alteration of the spodumene crystals occurs in the district, locally reducing their lithium content, at least in the near surface.

The Company advises that there is some uncertainty over the locality of several of the excised claims and the Company is awaiting notification from the US Bureau of Land Management as to the exact position of those claims, which may require survey monuments to be reinstated. So that Zenith does not transgress onto 3rd party claims in the meantime, the Company will focus its immediate exploration activities targeting lithium pegmatites that are away from the excised claim boundaries.

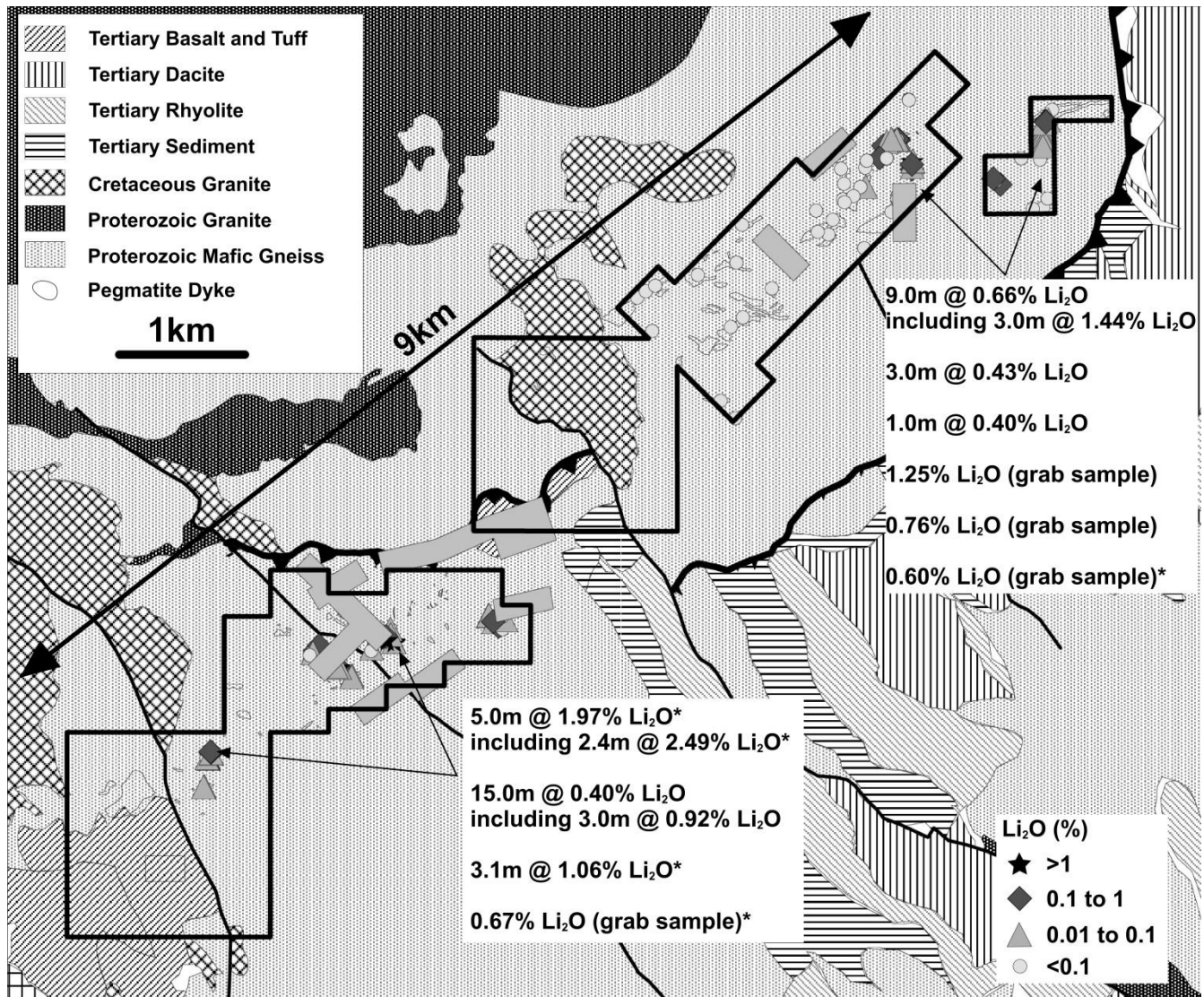


Figure 2: San Domingo Lithium Project- Due Diligence Surface Rock Sampling Results

(Black box – outline of Zenith claims and lease applications, Grey boxes - approximate area of excised claims,
*indicates sample close to boundary of excised claim with poorly constrained location)

KAVAKLITEPE GOLD PROJECT – TURKEY

- Drilling in progress on first of 3 targets (Kuzey Zone) – encouraging, initial, near surface results: 9 m @ 5.2 g/t Au from surface, 7.8 m @ 7.3 g/t Au from 3.3 m depth, 3.5m @ 5.5 g/t Au from surface, 6.3m @ 4.3 g/t Au from surface, and 7.7m @ 1.2 g/t Au from 66.0m in a deeper primary zone;
- 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 54.0 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 of 21 metres grading 2.67 g/t gold at the Discovery Zone; and
- 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.

Ongoing, short-hole drilling commenced towards the end of the financial year at the Kavaklitepe gold project in western Turkey and has delivered encouraging, near surface, high-grade, oxide and transition gold mineralisation, and includes the first deeper primary fresh rock gold mineralised intersections.

As at the 24th August 2016, nine diamond drill holes (totalling 669.5m depth) have tested the Kuzey Zone target, the first of three targets to be drill tested, using a man-portable rig. To date, drilling has provided an initial wide spaced test of only 360m of the 900m by 250m wide Kuzey Zone gold-in-soil anomaly target. The first hole (KT-01) was drilled at the southern end of the prospect area, holes KT-02, KT-03, KT-04 and KT-05 form a section 180m to the northeast along the strike of the high-grade gold surface rock samples whilst holes KT-06, KT-06A, KT07 and KT08 have been drilled on a section a further 180m north east (Figure 3).

New drill results include hole KT-01; 3.5m @ 5.5 g/t Au from surface, hole KT-05; 1.2m @ 10.8 g/t Au from 14.7m (as part of a 16.9m mineralised zone with lower core recovery) and hole KT-06; 6.3m @ 4.3 g/t Au from surface and a zone from 58.4m to 73.7m depth including 2.9m @ 1.1g/t Au and 7.7m @ 1.2 g/t Au. These new results support and extend high-grade near surface gold intersections previously reported including 9.0m @ 5.2 g/t Au from surface in hole KT-02 (reported to ASX 16th June 2016) and 7.8m @ 7.3 g/t Au from 3.3m depth in hole KT-03 (reported to ASX 20th July 2016). The intersections quoted from hole KT-05 (1.2m @ 10.8 g/t Au) and the deeper zones in KT-06 are the first sulphide mineralisation reported to date (refer to Figure 4).

The gold intersections reported for all holes are down-hole widths as the orientation of mineralisation is currently unknown.

Diamond drill core recovery continues to be locally problematic within the gold mineralised zones generally due to broken ground, particularly in oxidised near surface zones. The Company has set a minimum core recovery for reporting mineralised drill intervals of 50% and all intersections reported in full herein meet those criteria. However, several other gold mineralised intervals are not reported as JORC compliant length weighted average gold grade intersections due to lower core recovery. For those mineralised sections the individual samples with gold assays and their corresponding core recovery are included in full in Table 1 below.

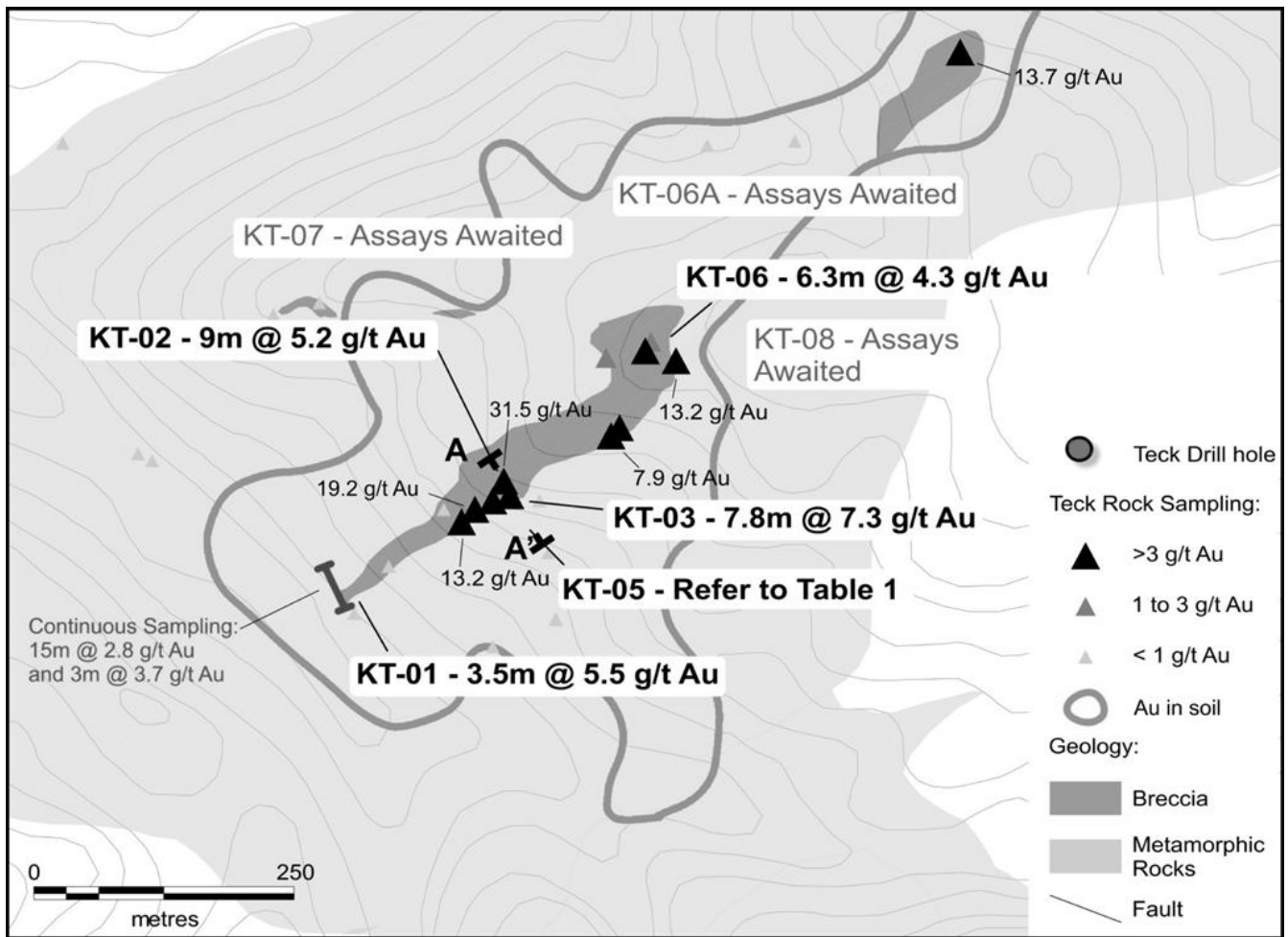


Figure 3: Kavaklitepe Kuzey Zone Drill Hole Locations, Gold Intersections and Location of Cross Section A-A'

Based on drilling and surface mapping to date, gold mineralisation in the Kuzey (North) Zone appears to be hosted in silicified and altered breccia zones that crosscut a meta-siltstone rock sequence.

As previously reported on the 16th June 2016, 11 out of 20 individual rock samples taken within the central core of the Kuzey gold-in-soil anomaly over a strike of 680m returned: 31.5 g/t Au, 19.2 g/t Au, 13.7 g/t Au, 13.2 g/t Au, 9.3 g/t Au, 8.3 g/t Au, 7.8 g/t Au, 4.8 g/t Au, 4.3 g/t Au, 2.5 g/t Au and 1.1 g/t Au. The samples confirmed the location and tenor of high-grade gold previously reported along the axis of the gold-in-soil anomaly at Kuzey.

Note that the actual gold grade of intersections with low core recovery may be either higher or lower than the individual assays reported above depending on the amount of core recovered, and the grade of the unrecovered core. As an example: if only 0.5m of drill core is recovered whilst diamond drilling over a 1m interval then the core recovery is calculated as 50%. If the 0.5m of core recovered is assayed and returns a gold grade of 10 g/t Au then we can be confident that material is mineralised, however we do not know the grade of the missing 50% of the sample interval. If that missing 0.5m was waste containing zero gold, the full 1m intersection would have a gold grade of half the assayed interval (5 g/t Au) which is the minimum theoretically possible for that interval. If the missing 0.5m of core was higher grade than the recovered core, then the actual gold grade of the 1m interval will exceed 10 g/t Au.

REVIEW OF OPERATIONS
Zenith Minerals Limited
Table 1: Kavaklitepe – Kuzey Zone: Significant (+0.5 g/t Au) Drill Hole Assays

HOLE	FROM (m)	TO (m)	CORE RECOVERY (%)	INTERVAL (m)	GOLD (g/t)	COMMENT
KT-01	0	3.5	63	3.5	5.52	ASX Release 24/08/16
	3.5	9	17	5.5	0.83	ASX Release 24/08/16
	9	9.8	79	0.8	0.83	ASX Release 24/08/16
KT-02	0	9	82	9.0	5.2	ASX Release 16/06/16
	11.6	12.0	100	0.4	2.48	ASX Release 24/08/16
KT-03	3.3	11.1	76	7.8	7.34	ASX Release 20/07/16
	23.9	25.6	93	1.7	0.94	ASX Release 24/08/16
KT-04	2	3	38	1.0	1.03	ASX Release 24/08/16
	3	5.7	63	2.7	1.53	
KT-05	3	4.5	43	1.5	0.53	
	4.5	5.5	nil	1.0	na	
	5.5	6.5	26	1.0	3.79	
	6.5	7.0	nil	0.5	na	
	7.0	8.5	41	1.5	2.24	
	8.5	9.0	nil	0.5	na	
	14.7	15.9	60	1.2	10.8	
	15.9	17.9	34	2.0	2.65	
	17.9	19.9	66	2.0	0.84	
KT-06	0	6.3	71	6.3	4.29	
	58.4	61.3	84	2.9	1.13	
	66.0	73.7	78	7.7	1.17	
	80	83.8	83	3.80	0.56	

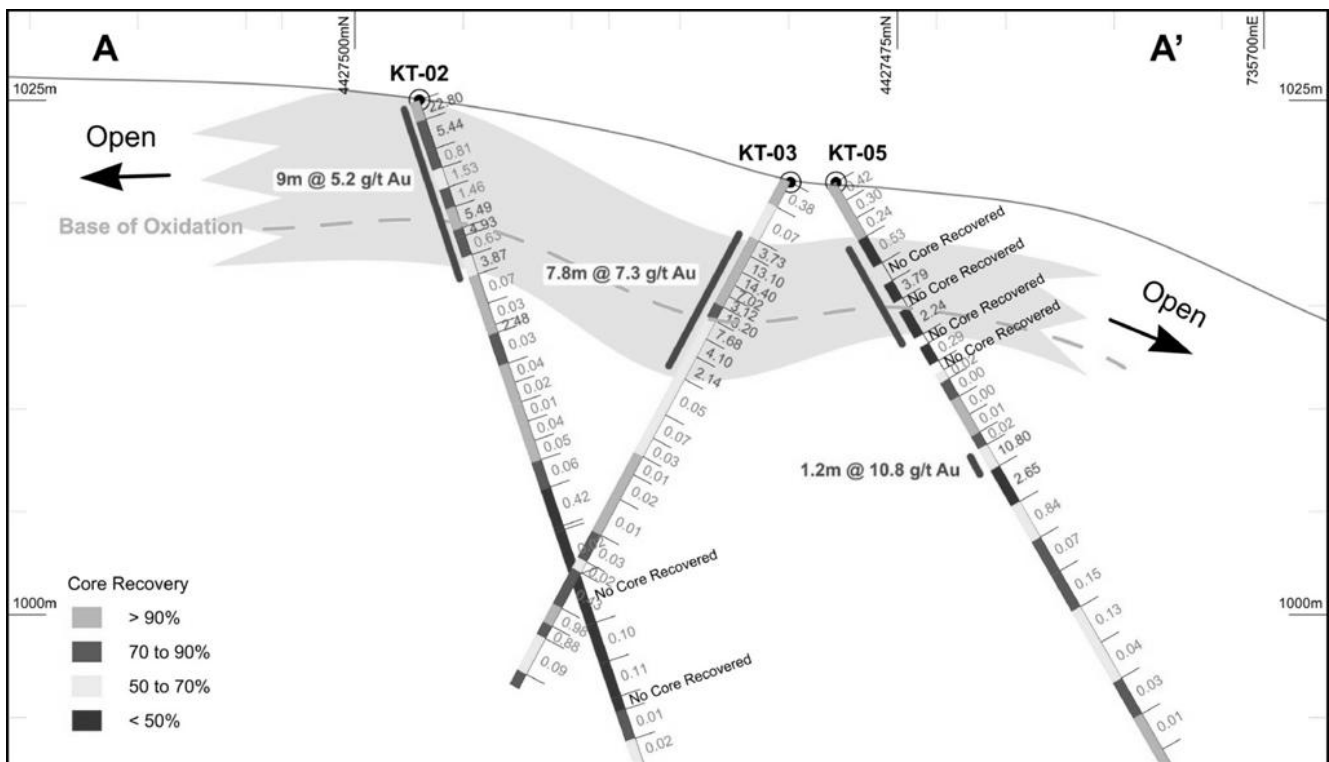


Figure 4: Kavaklitepe Kuzey Zone Cross Section A-A'

Continuous rock chip samples taken along a forestry track returned 42.0m @ 1.5 g/t Au (entire mineralised interval, no cut-off grade applied), including: 3.0m @ 3.7 g/t Au and 15.0m @ 2.8 g/t Au (open ended to the south east) from the southern end of the Kuzey Zone (Figure 5). The zone partially replicated sampling by Columbus Copper that returned 54.0m @ 3.3 g/t Au, but as the new sample interval is open ended a direct comparison of the results cannot be made.

At the Kuzey Zone, a strong chargeability anomaly (>15-20 Mv/v) was identified by a gradient array survey trial completed by Zenith in 2015 directly beneath coincident high-grade surface rock chip samples (7.6 g/t Au, 22.7 g/t Au) and a 50 ppb gold-in-soil anomaly (maximum 6050 ppb Au).

Discovery Zone

Continuous rock chip samples taken along the northern edge of a forestry track in the Discovery Zone gold-in-soil anomaly (400m length) returned: 27.0m @ 1.4 g/t Au (entire mineralised interval, no cut-off grade applied), including: 12.0m @ 1.6 g/t Au, 3.0m @ 2.4 g/t Au and 4.4m @ 1.6 g/t Au (open ended to the south east). This gold mineralised zone was previously sampled by Columbus Copper and returned 21.0m @ 2.6 g/t Au. A direct comparison is not possible, as the mineralised zone reported above remains open ended. A series of discontinuous rock chip samples taken along the southern edge of the forestry track and parallel to the interval reported above returned: 1.9m @ 1.1 g/t Au, 3.9m @ 1.5 g/t Au, 3.3m @ 1.6 g/t Au and 2.5m @ 2.6 g/t Au.

In addition, a single rock chip sample taken 12m north of the roadside sampling at the Discovery Zone returned 3.3 g/t Au over a 3.0 m sample length.

Guney Zone

The 1000m long Guney (South) Zone gold-in-soil anomaly is located approximately 500m southeast of the Kuzey Zone. Surface gold mineralisation has been identified in continuous rock chip samples taken at Guney, returning 4.7m @ 1.7 g/t Au, whilst another single rock sample taken 5m south returned 1.5 g/t Au. In addition rock chip sampling has returned results of 1.3 g/t Au from one sample

a further 300m west of the continuous rock chips sample traverse whilst another zone a further 400m south west returned a rock chip result of 1.6 g/t Au. Both zones sampled muscovite schists (Figure 3). A strong chargeability anomaly was also identified by Zenith's gradient array geophysical trial flanking the Guney Zone.

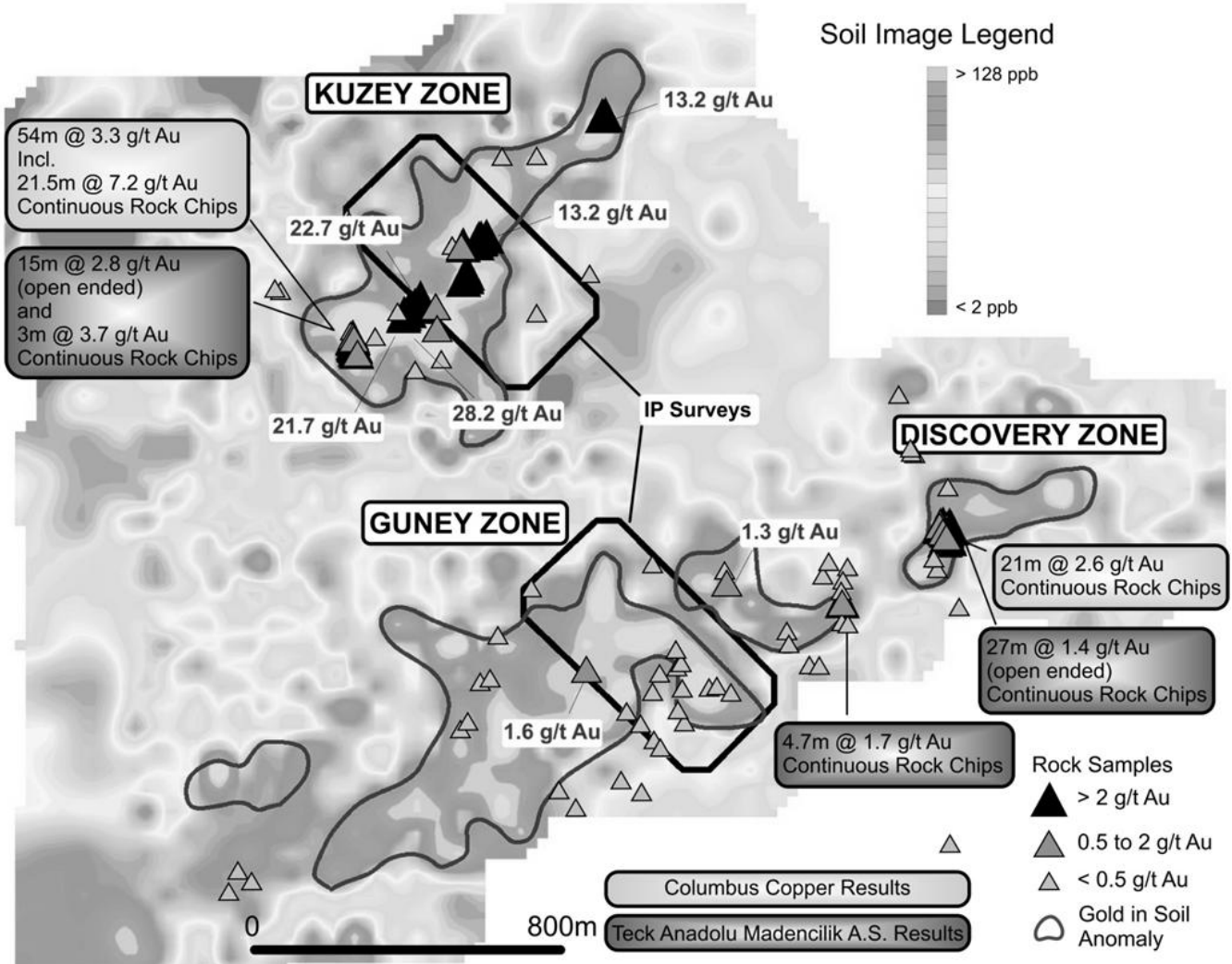


Figure 5: Plan Showing Kavaklitepe Project Gradient Array chargeability anomalies overlying Gold in Soil Geochemical Anomaly (only new rock chips results are annotated with gold grade)

This current exploration program includes up to 1500 m of drilling, depending on the performance of the man-portable drill rig, along with geological mapping, a grid based hand pitting program to assess bedrock in areas of the gold-in-soil anomalies and more detailed ground geophysical surveys (IP and magnetics). It is anticipated that this program will be completed during the 2016 field season.

Zenith's wholly owned subsidiary S2M2 Coal Pty Ltd, previously announced that it had entered into an exclusive option to earn an interest in the Kavaklitepe gold property located in western Turkey from Columbus Copper (Zenith ASX release 23rd Dec 2013). That agreement was subsequently replaced by an option agreement with Teck Anadolu Madencilik A.S. ("Teck"), a Turkish subsidiary of Teck Resources Limited, (Zenith ASX release 30th November 2015) whereby Teck may earn a 70% interest in the Kavaklitepe gold project from Zenith 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 is converted to 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.

SPLIT ROCKS LITHIUM PROJECT – WA (Zenith 100%)

- New 100% owned exploration licence application covering 22km of potential strike extensions to the new Mt Holland lithium project in the Forrestania Greenstone Belt as described in recent Kidman Resources Limited announcements;
- An ongoing review of previous exploration activity has to date found the majority of exploration focused solely on gold exploration despite the prevalence of mapped pegmatites in the belt. Zenith's geologists believe that the new application area is prospective for lithium and gold mineralisation; and
- Initial surface mapping and surface sampling to precede planned drill testing.

Following the end of the year, Zenith submitted 100% owned exploration licence applications at Split Rocks in the Forrestania Greenstone Belt of Western Australia. The area was applied for in early March 2016, following the recognition by the Company that the region contained lithium enriched granites, and was subsequently replaced by a larger, expanded exploration licence application area following ASX announcements by Western Areas Limited and Kidman Resources Limited of significant lithium discoveries. The licences are located 10km northwest of the new Earl Grey lithium pegmatite discovery announced by Kidman Resources Limited (ASX release 6th September 2016) where reported drill intercepts include: 93m @ 1.53% Li₂O (Figure 6).

Zenith's geologists believe that the new application area is prospective for lithium as well as gold mineralisation. The Forrestania Greenstone Belt is intruded by abundant pegmatite dykes, many of which are now being shown to be lithium (spodumene) rich.

Compilation of historic exploration activity over the licence area is ongoing, but to date the majority of previous exploration activity reviewed is surface sampling focused solely on gold exploration, with no evidence of any lithium analyses during past exploration programs, nor any significant bedrock drilling programs.

Following completion of the review of past exploration, initial surface mapping and sampling is planned prior to drill testing.

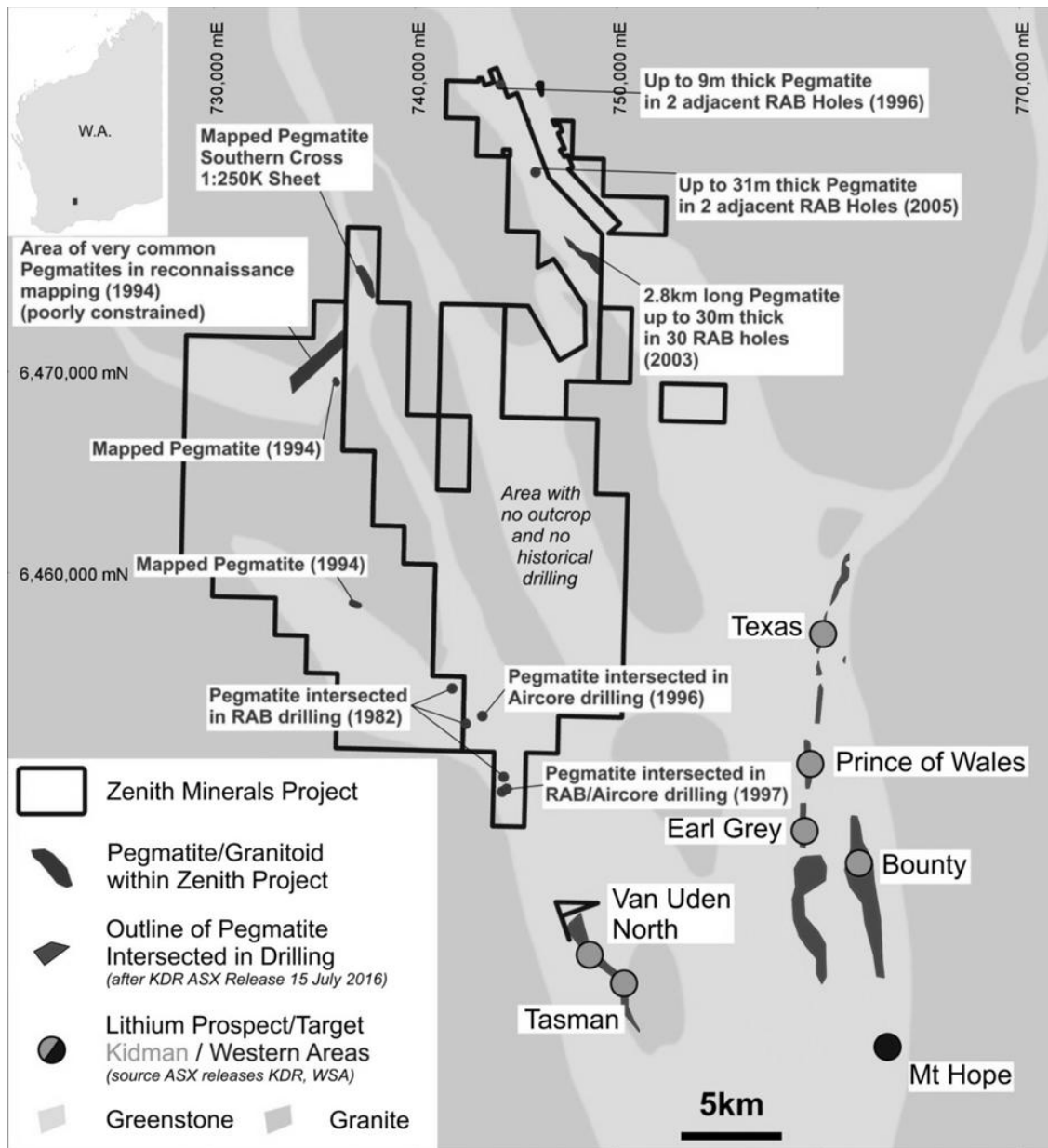


Figure 6: Split Rocks Project Lithium Targets and Tenure

PILBARA LITHIUM PROJECTS – WA (Zenith 100%)

- Rock chip sampling by Zenith returned an assay result of 2.94% Li_2O from a lithium rich lepidolite pegmatite dyke at Mt Alexander. Dyke is one of more than 100 pegmatite and granite dykes that form a 2 km x 2.5 km radiating swarm surrounding the Mortgage Monzonite intrusive stock; and
- Initial field reconnaissance confirmed the presence of lithium mineralisation at the 100% owned Smith Bore Project with surface rock chip results up to 0.63% Li_2O .

In addition to magnetite iron mineralisation which has been the prime focus of Zenith's exploration effort to date at **Mt Alexander**, it was recognised that Mt Alexander has potential for lithium mineralisation. Sampling during the year confirmed the presence of high-grade lithium mineralisation

at Mt Alexander. Rock chip samples taken by Zenith geologists of a historically reported known lithium rich lepidolite pegmatite dyke returned an assay result of 2.94% Li₂O (ASX Release 7th June 2016).

A further 58 samples taken from the Mt Alexander project area returned anomalous results including up to 530ppm tin and 0.75% beryllium but less than 700ppm Li₂O. When sample results for discriminant elements are plotted several of the Mt Alexander samples plot in the highly-fractionated, fertile field for lithium-caesium-tantalum (LCT) pegmatites, however many lie in less fertile fields suggesting these pegmatites are located too close to the source granite. LCT pegmatites are generally thought to form ~3 to 4km from their source intrusion. Future pegmatite exploration at Mount Alexander will focus on areas further from the Mortgage Monzogranite stock, as the recent round of sampling was concentrated in the area 1-2km from the interpreted source intrusion.

During the year the Company also secured a 100% owned exploration licence - **Smith Bore Lithium Project** (ASX Release 16th March 2016) encompassing the north-western portion of the Shaw River tin-tantalum pegmatite field in the Pilbara region of Western Australia. Shaw River is a historic alluvial mining field, with tin, tantalum, niobium and rare earth element (REE) minerals being sourced from extensive pegmatite dykes, geologically very similar to nearby Pilgangoora lithium pegmatite district. .

Initial field reconnaissance confirmed the presence of lithium mineralisation with surface rock chip results up to 0.63% Li₂O. Further follow-up sampling is planned following the grant of the exploration licence.

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 15th February 2015;**
- **Mineralisation remains open at all 3 massive sulphide deposits;**
- **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; and**
- **Drill target at Wilson’s South (coincident HeliTEM and geochemical anomaly).**

Post the end of the financial year, the Company secured the remaining 49% interest in the Develin Creek copper-zinc-gold-silver project from its joint venture partner, following their move to acquire a Silicon Valley based memory developer. Having now secured a 100% interest in the project, the Company plans further exploration activities to unlock the potential of the existing 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 15th February 2015, and the highly prospective surrounding tenure. Drill testing is planned of the new Wilsons South target and at Sulphide City where a twin hole drilling program will test historic drilling assay under-call and provide further metallurgical samples. In addition the program to expand geochemical coverage over priority host rock horizons within the highly prospective tenure surrounding the Develin Creek deposits remains ongoing.

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.

Drilling completed to date by Zenith at the Sulphide City deposit has returned results including: 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 to the north and north-east, whilst bedded massive sulphide remains open ended to the northwest of the Sulphide City deposit (Figure 7). Incremental resource extensions are likely to the immediate north of the Window resource.

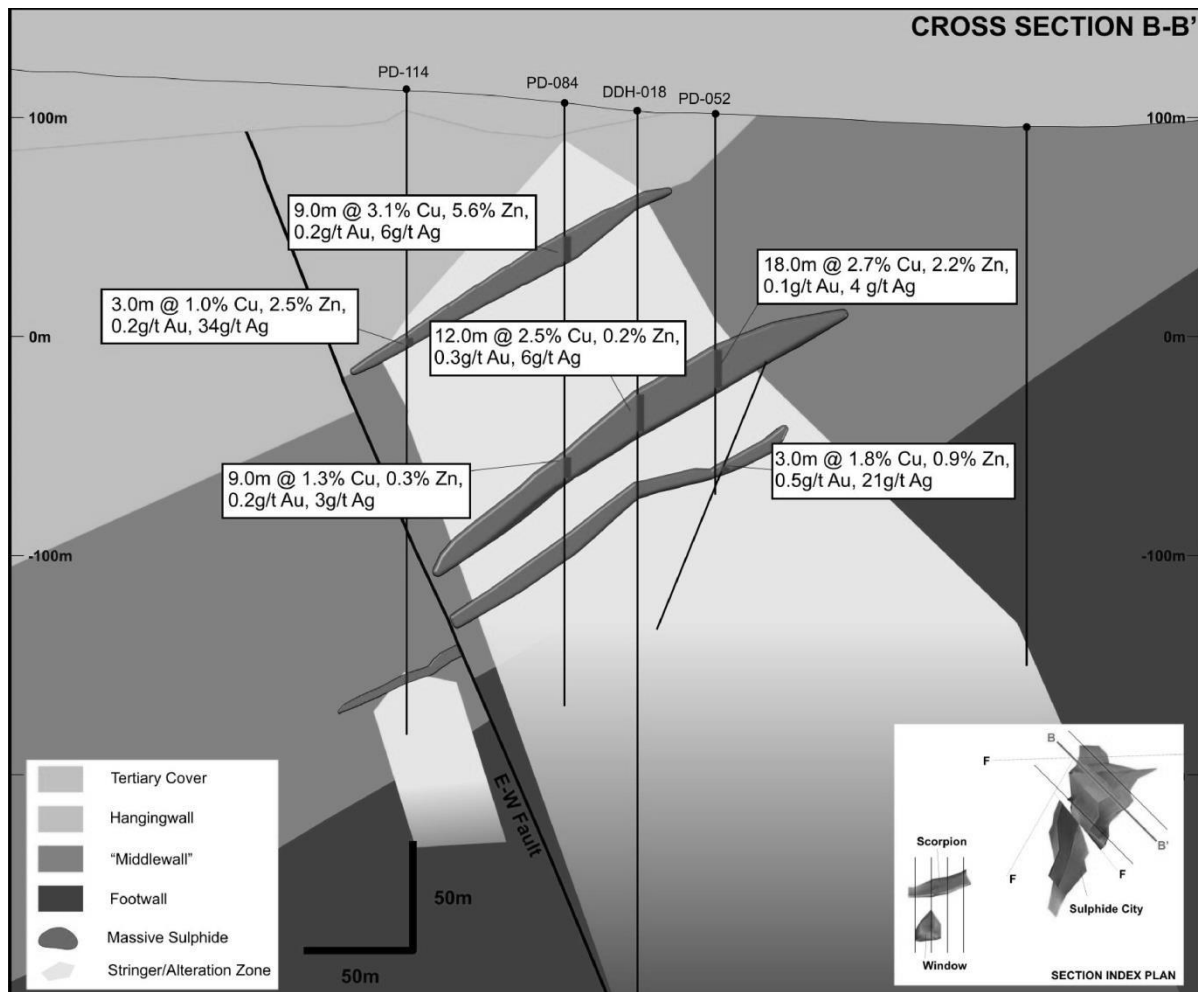


Figure 7: Sulphide City Deposit – Cross Section

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%)

Wilsons South Prospect

In the Wilsons area, located 30km south of the known Develin Creek copper-zinc-gold-silver deposits Zenith's geochemical sampling program defined 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. Based on mapping and historical drilling Zenith's geologists interpret the Wilsons Prospect to represent 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. 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.

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 totaling 300km². Zenith controls over 50km of strike length of prospective volcanic host rock sequence.

To date approximately 11,100 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 Zenith's ongoing sampling program is the first to provide effective regional geochemical coverage over key portions of the target area.

MT MINNIE GOLD PROJECT – WA (Zenith 100%)

- High-grade gold in quartz veins;
- Rock sample results include: 21.5, 17.65 and 11.45g/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.

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.

A surface soil and rock sampling program (ASX Release 26th October 2015) at the Woods gold prospect defined 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.

During the year 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. 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. Post the end of the year a program of trenching was completed to assess bedrock beneath the gold in soil anomaly. Results of that program are awaited.

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
- 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.

Activity during the year on the Mt Alexander magnetite iron project has been kept to a minimum, with the project held under retention licences/status. The retention licence/status will allow Zenith to hold the Inferred Mineral Resources but negate any ongoing Department of Mines statutory annual expenditure requirements for those projects.

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

The Inferred Mineral resource (JORC12) for magnetite iron at Mount Alexander is: **565.7 million tonnes @ 30.0% Fe**. In addition the Inferred Mineral resource (JORC12) for magnetite iron at Mount Alexander West is: **25.9 million tonnes @ 22.7% Fe**. Both resources are classified as Inferred based on confidence in, and continuity of, the results from the drilling campaigns, detailed aeromagnetic data and detailed structural surface mapping. Resource parameters are defined in JORC Code Reporting Criteria Section 2 of the June 2015 Quarterly Report.

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 10th May 2011. The Study assessed the basic mining, processing and infrastructure requirements, and estimated Capital Costs and Operating Costs. Based on detailed test work on diamond drill core the Study applied a weight recovery of 30.2% at p80 minus 40 micron grind and a DTR concentrate grade of 69.9% Fe and 3.0% SiO₂. The Base Case selected included processing by crushing, grinding, wet magnetic separation.

The Base Case transport option for the concentrate was by slurry pipeline 120 km to the coast near Onslow, and transport by barge to an offshore mooring for transfer into ships for export (transshipment).

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

Pre-feasibility study elements undertaken aimed at de-risking the project include; finalised Level 1 and Level 2 flora & fauna surveys did not identify any major environmental triggers.

EARAHEEDY MANGANESE PROJECT – WA (Zenith 100%)

- **Manganese Mineral Resources at Red Lake and Lockeridge are retained under retention licences.**

Retention licence applications to cover the Red Lake and Lockeridge Mn deposits were granted during and immediately post-year end.

The Company noted that manganese production has been suspended 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 reduced its landholdings to key exploration targets and holds two Mineral Resources under retention licences. These licences allow Zenith to hold the resources but negate any Department of Mines statutory annual expenditure requirements for those projects.

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. 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. A subsequent drill program in 2013 established potential for high-grade, near surface, supergene manganese oxide with holes intersecting mineralisation including: 3m @ 25.1% Mn (incl. 1m @ 29.6) around 100 metres down dip from the high-grade surface outcrop, and 3m @ 20.2% Mn in partially oxidised mineralisation around 150m down dip from surface outcrop at Lockeridge.

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.

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 (ASX Release 9th September 2014). 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.

On the 15th 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. 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.

Other Projects

The Company continued to assess resource opportunities particularly lithium and gold projects. Ongoing lithium project generative activities focused in North America and Australia will likely result in near term additions to Zenith's project portfolio.

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 15th 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 ₂ %	Al ₂ O ₃ %	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 15th April 2015.

Lockeridge Manganese Mineral Resource Estimate as at April 2015									
Classification	Reporting Cut-off Grade	Tonnes (Mt)	Mn %	Fe %	SiO ₂ %	Al ₂ O ₃ %	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.

Mount Alexander BIF Inferred Mineral Resource estimate as at June 2015							
		Head Grade					
Classification	Tonnes (Mt)	Fe %	SiO ₂ %	Al ₂ O ₃ %	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 ₂ %	Al ₂ O ₃ %	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.

Mount Alexander West BIF Inferred Mineral Resource estimate as at June 2015 (18%Fe cut-off)							
		Head Grade					
Classification	Tonnes (Mt)	Fe %	SiO ₂ %	Al ₂ O ₃ %	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 of 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 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 Directors present their report, together with the financial report of Zenith Minerals Limited and subsidiaries ("the Consolidated Entity") it controlled at the end of, or during, the year ended 30 June 2016, and the auditors' report thereon.

1. DIRECTORS

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

Rodney M Joyce

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

Qualifications

- BSc (Hons), MSc, DIC

Experience

- Mike Joyce is a geologist with 37 years experience in mineral exploration, following graduation in 1979 with a BSc (Hons) degree in Geology from Monash University. He also holds a MSc in Mineral Exploration from the Royal School of Mines, University of London, UK. He was the leader of a successful gold exploration team at Aberfoyle Resources Ltd, responsible for significant gold discoveries at Carosue Dam and Davyhurst in Western Australia prior to joining Giralia Resources NL initially as exploration manager. He later became Managing Director of Giralia Resources NL prior to its takeover by Atlas Iron Limited.

Other current directorships

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

Former directorships (last 3 years)

- Nil

Special Responsibilities

- Technical and Corporate

Michael J Clifford

- Managing Director, appointed 18 March 2014.

Qualifications

- BSc (Hons), 1987, MSc

Experience

- Mick Clifford is a geologist with over 28 years experience in the exploration industry. Mick held senior technical and business development roles and explored for most major metal commodities during a successful career with Billiton Australia, Acacia Resources and AngloGold Ashanti rising to the position of Regional Exploration Manager Australia. Mick was Managing Director of ASX listed PacMag Metals Ltd from 2005 until its takeover in 2010, when he co-founded private explorer S2M2 Coal Pty Ltd. He is experienced in international exploration, exploring for gold, copper and coal and has had exposure to mining and exploration in Australia, USA, Brazil, Indonesia, PNG, Angola, Democratic Republic of Congo, Mexico and Mongolia.

Other current Directorships

- Nil

Former directorships (last 3 years)

- Nil

Special Responsibilities

- Executive Director

- Stanley A Macdonald** - Non Executive Director, appointed 24 April 2006.
- Experience - Stan Macdonald has been associated with the mining and exploration industry for over 22 years.
- Other current directorships - Lion One Australia Pty Ltd (previously Avocet Resources Limited - Non Executive Director from 6 October 2005).
- Gascoyne Resources Limited (Non Executive Director from 20 April 2011)
- Former directorships (last 3 years) - Nil
- Special Responsibilities - Company promotion and project acquisition.

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

- Qualifications - B.App.Sc
- Experience - Julian was formerly Exploration Manager at Giralia Resources NL prior to its takeover by Atlas Iron Ltd, and is currently General Manager Business Development at Gascoyne Resources Limited. He has substantial prior experience in the minerals industry with Newcrest Mining (and its predecessor Newmont Australia) where he led and conducted successful exploration programs for gold in Australia and South America.
- Other Current Directorships - Nil
- Former directorships (last 3 years) - Nil
- Special Responsibilities - Technical and Corporate

'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** - Melinda Nelmes was appointed Company Secretary on 20 March 2014.
- Melinda is a Chartered Accountant with over 25 years experience, including nine years in Company Secretarial roles for ASX listed and private companies. Prior experience to this includes being a Financial Group Accountant in the financial services sector. Melinda has also gained experience from working in accounting firms, including Deloitte, in the audit and corporate services divisions, gaining experience in various industry sectors including the mining and resource sector.

3. DIRECTORS' MEETINGS

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

	MEETINGS		CIRCULAR RESOLUTIONS IN WRITING	
	A	B	A	B
Mr R M Joyce	6	6	10	11
Mr S A Macdonald	6	6	11	11
Mr J D Goldsworthy	6	6	11	11
Mr M J Clifford	6	6	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 calibre 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 2016 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 executive's 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:

	2016 \$	2015 \$	2014 \$	2013 \$	2012 \$
Loss attributable to owners of the Group	1,068,003	6,351,356	846,223	1,005,818	2,600,528
Basic Loss per Share	0.008	0.051	0.008	0.01	0.032
Share Price at financial year end (\$)	0.11	0.04	0.09	0.07	0.26
Changes in share price (from initial listing of 25 cents)	-0.14	-0.21	-0.16	-0.18	0.01

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 2016, the Chairman's fees were \$25,000 plus statutory superannuation of 9.50% per annum.

Voting and comments made at the Consolidated Entity's 2015 Annual General Meeting ('AGM')

At the 2015 AGM, 10% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2015. 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 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
2016	\$	\$	\$	\$	\$	\$	\$	%	%
Non-Executive Directors:									
RM Joyce (Chairman)	25,000	-	-	2,375	-	-	27,375	-	-
SA Macdonald	20,000	-	-	1,900	-	-	21,900	-	-
JD Goldsworthy	20,000	-	-	1,900	-	-	21,900	-	-
Executive Director:									
MJ Clifford	172,997	-	-	16,435	-	-	189,432	-	-
	237,997	-	-	22,610	-	-	260,607	-	-
Other Key Management Personnel:									
M J Nelmes	74,424	-	-	7,070	-	-	81,494	-	-
TOTAL:	312,421	-	-	29,680	-	-	342,101	-	-

DIRECTOR'S REPORT
Zenith Minerals Limited

	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
2015	\$	\$	\$	\$	\$	\$	\$	%	%
Non-Executive Directors:									
RM Joyce (Chairman)	35,000	-	-	3,325	-	-	38,325	-	-
SA Macdonald	26,667	-	-	2,533	-	-	29,200	-	-
JD Goldsworthy	26,667	-	-	2,533	-	-	29,200	-	-
Executive Director:									
MJ Clifford	185,812	-	-	17,652	-	-	203,464	-	-
	274,146	-	-	26,043	-	-	300,189	-	-
Other Key Management Personnel:									
M J Nelmes	90,616	-	-	8,609	-	-	99,225	-	-
AA Dermedgoglou	-	-	-	-	-	-	-	-	-
TOTAL:	364,762	-	-	34,652	-	-	399,414	-	-

* AA Dermedgoglou ceased as an officeholder on 16 February 2015.

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	
	2016	2015	2015	2014
Non-Executive Directors:				
R M Joyce	100%	100%	-	-
S A Macdonald	100%	100%	-	-
J D Goldsworthy	100%	100%	-	-
M J Clifford	100%	100%	-	-
Other Key Management Personnel:				
A A Dermedgoglou	-	100%	-	-
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 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 \$25,000 per annum plus superannuation of 9.50%.

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

- Annually renewable contract
- Base Salary of \$20,000 per annum plus superannuation of 9.50%.

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

- Annually renewable contract
- Base Salary of \$20,000 per annum plus superannuation of 9.50%.

Michael J Clifford	- Managing Director appointed 18 March 2014
<i>Terms of Agreement</i>	- 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.
<i>Remuneration and Benefits</i>	- Annual Salary of \$189,432 inclusive of 9.50% superannuation for the year ending 30 June 2016, based on working 0.74 of a full time equivalent employee. A performance review conducted in July 2016, has resulted increasing to a full time annual contract, with annual salary of \$205,200 inclusive of 9.5% superannuation, effective 1 July 2016.
Melinda J Nelmes	- Company Secretary and Chief Financial Officer, appointed 20 March 2014.
<i>Terms of Agreement</i>	- 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.
<i>Remuneration and Benefits</i>	- Permanent part-time agreement of base 15 hours per week (0.4 of a full time equivalent employee) with annual salary of \$81,494 inclusive of 9.50% superannuation for the year ending 30 June 2016.

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 2016 (2015:Nil)

ii) Options

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 2016 (2015: Nil).

During the year or since the end of the end of the financial year ended 30 June 2016, the number of options over unissued ordinary shares granted to and vested by the directors and other key management personnel as part of their compensation is Nil (2015: Nil).

There were no options over ordinary shares granted, exercised, lapsed for directors and other key management personnel as part of compensation, during the year ended 30 June 2016 except for:

- On 1 March 2016, 100,000 unlisted options exercisable at \$0.29 with an expiry date of 20 August 2016 were cancelled. The unlisted options had a fair value of 16.42 cents. These were cancelled in accordance with the terms of the Zenith Minerals Limited Employee Option Plan, subsequent to Mr Alex Dermedgoglou (who is disclosed as a Key Management Personnel during the 2015 financial year), ceasing employment from the company during 2015 due to ill health.

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 2016.

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.

2016	Ordinary Shares				
Name	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ Other changes	Balance at the end of the year
Directors:					
Rodney M Joyce	7,958,092	-	2,629,248	-	10,587,340
Stanley A Macdonald	4,063,454	-	473,928	-	4,537,382
Julian D Goldsworthy	1,290,001	-	759,714	-	2,049,715
Michael J Clifford	1,813,753	-	362,751	-	2,176,504
Other Key Management Personnel:					
Melinda J Nelmes	25,096	-	50,020	-	75,116
	15,150,396	-	4,275,661	-	19,426,057

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:

2016

Name	Balance at the start of the year	Granted as Remuneration	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Directors:					
Rodney M Joyce	-	-	-	882,279*	882,279
Stanley A Macdonald	-	-	-	236,964*	236,964
Julian D Goldsworthy	-	-	-	170,811*	170,811
Michael J Clifford	1,000,000	-	-	181,376*	1,181,376
Other Key Management Personnel:					
Melinda J Nelmes	-	-	-	25,010*	25,010
	1,000,000	-	-	1,496,440	2,496,440

* Quoted Options were issued as a result of participation in Zenith Minerals Limited non-renounceable rights issue announced to the ASX on 22nd February 2016.

Other transactions with key management personnel and their related parties

During the financial year ended 30 June 2016, other transactions with key management personnel and their related parties were as follows:

- Payments in relation to a management service agreement between Zenith Minerals Limited and Gascoyne Resources Limited (a director related entity of Mr R M Joyce and Mr S A Macdonald) of \$36,800 were made plus reimbursement of expenses to Gascoyne Resources Limited of \$8,070. The Consolidated Entity hired out its Landcruiser Vehicle to Gascoyne Resources Limited from 23 May 2016 at a cost of \$75 per day, and received hire fees totaling \$2,925.
- A payment of \$460 was made to Lion One Australia Pty Ltd (previously Avocet Resources Limited) which is a director related entity of Mr S A Macdonald, for the purchase of second hand trailer and \$1,040 for miscellaneous equipment during 2016. The Consolidated Entity received \$10,775 from Lion One Australia Pty Ltd for reimbursement of storage costs and other expenses incurred on behalf of Lion One Australia Pty Ltd.
- Serviced Office Income fees were received from SM3 Resources Pty Ltd, a director related entity of Mr Stanley A Macdonald and Mr Michael J Clifford, during the financial year for the provision of a serviced office totaling \$5,000. Fees were received from Cobalt Consulting Pty Ltd, a director related entity of Mr Michael Joseph Clifford, during the financial year for the provision of a serviced office totaling \$5,000. \$223 was paid to Cobalt Consulting Pty Ltd during the financial year, as reimbursement of expenses.
- An amount of \$25,427 was included in trade payables which is director related. An amount of \$5,509 was included in receivables which is director related. All transactions were made on normal commercial terms and conditions and at market rate.

Loans to directors and executives

There are no loans to directors and executives.

This concludes the remuneration report, which is audited.

5. PRINCIPAL 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) 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 2016, attributable to members of the Consolidated Entity, after income tax is \$1,068,003 (2015: \$6,351,356).

No dividends were paid or recommended for payment during the financial year ended 30 June 2016.

Review of Financial Condition

During the year the net assets of the Consolidated Entity increased by \$651,877 from \$2,005,710 at 30 June 2015 to \$2,657,587 at 30 June 2016.

The directors consider that the Consolidated Entity holds a valuable portfolio of mineral tenements with a carrying value at 30 June 2016 of \$1,256,768 (2015: \$1,321,707). During the financial year, the consolidated entity booked an impairment loss on capitalised exploration and evaluation expenditure of \$508,705 (2015: \$4,406,623) 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 2016 were as follows:

- a) 100,000, \$0.29 unlisted options with an expiry date of 20 August 2016 were cancelled upon an officeholder ceasing employment from the company. These had a fair value of 16.42 cents.

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (Cont.)

- b) On 22nd February 2016, Zenith Minerals Limited announced an intention to raise up to approximately \$1,500,000 through a two stage process comprised of:
- i) 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, exercisable at \$0.10 by 31 December 2017, on the basis of one (1) new option for every (2) new shares subscribed; and
 - ii) a non-renounceable rights issue 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 exercisable at \$0.10 by 31 December 2017, on the basis of one (1) New Option for every two (2) New Shares subscribed for and issued under the Rights Issue Offer.

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

On 24th March 2016, the following ordinary shares and quoted options were allotted:

- 27,726,922 ordinary shares at 4 cents per share and 13,863,493 free attaching options exercisable at \$0.10, expiring by 31 December 2017 pursuant to the company's non-renounceable issue
- 5,000,000 quoted options exercisable at \$0.10, expiring by 31 December 2017 pursuant to the company's placement
- 6,515,379 ordinary shares at 4 cents per share and 3,257,690 free attaching options exercisable at \$0.10, expiring by 31 December 2017 under the company placement offer.

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

On 15th July 2016, 36 ordinary fully paid shares were issued following the exercise of 36 quoted Options (ASX Code: ZNCO) at \$0.10 each, expiring 31 December 2017.

On 20th August 2016, 100,000 unlisted options at \$0.29 expired. These had a fair value of 16.42 cents.

On 13th September 2016, Zenith Minerals Limited announced that it has executed a binding agreement with 4DS Memory Limited (formerly named Fitzroy Resources Limited), to acquire the remaining 49% interest in the Develin Creek copper-zinc-gold-silver project located in Queensland for \$60,000. Zenith Minerals Limited now owns 100% interest in the Develin Creek project.

Other than the matters mentioned above, there have been no other matter or material events that has arisen subsequent to 30 June 2016, 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.

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. DIRECTORS' INTERESTS

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

	Fully Paid Ordinary shares			Options		
	Number Directly Held	Number Beneficially Held	TOTAL	Number Directly Held	Number Beneficially Held	TOTAL
R M Joyce	-	10,587,340	10,587,340	-	882,279	882,279
S A Macdonald	2,156,520	2,380,862	4,537,382	179,710	57,254	236,964
J D Goldsworthy	1,893,713	156,002	2,049,715	157,810	13,001	170,811
M J Clifford	-	2,176,504	2,176,504	1,000,000	181,376	1,181,376
TOTAL	4,050,233	15,300,708	19,350,941	1,337,520	1,133,910	2,471,430

None of the directors listed above have any contractual rights to shares.

14. 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
24 March 2016	31 December 2017	\$0.10	22,121,147
21 March 2014	21 December 2017	\$0.13	1,000,000

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

On 20th August 2016, 100,000 unlisted options at \$0.29 expired.

On 1st March 2016, 100,000 unlisted options exercisable at \$0.29 with an expiry date of 20 August 2016 were cancelled upon an officeholder ceasing employment due to health related issues from the company.

15. SHARES ISSUED ON THE EXERCISE OF OPTIONS

Zenith Minerals Limited issued the following ordinary shares during the year ended 30 June 2016 and up to the date of this report on the exercise of options granted:

Date options Granted	Exercise Price	Number of shares issued
24 March 2016	\$0.10	36

16. 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.

17. DIVIDENDS

No dividends were paid or provided for during the year.

18. NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor (PKF Mack) for audit and 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.

19. 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 Mack.

20. 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.

21. 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.

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

On behalf of the directors

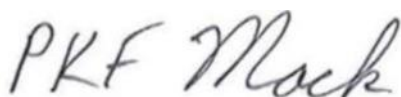
A handwritten signature in black ink, appearing to read 'R. M. Joyce', with a long horizontal flourish extending to the right.

Mr R M Joyce
Chairman

Dated: 19 September 2016
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 2016, 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

19 SEPTEMBER 2016
WEST PERTH,
WESTERN AUSTRALIA

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 30 JUNE 2016**

	NOTE	Consolidated Entity	
		2016	2015
		\$	\$
Revenue	5	21,132	29,102
Other income	6	60,451	73,798
Expense			
Employee benefits expenses		(207,413)	(146,757)
Depreciation and amortisation expense		(12,311)	(16,335)
Management fee		(36,800)	(67,058)
Exploration expenditure expensed		(147,287)	(22,825)
Exploration expenditure write off		(40,515)	(1,571,489)
Other operating expenses	7	(196,555)	(223,169)
Impairment loss on exploration & evaluation expenditure		(508,705)	(4,406,623)
Loss before income tax		(1,068,003)	(6,351,356)
Income tax benefit	10	-	-
Loss after income tax benefit for the year		(1,068,003)	(6,351,356)
Other comprehensive income			
Other comprehensive income for the period (net of tax)		-	-
Total comprehensive loss for the period		(1,068,003)	(6,351,356)
Loss per share		Cents	Cents
Basic and diluted loss per share	9	(0.8)	(5.1)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	NOTE	Consolidated Entity	
		2016	2015
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	11	1,473,472	726,277
Trade and other receivables	12	20,371	20,236
Other current assets	13	16,083	29,032
TOTAL CURRENT ASSETS		1,509,926	775,545
NON-CURRENT ASSETS			
Plant and equipment	14	33,694	43,903
Exploration and evaluation expenditure	15	1,256,768	1,321,707
TOTAL NON-CURRENT ASSETS		1,290,462	1,365,610
TOTAL ASSETS		2,800,388	2,141,155
CURRENT LIABILITIES			
Trade and other payables	16	96,408	114,166
Employee benefits	17	46,393	21,279
TOTAL CURRENT LIABILITIES		142,801	135,445
TOTAL LIABILITIES		142,801	135,445
NET ASSETS		2,657,587	2,005,710
EQUITY			
Issued capital	18	16,494,620	14,774,740
Reserves	19(a)	74,553	90,973
Accumulated losses	19(b)	(13,911,586)	(12,860,003)
TOTAL EQUITY		2,657,587	2,005,710

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 2016**

	Issued Capital	Option Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2015	14,774,740	90,973	(12,860,003)	2,005,710
Loss for the period	-	-	(1,068,003)	(1,068,003)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,068,003)	(1,068,003)
<i>Transactions with owners, recorded directly in equity</i>				
Issue of shares, net of transaction costs (note 18)	1,719,880	-	-	1,719,880
Cancellation of staff options (note 19)	-	(16,420)	16,420	-
Balance at 30 June 2016	16,494,620	74,553	(13,911,586)	2,657,587

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015**

	Issued Capital	Option Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2014	13,424,740	90,973	(6,508,647)	7,007,066
Loss for the period	-	-	(6,351,356)	(6,351,356)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(6,351,356)	(6,351,356)
<i>Transactions with owners, recorded directly in equity</i>				
Issue of shares (note 18)	1,350,000	-	-	1,350,000
Balance at 30 June 2015	14,774,740	90,973	(12,860,003)	2,005,710

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 2016**

	NOTE	Consolidated Entity	
		2016	2015
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		8,334	15,207
Cash paid to suppliers and employees		(547,302)	(479,668)
Receipt of research and development incentive		60,451	329,818
Interest received		8,243	14,902
NET CASH (USED IN) OPERATING ACTIVITIES	26	(470,274)	(119,741)
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits (paid)/refunded		(13,222)	16,721
Payments for plant and equipment		(2,102)	(1,500)
Payments for capitalised exploration and expenditure		(605,113)	(1,231,241)
Receipt of research and development incentive		118,026	-
NET CASH FROM (USED IN) INVESTING ACTIVITIES		(502,411)	(1,216,020)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of equity securities		1,769,692	1,200,000
Cost of issuing equity securities		(49,812)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		1,719,880	1,200,000
Net increase (decrease) in cash and cash equivalents		747,195	(135,761)
Cash and cash equivalents at the beginning of the financial period		726,277	862,038
CASH AND CASH EQUIVALENTS AT 30 JUNE 2016	11	1,473,472	726,277

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 2016**

1. REPORTING ENTITY

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

The Consolidated Entity is involved in mineral exploration.

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

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 complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Consolidated Financial Statements were approved by the Board of Directors on 19 September 2016. The directors have the power to amend and reissue the financial statements. Comparative information is for period 1 July 2014 to 30 June 2015.

(b) Basis of Measurement

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

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity with supplementary information about the parent entity being included in at note 29.

(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 2016, the carrying value of capitalised exploration expenditure is \$1,256,768 (2015: \$1,321,707).

(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 \$508,705 (2015: \$4,406,623).

(iv) Share based payments

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

(v) 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 \$2,657,587 (2015: \$2,005,710) as at 30 June 2016 and incurred a loss of \$1,068,003 and net operating cash outflow of \$470,274 for the period ended 30 June 2016.

The Group's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on the Company's ability to raise sufficient working capital.

The financial report has been prepared on a going concern basis. In arriving at this position the directors have had regard to the fact that the Company has, or in the directors' opinion will have access to, sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

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 2016.

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)*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 consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by 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 but the impact of its adoption is yet to be assessed by the consolidated entity.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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 but the impact of its adoption is yet to be assessed by 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 2016 and the results of all subsidiaries for the year then ended. Zenith Minerals Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity' or the 'Group'.

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

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

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

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

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

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

(c) Foreign Currency Translation

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

Foreign currency transactions

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

Foreign operations

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

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

(d) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Consolidated Entity's investments in equity securities and certain debt securities are classified as available-for-sale financial assets.

Subsequent to initial recognition, fair value movements are recognised in other comprehensive income through the available for sale reserve in equity. When an investment is derecognised or impaired, the cumulative gain or loss in equity is transferred to profit or loss.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

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

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

Deferred tax

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

In principle, deferred tax liabilities are recognised for all 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.

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

(j) 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.)*(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. In 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.

(k) 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.

(l) 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.)**(m) 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.)**(n) 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.

(o) 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 2(j)(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.

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.

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

(q) 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.

(r) 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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)*(iii) Share-based payment transactions(cont.)*

The cost of equity-settled transactions are 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 are 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.

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.

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

(s) 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.

(t) 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.

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

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

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

AASB No.	Title	Effective for Annual Reporting Periods Beginning After	Issue date
AASB 9	Financial Instruments	1 January 2018	December 2014
AASB 2010-7	Amendments arising from Accounting Standards arising from AASB 9 (December 2010)	1 January 2018	September 2012
AASB 2014-1	Amendments to Australian Accounting Standards Part D - Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts Part E - Financial Instruments	Part D - 1 January 2016 Part E - 1 January 2018	June 2014
AASB 2014-3	Amendments to Australian Accounting Standard – Accounting for Acquisition of Interest in Joint Operations [AASB 1 & AASB 11]	1 January 2016	August 2014
AASB 2014-4	Amendments to Australian Accounting Standard - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	1 January 2016	August 2014
AASB 2014-5	Amendments to Australian Accounting Standard Arising From AASB 15	1 January 2018	December 2014
AASB 2014-7	Amendments to Australian Accounting Standard Arising From AASB 9 (December 2014)	1 January 2018	December 2014
AASB 2014-9	Amendments to Australian Accounting Standard - Equity Method in Separate Financial Statements	1 January 2016	December 2014
AASB 2014-10	Amendments to Australian Accounting Standard - Sale of Contribution of Assets Between Investors and its Associates or Joint Venture	1 January 2016	December 2014
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
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	1 January 2016	January 2015
AASB 2015-8	Amendments to Australian Accounting Standards – Effective Date of AASB 15	1 January 2018	October 2015
AASB 2015-9	Amendments to Australian Accounting Standards – Scope and Application Paragraphs	1 January 2016	November 2015
AASB 2015-10	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128.	1 January 2018	December 2015
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	1 January 2017	February 2016
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	March 2016
AASB 2016-3	Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	May 2016
AASB 14	Regulatory Deferral Account	1 January 2016	June 2014
AASB 15	Revenues from Contracts with Customers	1 January 2018	October 2015
AASB 16	Leases	1 January 2019	February 2016
AASB 1057	Application of Australian Accounting Standards	1 January 2016	November 2015

4. OPERATING SEGMENTS*Identification of reportable operating segments*

The Consolidated Entity operates in geographical locations, Australia, United States of America (USA) and in 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. 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	
	2016 \$	2015 \$	2016 \$	2015 \$
Australia	-	-	734,422	947,435
USA	-	-	134,140	-
Turkey	-	-	421,900	418,175
	-	-	1,290,462	1,365,610

5. REVENUE

	Consolidated Entity	
	2016 \$	2015 \$
Other Revenue		
Interest	8,207	14,603
Other revenue	12,925	14,499
	21,132	29,102

6. OTHER INCOME

	Consolidated Entity	
	2016 \$	2015 \$
Research and development incentive	60,451	73,798
	60,451	73,798

7. OTHER OPERATING EXPENSE

		Consolidated Entity	
		2016	2015
		\$	\$
Accounting and Admin Services		60,614	68,927
Auditors Remuneration	8	22,538	22,569
Computer Expenses		6,042	8,238
Consulting Fee		2,461	5,198
Legal Expenses		2,879	5,448
Motor Vehicle Expense		4,931	2,583
Share Registry and Securities Exchange		27,019	47,022
Fringe Benefits Tax		5,663	13,238
Subscriptions, Publications, Memberships		5,489	6,038
Insurance		20,702	18,631
Sundry Administration Expenses		38,217	25,277
		<u>196,555</u>	<u>223,169</u>

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:

		Consolidated Entity	
		2016	2015
		\$	\$
Audit services			
Auditors of the Group – PKF Mack			
Audit and review of financial report		22,538	22,569
Total remuneration for audit services		<u>22,538</u>	<u>22,569</u>
Non-audit services			
		-	-
Total Audit Services		<u>22,538</u>	<u>22,569</u>

9. LOSS PER SHARE

		Consolidated Entity	
		2016	2015
		\$	\$
Basic and diluted loss per share – cents		(0.8)	(5.1)
The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:			
Loss used in calculation of earnings per share		(1,068,003)	(6,351,356)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share		<u>141,429,095</u>	<u>123,284,380</u>

10. INCOME TAX EXPENSE

	Consolidated Entity	
	2016 \$	2015 \$
a) The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:		
Loss before tax	(1,068,003)	(6,351,356)
Prima facie tax benefit on loss at 28.5% (2015: 30%)	(304,381)	(1,905,407)
Add:		
Tax effect of:		
Other non-allowable items	14,085	836
Overs/unders from prior year	34,340	193,460
Tax losses not recognised (recognised)	263,810	1,587,442
Deferred tax balances not recognised (recognised)	9,375	145,808
Research and development refund received	(17,229)	(22,139)
Income tax expense on pre-tax net loss	-	-
The applicable average weighted tax rates are as follows:	0%	0%

The corporate tax rate in Australia was changed from 30% to 28.5% with effect from 1 July 2015. This revised rate has not impacted the current tax asset for the current year but will do so in future periods. However, the impact of the change in tax rate has been taken into account in the measurement of deferred taxes at the end of the reporting period. The effect of this change in tax rate on deferred taxes has been disclosed in the reconciliation of deferred taxes below.

Deferred Tax Assets
At 28.5%

	Consolidated Entity	
	2016 \$	2015 \$
Carry forward losses	4,379,499	4,294,496
Other debtors	10	-
Capital raising cost	-	8,611
Provisions and accruals	16,163	9,024
Merger/acquisition costs	4,638	4,882
	4,400,310	4,317,013

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.)**Deferred Tax Liabilities
At 28.5%**

	Consolidated Entity	
	2016	2015
	\$	\$
Exploration expenditure	115,243	155,488
Capital raising costs	5,178	-
Property, plant and equipment	9,534	13,048
Accrued income	223	246
Prepayments	1,300	8,106
	131,478	176,888

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	
	2016	2015
	\$	\$
Cash at bank and in hand	1,457,674	707,446
Deposits at call	528	3,561
Term deposits	15,270	15,270
	1,473,472	726,277

- 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	1,473,472	726,277
Cash and cash equivalents in statement of cash flows	1,473,472	726,277

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

12. TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2016	2015
	\$	\$
Accrued interest	783	819
Other receivables (a)	14,079	3,383
Receivables from related parties (note 24(e))	5,509	16,034
	20,371	20,236

a) Terms and conditions

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

13. OTHER CURRENT ASSETS

	Consolidated Entity	
	2016	2015
	\$	\$
Bonds & deposits	11,520	2,010
Prepayments	4,563	27,022
	16,083	29,032

14. PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity	
	2016	2015
	\$	\$
Plant and equipment – at cost	23,793	23,793
Less: Accumulated depreciation	(20,691)	(19,029)
	3,102	4,764
Motor vehicles – at cost	94,652	94,192
Less: Accumulated depreciation	(68,170)	(59,388)
	26,482	34,804
Computer equipment and software – at cost	40,848	39,206
Less: Accumulated depreciation	(36,738)	(34,871)
	4,110	4,335
Carrying Amount	33,694	43,903

a) Movement Reconciliation

Cost	Plant & Equipment	Motor Vehicles	Computer Equipment & Software	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2014	22,293	94,192	39,206	155,691
Additions	1,500	-	-	1,500
Disposals	-	-	-	-
Balance at 30 June 2015	23,793	94,192	39,206	157,191
Balance at 1 July 2015	23,793	94,192	39,206	157,191
Additions	-	460	1,642	2,102
Disposals	-	-	-	-
Balance at 30 June 2016	23,793	94,652	40,848	159,293
Depreciation and Impairment				
Balance at 1 July 2014	17,093	47,786	32,074	96,953
Depreciation for the year	1,936	11,602	2,797	16,335
Depreciation on asset disposal	-	-	-	-
Balance at 30 June 2015	19,029	59,388	34,871	113,288
Balance at 1 July 2015	19,029	59,388	34,871	113,288
Depreciation for the year	1,662	8,782	1,867	12,311
Depreciation on asset disposal	-	-	-	-
Balance at 30 June 2016	20,691	68,170	36,738	125,599
Carrying Amount				
At 30 June 2015	4,764	34,804	4,335	43,903
At June 2016	3,102	26,482	4,110	33,694

15. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated Entity	
	2016	2015
	\$	\$
Balance at beginning of financial year	1,321,707	5,910,858
Capitalised expenditure	602,307	1,388,961
Less capitalised expenditure written off	(40,515)	(1,571,489)
Less impairment of exploration expenditure	(508,705)	(4,406,623)
Less research and development incentive	(118,026)	-
Balance at 30 June 2015	1,256,768	1,321,707

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.

During the financial year, the consolidated entity booked an impairment loss on capitalised exploration and evaluation expenditure of \$508,705 (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 totaling \$40,515 (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.

16. TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2016	2015
	\$	\$
Other payables (a)	12,888	57,282
Accrued fees and employment expenses (b)	58,093	40,850
Owed to related parties (note 24 (e))	25,427	16,034
	96,408	114,166

Terms and conditions

Terms and conditions relating to the above financial instruments

- a) Other payables are non-interest bearing and are normally settled on 30 day terms.
- b) Sundry creditors and accruals are non-interest bearing and have an average term of 30 days.

17. EMPLOYEE BENEFITS

	Consolidated Entity	
	2016	2015
	\$	\$
Current liabilities:		
Employee benefits	46,393	21,279
	46,393	21,279

18. ISSUED CAPITAL

	2016 Shares No.	2016 \$	2015 Shares No.	2015 \$
(a) Share capital				
Fully paid ordinary shares Balance at beginning of year	128,634,608	14,774,740	112,301,274	13,424,740
Issue of ordinary shares	44,242,301	1,769,692	16,333,334	1,350,000
Costs of issue	-	(49,812)	-	-
Total	172,876,909	16,494,620	128,634,608	14,774,740

2016

During the year to 30 June 2016, the following changes to equity securities took place:

- i) 100,000 \$0.29 unlisted options with an expiry date of 20 August 2016 were cancelled upon an officeholder ceasing employment from the company. These had a fair value of 16.42 cents.
- ii) On 22nd February 2016, 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, exercisable at \$0.10 by 31 December 2017, 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) 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 exercisable at \$0.10 by 31 December 2017, on the basis of one (1) New Option for every two (2) New Shares subscribed for and issued under the Rights Issue Offer.

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

On 24th March 2016, the following ordinary shares and quoted options were allotted:

- 27,726,922 ordinary shares at 4 cents per share and 13,863,493 free attaching options exercisable at \$0.10, expiring by 31 December 2017 pursuant to the company's non-renounceable issue as mentioned above at 18a(ii)(b)
- 5,000,000 quoted options exercisable at \$0.10, expiring by 31 December 2017 pursuant to the company's placement as mentioned above at 18a(ii)(a)
- 6,515,379 ordinary shares at 4 cents per share and 3,257,690 free attaching options exercisable at \$0.10, expiring by 31 December 2017 under the company placement offer.

2015

During the year to 30 June 2015, the following changes to equity securities took place:

- i) 833,334 Ordinary Shares were issued to Rio Tinto (ASX: RIO) subsidiary Rio Tinto Exploration Pty Limited at 12 cents per share on 23rd July 2014, as payment for the acquisition of tenements from them.
- ii) 500,000 Ordinary Shares were issued to Fitzroy Resources Limited (ASX: FRY) subsidiary Fitzroy Copper Pty Ltd at 10 cents per share on 19th August 2014, as part payment for the acquisition of tenements from them.
- iii) On 18th September 2014, Directors of Zenith Minerals Limited announced that the Company received commitments for a capital raising of \$1,000,000 through a share placement at 8 cents per share, comprising:
 - 10,000,000 Ordinary Shares that were issued as part of a capital raising at 8 cents per share to sophisticated investors on 18th September 2014; and
 - 2,500,000 Ordinary Shares that were issued to Director Rodney Michael Joyce at 8 cents per share following shareholder approval at the Company's Annual General Meeting held on 21st November 2014. These were issued on 25th November 2014.
- iv) 2,500,000 Ordinary Shares were issued through a share placement at 8 cents per share to overseas sophisticated investor BMC (UK) Ltd on 28th April 2015.

18. ISSUED CAPITAL (cont.)**(b) Ordinary Shares**

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

(c) Options

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

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

19. RESERVES AND RETAINED LOSSES

	Consolidated Entity	
	2016 \$	2015 \$
(a) Reserves		
Options reserve		
Balance at beginning of financial year	90,973	90,973
Cancellation of staff options (refer note 18(a) (i))	(16,420)	-
Balance at end of financial year	74,553	90,973
(b) Accumulated losses		
Movements in accumulated losses were as follows:		
Balance at beginning of financial year	(12,860,003)	(6,508,647)
Cancellation of staff options (refer note 18(a) (i))	16,420	-
Loss for the year	(1,068,003)	(6,351,356)
Balance at end of financial year	(13,911,586)	(12,860,003)

Options reserve

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

20. FINANCIAL INSTRUMENTS**Overview**

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

- Credit risk
- Liquidity risk
- Market risk

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

20. FINANCIAL INSTRUMENTS (cont.)

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.

Cash and Cash Equivalents

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

Trade and Other Receivables

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

Exposure to Credit Risk

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

	Consolidated Entity	
	2016	2015
	\$	\$
Other receivables	20,371	20,236
Cash and cash equivalents	1,473,472	726,277
	1,493,843	746,513

Impairment Losses

None of the Consolidated Entity's other receivables are past due (2015: 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 2016 the Consolidated Entity does not have any collective impairment on its other receivables (2015: 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.

20. FINANCIAL INSTRUMENTS (cont.)

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.

Consolidated Entity
30 June 2016

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*	96,408	96,408	96,408	-	-	-	-

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

Consolidated Entity
30 June 2015

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*	114,166	114,166	114,166	-	-	-	-

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

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

Exposure to Currency Risk

The Consolidated Entity has no exposure to foreign currency risk at reporting date (2015:Nil).

20. FINANCIAL INSTRUMENTS (cont.)**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 2015.

	2016 Profit or Loss		2015 Profit or Loss	
	100 bp Increase \$	100 bp Decrease \$	100 bp Increase \$	100 bp Decrease \$
Cash & cash equivalents	14,735	(14,735)	7,263	(7,263)

Fair Values**Fair Values versus Carrying Amounts**

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

	30 June 2016		30 June 2015	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Other receivables	20,371	20,371	20,236	20,236
Cash & cash equivalents	1,473,472	1,473,472	726,277	726,277
Trade & other payables	(96,408)	(96,408)	(114,166)	(114,166)
	1,397,435	1,397,435	632,347	632,347

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.

20. FINANCIAL INSTRUMENTS (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.

21. OPERATING LEASE COMMITMENTS

Effective 1 May 2014, the Consolidated Entity entered a service agreement with Gascoyne Resources Limited, whereby the Consolidated Entity is provided with secretarial services and office facilities for a monthly fee of \$6,666.67. This agreement expired on 28 February 2015. Effective 1st March 2015, the Consolidated Entity renewed its service agreement with Gascoyne Resources Limited, whereby the Consolidated Entity is provided with office facilities for a monthly fee of \$3,066.67. This agreement expires on 28th February 2017.

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

	Consolidated Entity	
	2016	2015
	\$	\$
Within one year	24,533	24,533

22. EXPLORATION COMMITMENTS

The Consolidated Entity has certain obligations to perform minimum exploration work and expend minimum amounts on works on mining tenements in order to retain its interests in these tenements, which would be approximately \$423,000 during the next 12 months (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.

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

	Consolidated Entity	
	2016	2015
	\$	\$
Short-term employee benefits	312,421	364,762
Post-employment benefits	29,680	34,652
Other long-term benefits	-	-
Share-based payments	-	-
	342,101	399,414

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

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

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

24. RELATED PARTY TRANSACTIONS (cont.)**(b) Subsidiaries**

Interests in subsidiaries are set out in Note 28.

(c) Key Management Personnel

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

(d) Transactions with Related Parties

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

- i) The Consolidated Entity entered into a service agreement with Gascoyne Resources on 1 March 2015. Gascoyne Resources Limited is a director related entity of Mr Rodney M Joyce and Mr Stanley A Macdonald. Gascoyne Resources Limited is remunerated by the Consolidated Entity monthly on a basis of actual cost reimbursement of services provided, being the provision of fully furnished and equipped offices, plus a service fee of \$3,066.67 per month. The total management service fee paid to Gascoyne Resources Limited for the financial year ended 30 June 2016 is \$36,800 (2015: \$65,600). The Consolidated Entity made payments of \$8,070 (2015: \$3,618) to Gascoyne Resources Limited for reimbursement of expenses not covered by the agreement. The Consolidated Entity hired out its Landcruiser Vehicle to Gascoyne Resources Limited from 23 May 2016 at a cost of \$75 per day, and received hire fees totaling \$2,925 (2015: Nil)

During the comparative year, the Consolidated Entity had a service agreement with Gascoyne Resources Limited, effective 1 May 2014. The Consolidated Entity was provided with the following services:

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

Under the agreement, Gascoyne Resources Limited was remunerated by the Consolidated Entity monthly on a basis of actual cost reimbursement of services provided, plus a service fee of \$6,666.67 per month. The service agreement expired on 28th February 2015.

- ii) During 2016, the Consolidated Entity made payments of \$Nil to Lion One Australia Pty Ltd for reimbursement of expenses (2015: \$4,593). Lion One Australia Pty Ltd is a director-related entity of Mr Stanley A Macdonald.

A payment of \$460 was made to Lion One Australia Pty Ltd for the purchase of second hand trailer and \$1,040 for miscellaneous equipment during 2016 (2015: Plant and Equipment of \$1,500).

The Consolidated Entity received \$10,775 (2015: \$3,811) from Lion One Australia Pty Ltd for reimbursement of storage costs and other expenses incurred on behalf of Lion One Australia Pty Ltd.

24. RELATED PARTY TRANSACTIONS (cont.)**(d) Transactions with related parties (cont.)**

- iii) Serviced Office Income - Fees were received from SM3 Resources Pty Ltd, a director related entity of Mr S A Macdonald and Mr M J Clifford, during the financial year for the provision of a serviced office totaling \$5,000 (2015: \$8,500).

Fees were received from Cobalt Consulting Pty Ltd, a director related entity of Mr M J Clifford, during the financial year for the provision of a serviced office totaling \$5,000 (2015: \$5,000). \$223 was paid to Cobalt Consulting Pty Ltd during the financial year, as reimbursement of expenses.

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

	Consolidated Entity	
	2016	2015
	\$	\$
Current receivables:		
Amount receivable – director related entities	5,509	3,518
	5,509	3,518
Current payables:		
Amount payable – director related entities	(25,427)	(16,034)
	(25,427)	(16,034)

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

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

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

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

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

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

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

25. SHARE BASED PAYMENTS (cont.)

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

2016:

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

*100,000 \$0.29 unlisted options were cancelled during the period, following an Officeholder ceasing employment from health related issues, as covered by the above table.

2015:

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired or Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
20 Nov 2012	20 Aug 2016	\$0.29	200,000	-	-	-	200,000	200,000
21 Mar 2014	21 Dec 2017	\$0.13	1,000,000	-	-	-	1,000,000	1,000,000
			1,200,000	-	-	-	1,200,000	1,200,000

Nil unlisted options lapsed during the period.

Zenith Minerals Limited	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2016	2016	2015	2015
Outstanding at the beginning of the period	\$0.16	1,200,000	\$0.16	1,200,000
Exercised during the period	-	-	-	-
Granted during the period	-	-	-	-
Forfeited during the period	\$0.29	(100,000)	-	-
Lapsed during the period	-	-	-	-
Outstanding at end of the period	\$0.14	1,100,000	\$0.16	1,200,000
Exercisable at the end of the period	\$0.14	1,100,000	\$0.16	1,200,000

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.35 years (2015: 2.25 years).

The weighted average exercise price during the financial year was \$0.14 (2015: \$0.16).

There were no options granted during the current financial year (2015: Nil).

Total was no expense recognised as share-based payments during the year (2015: \$Nil).

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

	Consolidated Entity	
	2016	2015
	\$	\$
(a) Loss for the year	(1,068,003)	(6,351,356)
Add:		
Non cash items		
Exploration expenditure written off	40,515	1,571,489
Impairment loss on exploration & evaluation expenditure	508,705	4,406,623
Depreciation	12,311	16,335
Foreign Exchange Loss	38	-

Changes in operating liabilities:

Decrease/(Increase) in trade and other receivables	2,533	272,775
Decrease/(Increase) in other assets	26,135	(5,140)
Increase/(Decrease) in trade and other payables	(17,622)	(35,596)
Increase/(Decrease) in employee benefits	25,114	5,129
Net cash (used in) operating activities	(470,274)	(119,741)

(b) Non-cash investing and financing activities.

During 2016, there were no non-cash investing and financing activities to disclose.

During 2015, as noted in note 18a(i) and (ii) there were share-based payments made during the year for acquisition of tenements totaling \$150,000.

27. SUBSEQUENT EVENTS

On 15th July 2016, 36 ordinary fully paid shares were issued following the exercise of 36 quoted Options (ASX Code: ZNCO) at \$0.10 each, expiring 31 December 2017.

On 20th August 2016, 100,000 unlisted options at \$0.29 expired. These had a fair value of 16.42 cents.

On 13th September 2016, Zenith Minerals Limited announced that it has executed a binding agreement with 4DS Memory Limited (formerly named Fitzroy Resources Limited), to acquire the remaining 49% interest in the Develin Creek copper-zinc-gold-silver project located in Queensland for \$60,000. Zenith Minerals Limited now owns 100% interest in the Develin Creek project.

Other than the matters mentioned above, there have been no other matter or material events that has arisen since 30 June 2016, 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.

28. 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	
		2016 %	2015 %
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) Inc. ⁽¹⁾	USA	100%	-

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

(1) Zenolith (USA) Inc. was incorporated in the State of Delaware, USA on 16th February 2016.

29. PARENT ENTITY DISCLOSURES

As at and throughout the financial year ended 30 June 2016, the parent entity of the Group was Zenith Minerals Limited.

	2016 \$	2015 \$
Result of Parent Entity:		
Profit (loss) for the period	(1,135,943)	(7,258,029)
Other comprehensive income (loss)	-	-
Total Comprehensive Income (loss) for the period	(1,135,943)	(7,258,029)
Financial Position of Parent Entity at Year End:		
Current assets	1,382,055	566,790
Total Assets	2,217,674	1,626,381
Current liabilities	142,801	135,445
Total Liabilities	142,801	135,445
Total Equity of the Parent Entity Comprising of:		
Share capital	16,494,620	14,774,740
Reserves	74,553	90,973
Retained earnings/(losses)	(14,494,300)	(13,374,777)
	2,074,873	1,490,936

30. DIVIDENDS

No dividends have been paid or provided for.

31. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets and liabilities at reporting date (2015: 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 2016, 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: 19 September 2016
PERTH, WA

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

Report on the Financial Report

We have audited the accompanying consolidated financial report of Zenith Minerals Limited (the company), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

- (a) the financial report of Zenith Minerals Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(e) in the financial report, which confirms that the financial report has been prepared on a going concern basis. The consolidated entity, however, incurred a loss of \$1,068,003 for the year ended 30 June 2016. These conditions, along with other matters as set forth in Note 2 (e), indicate the existence of a material uncertainty that may cast significant doubt about the 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.

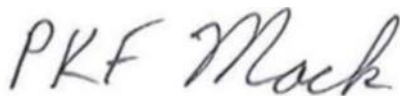
The financial report of the consolidated entity does not include any adjustments in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 34 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Zenith Minerals Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.



PKF MACK



SHANE CROSS
PARTNER

19 SEPTEMBER 2016
WEST PERTH,
WESTERN AUSTRALIA

This statement outlines the main corporate governance practices of Zenith Minerals Limited and its subsidiaries ('Group') in place throughout the financial year ended 30 June 2016, which comply with the 3rd edition of the ASX Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council unless otherwise stated. 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. This statement is current as at 19 September 2016 and has been approved by the Board of Directors of Zenith Minerals Limited.

PRINCIPLES OF BEST PRACTICE RECOMMENDATIONS

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1:

A Listed Entity should disclose:

- a) the respective roles and responsibilities of its board and management; and
- b) those matters expressly reserved to the board and those delegated to management.

The Board of directors of Zenith Minerals Limited is ultimately responsible for leadership and the performance of the Group. The Board monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected, and to whom they are accountable. It is responsible for setting the strategic objectives of the company, overseeing all corporate reporting systems, governance issues and risk management, remuneration frameworks and shareholder communications.

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

The Board operates in accordance with the broad principles set out in its charter, which is available from the Corporate Governance Information Section of the Group website at <http://www.zenithminerals.com.au/corporate.27.html>. The charter details the roles and responsibilities of the board and management, including the matters expressly reserved to the board and those delegated to management.

Management is responsible for implementing Board strategy and day to day running of general operations and the financial business for the company, ensuring that all risks and performance issues are brought to the Boards attention. Management must operate in accordance within delegated authority parameters set by the Board.

Senior Executive Responsibilities

The Group is served by two senior executives;

- A Managing Director and a Company Secretary/Chief Financial Officer (CFO).

The Managing Director is responsible for:-

- Developing budgets, business plans and strategies for board consideration and to the extent approved by the Board, implementing these plans;
- Managing all exploration activity including the selection of area to be subject to exploration, determining the nature, type and extent of exploration activity;

- Identifying and managing operational and other risks and where those risks may have a material impact on the business, formulating strategies for consideration by the Board in managing these risks;
- Ensuring that tenements are maintained in good standing with applicable State Authorities;
- Reporting to the Board on exploration activity;
- Reporting to Board on exploration budget and financial activity;
- Periodical high-level review of key controls to ensure that they are operating as required/designed.

The Company Secretary/CFO is responsible for:

- Advising and supporting the Chairman and the Board to manage day to day governance framework of the Company;
- Ensuring the efficient operation of the registered office of the Group;
- Preparation of monthly financial reports;
- Preparation of half-year and annual financial statements;
- Reporting to and ensuring compliance with ASX Listing rules and other regulatory authorities eg. Australian Securities and Investment Commission, Australian Taxation Office;
- Ensuring the continuous operation of key controls;
- Maintenance of Group's risk register;
- Maintenance of Group records.

Recommendation 1.2:

A Listed Entity should:

- a) undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election as a director; and
- b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Prior to the appointment of a director or putting forward that person to security holders as a candidate for election as a director, the Company undertakes comprehensive reference checks of that person's character, experience, education, criminal record, bankruptcy history and ability to undertake Board duties and responsibilities as a director.

The Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the Group. The company ensures that shareholders are provided with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director, together with whether the Board supports the appointment or re-election. This is outlined in the Company's Notice of Annual General Meeting.

Recommendation 1.3:

A Listed Entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Each director and senior executive of the Company has a written agreement outlining the key terms of their appointment as agreed upon at the time of appointment.

Recommendation 1.4:

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary reports directly to the Board through the Chairman and is assessable to all directors.

The responsibilities of the Company Secretary are outlined in above in recommendation 1.1 of this Corporate Governance Statement and in the Board Charter located at Corporate Governance Information Section of the Group website at <http://www.zenithminerals.com.au/corporate.27.html>, Corporate Governance Policy No. 1 Board Charter.

Recommendation 1.5:

A listed entity should:

- a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- b) disclose that policy or a summary of it; and
- c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:
 - i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
 - ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined and published under that Act.

Zenith Minerals Limited has a diversity policy which is available from the Corporate Governance Information Section of the Group website at:
<http://www.zenithminerals.com.au/corporate.27.html>.

The diversity policy aims to achieve workforce diversity in all forms including gender, age, ethnicity and cultural background. Zenith Minerals Limited recognises that it will benefit from engaging its workforce, at employee and board level, from a broad and diverse pool of talented, well qualified, experienced and diverse backgrounds who are motivated to most effectively represent the Company and its achievement of its corporate objectives.

The Board of Directors acting as the Nomination Committee is responsible for establishing measurable diversity objectives for the Company to strive to achieve and assessing annually the objectives and progress of achievement of these objectives. Measurable objectives for achieving diversity have not been set by the Board, as the Group is too small to achieve any meaningful diversity without raising the risk that diversity for the sake of diversity may adversely affect the corporate culture. Notwithstanding this, for the existing and prospective employees of all backgrounds, the Group seeks to provide the best possible opportunities that can best facilitate the future growth and innovation of the Company in a manner which reflects the principles and objectives of the Group's Diversity Policy.

The following table shows the respective proportion of men and women on the board, in senior executive positions and across the whole organisation, for the financial year ended 30 June 2016:

2016			
	Women	Men	Total
Board of Directors	0	4	4
Senior Executive Positions	1	1	2
Employees across whole organisation	1	2	3

The Board defines "Senior Executive" as a person who makes, or participates in the making of decisions that affect the business or has the capacity to affect significantly the company's financial standing. This includes all senior management as listed in the Remuneration Report contained within the Company's 2016 Annual Report.

Recommendation 1.6:

A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and
- b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Chairman undertakes an annual assessment of the performance of the Board, its individual directors and its committees. The review for the current financial year occurred during June 2016 and was led by the Chairman at the Board meeting held on 27th June 2016. The process involves conducting individual interviews of its directors and board discussions. The review covers various matters including review of responsibilities set out in the Board Charter located at the Corporate Governance Information Section of the Group website at <http://www.zenithminerals.com.au/corporate.27.html>. Directors whose performance is unsatisfactory are asked to retire.

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

During the reporting period, the Chairman conducted a performance evaluation of the Board, its individual directors and its committees in accordance with these processes.

Recommendation 1.7:

A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

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

achievement of their responsibilities as outlined in Recommendation 1.1, and overall performance of the company in achieving its targets.

All senior executives were evaluated during the reporting period in accordance with the process disclosed above.

PRINCIPLE 2: STRUCTURE OF THE BOARD TO ADD VALUE

Recommendation 2.1:

The Board of a listed entity should:

- a) have a nomination committee which:
 - 1) has at least three members, a majority of whom are independent directors; and
 - 2) is chaired by an independent director, and disclose:
 - 3) the charter of the committee
 - 4) the members of the committee; and
 - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members of those meetings; or
- b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Due to the small size and structure of the Board, there is no separate nomination committee. The Board considers it more appropriate to set aside time at Board meetings to specifically address those matters and issues arising that would ordinarily be considered by a nomination committee. When considering nomination matters, the Board operates in accordance with its Nomination Charter which is available in the Corporate Governance Information Section of the Group website at <http://www.zenithminerals.com.au/corporate.27.html> under policy 5 of the Corporate Governance Policies. The following Directors comprise the Board which currently considers the nomination committee matters:

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

For details of the Board members and their independence status, please refer below to Recommendation 2.3 and as outlined in the Directors Report under the heading "1. Directors". The majority of the members of the Board are independent non-executive directors.

Mr Rodney M. Joyce, a non executive director, was appointed Chairman by the Board on 9 October 2013 and has been determined by the Board to be independent. The Chairman is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Group's senior executives.

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

The Board held 6 board meetings during the year and 11 circular resolutions in writing during the year ended 30 June 2016, as disclosed in the Directors' Report under the heading "3. Directors Meetings", including the number of meetings attended by each director. Out of the 6 board meetings, 2 board meeting specifically addressed Nomination Committee related matters and 1 out of 11 circular resolutions specifically addressed Nomination matters.

Recommendation 2.2:

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Boards aims to have an appropriate mix of skills, expertise, experience and diversity in its composition, to be effective in discharging its responsibilities of good corporate governance and oversight for the company and its shareholders.

The mix of skills currently comprising the Board and those that the Board consider appropriate to maintain is outlined in the Boards Skill Matrix found at the Corporate Governance Information Section of the Group website at <http://www.zenithminerals.com.au/corporate.27.html> under title 'Board Skills Matrix'.

The Board is committed to having a diverse mix of experience and expertise, gender, age, geographic, and culture in the composition of Zenith Minerals Limited's board, so as to enable good corporate governance and value for the Company's shareholders.

Recommendation 2.3:

A listed entity should disclose:

- a) the names of the directors considered by the board to be independent directors;
- b) if a director has an interest, position, association, or relationship of the type described in Box 2.3, but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- c) the length of service of each director.

Details of the Board of directors and appointment date is outlined in the Directors Report under the heading "1. Directors". Details of the directors length of service and independence status is as follows:

Director Name	Executive status	Length of service at reporting date	Independence Status
R M Joyce	Non-executive Chairman	10 years (appointed 6 December 2006)	Independent
S A Macdonald	Non-executive director	10 years (appointed 24 April 2006)	Independent
J D Goldsworthy	Non-executive director	3 years (appointed 29 August 2013)	Independent
M J Clifford	Executive director	2 year (appointed 18 March 2014)	Not-independent

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

The board may determine that a director is independent notwithstanding the existence of an interest, position, association or relationship of the kind identified in the examples listed under Recommendation 2.3 of the ASX Principles and Recommendations, 3rd Edition.

Details of directors that the Board has declared as independent, but which maintain an interest or relationship that could be perceived as impairing independence, and the reason as to the Board's determination are as follows:

An entity connected with Mr S A Macdonald and another entity connected with Mr R M Joyce and Mr S A Macdonald had business dealings with the entity during the year, as described in **Note 24 – Related Party Transactions**, to the Financial Statements. In accordance with the Board Charter, the directors concerned declared their interests in those dealings to the Group and took no part in decisions relating to them or the preceding discussions. The materiality of the interest was assessed by the Board and it was determined that it would not interfere with the director's capacity to:

- a) bring independent judgement before the board (as they took no part in decisions relating to them or any preceding discussions), and
- b) act in the best interests of the entity and its security holders.

The Chairman, Mr R M Joyce, has close family ties with a person (spouse) who is a substantial security holder of the entity. The Board is of the opinion, that this does not compromise the independence of Mr R M Joyce because the holding aligns the interests of the director with those of the shareholders and is encouraged by the company.

Recommendation 2.4:

A majority of the board of a listed entity should be independent directors.

Given consideration to the responses outlined above in Recommendation 2.3, the majority of the Board comprise independent directors at reporting date.

Recommendation 2.5:

The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Mr Rodney M. Joyce, a non executive director, was appointed Chairman by the Board on 9 October 2013 and has been determined by the Board to be independent as detailed above in recommendation 2.3. Mr M J Clifford is the appointed Chief Executive Officer of the Group.

Recommendation 2.6:

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

All new directors participate in a comprehensive, formal induction program which covers the operation of the Board and company policies, its committees and financial, strategic, operations and risk management issues. To ensure directors maintain and enhance their skills to effectively perform their role as directors, they are encouraged to undertake continuing professional education through the attendance at industry seminars and relevant education courses, as approved by the company.

The Board acting as the Nomination Committee oversees and reviews director induction programs and continuing professional development in accordance with its Nomination Charter which is available in the Corporate Governance Information Section, under policy 5 of the Corporate Governance Policies of the Group, found on the website at <http://www.zenithminerals.com.au/corporate.27.html>.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY**Recommendation 3.1:**

A listed entity should:

- a) have a code of conduct for its directors, senior executives and employees; and
- b) disclose that code or a summary of it.

The company has a code of conduct for its which has been fully endorsed by the Board and applies to all directors, senior executives and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behavior and professionalism and the practices necessary to maintain confidence in the Group's integrity.

The code of conduct is available from the Corporate Governance Information Section of the Group website at <http://www.zenithminerals.com.au/corporate.27.html> under policy 8 of the Corporate Governance Policies.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING**Recommendation 4.1:**

The board of a listed entity should:

- a) have an audit committee which
 - 1) has at least three members, all of whom are non executive directors and a majority of whom are independent directors; and
 - 2) is chaired by an independent director, who is not the chair of the board, and disclose:
 - 3) the charter of the committee;
 - 4) the relevant qualifications and experience of the members of the committee; and
 - 5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

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

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

The following non executive directors comprise the Board which currently considers the audit committee matters:

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

For details of the Board members and their independence status, please refer above to Recommendation 2.3. The Board's relevant qualifications and experience are as outlined in the Directors Report under the heading "1. Directors". The majority of the Board includes three non-executive directors who are deemed independent.

The Chair is deemed independent as outlined above in recommendation 2.5. Mr Rodney M. Joyce, a non executive director, was appointed Chairman by the Board on 9 October 2013. The Chairman is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Group's senior executives. As explained above, due to the size of Zenith Minerals Limited, the Board acts in accordance with the Charter of the Audit Committee as there is no separate audit Committee and hence no separate Chair from the Chair of the Board as recommended in 4.1(a)(2) of the 3rd edition of the ASX Corporate Governance Principles and Recommendations.

The Board, acting as the audit committee, operates in accordance with a charter which is available from the Corporate Governance Information Section of the Group website at <http://www.zenithminerals.com.au/corporate.27.html> under policy 3 of the Corporate Governance Policies, which also includes the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Board held 6 board meetings during the year and 11 circular resolutions in writing during the year ended 30 June 2016, as disclosed in the Directors' Report under the heading "3. Directors Meetings", including the number of meetings attended by each director. There were 4 out of 11 circular resolutions that specifically addressed audit committee matters.

Recommendation 4.2:

The board of a listed entity should before it approved the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

In relation to the financial year ended 30 June 2016 and the half year ended 31 December 2015, the Board has obtained a written declaration from the Managing Director (CEO) and the Company Secretary/CFO, in the form set out in Recommendation 4.2.

Recommendation 4.3:

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The external auditor attends each Annual General Meeting and is available to answer shareholder questions relevant to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**Recommendation 5.1:**

A listed entity should have:

- a) a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- b) disclose that policy or a summary of it.

The Group has a written policy titled “Disclosure Policy and Communications Strategy” which outlines the processes followed by the Group and its directors, executives and employees in ensuring compliance with its continuous disclosure obligations and its market communications strategy.

A summary of these policies and procedures is available from the Corporate Governance Information Section of the Group’s website at <http://www.zenithminerals.com.au/corporate.27.html> under policy 10 ‘Disclosure Policy and Communications Strategy’ of the Corporate Governance Policies.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS**Recommendation 6.1:**

A listed entity should provide information about itself and its governance to investors via its website.

Information about the Group and its operations is located at <http://www.zenithminerals.com.au> . Information about the Group’s corporate governance is available from the Corporate Governance Information Section of the Group’s website at <http://www.zenithminerals.com.au/corporate.27.html> .

Recommendation 6.2:

A listed entity should design and implement an investor relations program to facilitate effective two way communication with investors.

And

Recommendation 6.3:

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Group’s written policy titled “Disclosure Policy and Communications Strategy” outlines processes designed to encourage effective, timely, balanced and understandable information concerning the Group to its shareholders and the market which adheres to the principles of continuous disclosure. It also outlines policies and processes in relation to communications with analysts, media or other external parties to ensure communications comply with continuous disclosure requirements. A summary of these policies and procedures is available from the Corporate Governance Information Section of the Group’s website at <http://www.zenithminerals.com.au/corporate.27.html> under policy 10 ‘Disclosure Policy and Communications Strategy’ of the Corporate Governance Policies.

Initiatives to facilitate this include making all Group announcements, media briefings, and details of Group meetings, press releases for the last three years and financial reports for the last five years available on the Group's website. All information released to the market and related information (such as information provided to analysts or the media) is placed on the Group's website as soon as possible following the release to the ASX.

The Annual Report is provided via the Group's website to all shareholders, unless a shareholder has specifically requested to receive a physical copy. The annual report includes relevant information about the operations and activities of the Company and its subsidiaries during the year, changes in the state of affairs and details of future developments. The half year report contains summarised financial information and a review of operations of the Company and its subsidiaries. This is sent to shareholders upon shareholder request.

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

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

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

Recommendation 6.4:

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Group manages with its Share Registry, the majority of communications with Shareholders. Shareholders are encouraged to receive correspondence from the Group electronically to enable a more efficient and effective communication methodology with shareholders. The Group's website found at <http://www.zenithminerals.com.au> also provides links to its share registry, Security Transfer Registrars Pty Limited, and includes a feedback mechanism and an option for shareholders to register their email address for direct email updates on Group matters.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK**Recommendation 7.1:**

The board of a listed entity should:

- a) have a committee or committees to oversee risk and each of which:
 - 1) has at least three members, a majority of whom are independent directors; and
 - 2) is chaired by an independent director, and disclose:
 - 3) the charter of the committee
 - 4) the members of the committee; and
 - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Board, acting as the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Board, acting as the audit committee, operates in accordance with a charter and its risk management policy which is

available from the Corporate Governance Information Section of the Group website at <http://www.zenithminerals.com.au/corporate.27.html> under policy 3 and policy 11 of the Corporate Governance Policies.

The Board acting as the audit committee, specifically reviews the risk management framework twice a year, at half year and year end, to ensure that it continues to be effective in relation to the Group's operations and objectives. The Board held 6 board meetings during the year and 11 circular resolutions in writing during the year ended 30 June 2016, as disclosed in the Directors' Report under the heading "3. Directors Meetings", including the number of meetings attended by each director. Out of the 6 board meetings, 3 board meeting specifically addressed risk management matters, including the half year and year end review of the risk management framework.

Recommendation 4.1 provides the information and/or location of information referred to in Recommendation 7.1 paragraph (a).

Recommendation 7.2:

The board or a committee of the board should:

- a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- b) disclose, in relation to each reporting period, whether such a review has taken place.

The Group's risk management policy requires the Board, acting as the audit committee, to review the risk management framework and material risks that could impact the Group's business activities, at least twice a year. The risk management policy is available from the Corporate Governance Information Section of the Group website at <http://www.zenithminerals.com.au/corporate.27.html> under policy 11 of the Corporate Governance Policies.

In the reporting period, the Board conducted its review of the Group's risk management framework, during half-year reporting and year end reporting, to satisfy itself that it continues to be sound.

Recommendation 7.3:

A listed entity should disclose:

- a) if it has an internal audit function, how the function is structured and what role it performs; or
- b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

In the opinion of the Board, the added expense associated with the establishing a separate independent internal audit function, cannot be justified in a Group the size of Zenith Minerals Limited.

As there is no separate internal audit function, the Board, acting as the audit committee, operates in accordance with a charter which is available from the Corporate Governance Information Section of the Group website at <http://www.zenithminerals.com.au/corporate.27.html> under policy 3 of the Corporate Governance Policies, which addresses the monitoring and reviewing of the effectiveness of the Group's internal control environment covering:

- effectiveness and efficiency of operations;
- reliability of financial reporting;
- compliance with applicable laws and regulations.

Ultimate responsibility for risk oversight and risk management rests with the full Board. The risk management policy which sets out a risk management framework is available from the Corporate Governance Information Section of the Group website at <http://www.zenithminerals.com.au/corporate.27.html> under policy 11 of the Corporate Governance Policies.

In accordance with its risk management policy, management is responsible for developing and implementing a sound system of risk management and internal control. Management carries out regular systematic monitoring of control activities and reports to the Board. The Board requires management to design and implement a risk management and internal control system to manage the Group's identified risks. Risk analysis determines the appropriate risk management strategies and internal controls that are needed to best manage those risks. Once these have been determined, appropriate internal control and other risk mitigation strategies are identified and implemented. The Managing Director, with assistance from senior management as required, regularly monitors and assesses the effectiveness and performance of internal controls and the risk mitigation strategies. The results of these reviews are to be reported by the Managing Director to the Board at least twice a year.

Recommendation 7.4:

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Group strives to achieve industry practice in safety, business conduct, social, environmental and economic activities and seeks to identify, assess and manage those risks to the best of the Group's ability in its operations. As outlined in the Corporate Governance Information Section of the Group website at <http://www.zenithminerals.com.au/corporate.27.html> under policy 12 "Health, Safety, Environment and the Community" of the Corporate Governance Policies, the Group aims for sustainable and ethical business practices and is committed to respectful, fair and responsible treatment of employees, business partners and positive impact on communities in which it operates.

The Group has in place policies and procedures, including its Risk Management Policy which enables the identification, assessment, monitoring, and management of material business risks that could have material impact on its business activities as outlined above in recommendation 7.1 and 7.2.

The Board is of the view that it has adequately disclosed in the Annual Report the nature of its operations and relevant information on exposure to economic, environmental and social sustainability risks. Other than general risks associated with the mineral exploration industry, the Group does not currently have any specific material exposure to environmental and social sustainability risks.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**Recommendation 8.1:**

The board of a listed entity should:

- a) have a remuneration committee which:
 - 1) has at least three members, a majority of whom are independent directors; and
 - 2) is chaired by an independent director, and disclose:
 - 3) the charter of the committee
 - 4) the members of the committee; and
 - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

There is no separate remuneration committee. This is because the Board is of the opinion that the Group is too small to justify the extra expense of forming and running a remuneration committee. Accordingly, the Board considers those matters and issues arising that would usually fall to the remuneration committee, in accordance with its Remuneration Committee Charter, which is available in the Corporate Governance Information Section, under policy 7 of the Corporate Governance Policies of the Group website <http://www.zenithminerals.com.au/corporate.27.html>.

The following non executive directors comprise the Board which currently considers the remuneration committee matters:

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

For details of the Board members and their independence status, please refer above to Recommendation 2.3 and as outlined in the Directors Report under the heading "1. Directors". The majority of the Board includes three non-executive directors who are deemed independent. Mr Rodney M. Joyce, a non executive director, was appointed Chairman by the Board on 9 October 2013 and is has been determined by the Board to be independent.

The Board held 6 board meetings during the year and 11 circular resolutions in writing during the year ended 30 June 2016, as disclosed in the Directors' Report under the heading "3. Directors Meetings", including the number of meetings attended by each director. Out of the 6 board meetings, 2 board meeting specifically addressed remuneration related matters and 1 out of 11 circular resolutions specifically addressed remuneration related matters.

Recommendation 8.2:

A listed entity should separately disclose its policies and practices regarding the remuneration of non executive directors and the remuneration of executive directors and other senior executives.

The Group's policies and practices regarding remuneration of non executive directors and the remuneration of executive directors and other senior executives is set out in the Remuneration Committee Charter which is available in the Corporate Governance Information Section, of the Group website <http://www.zenithminerals.com.au/corporate.27.html> under policy 7 of the Corporate Governance Policies.

Further details in relation to Zenith Minerals Limited's remuneration policies are contained in the Remuneration Report at section 4. of the Directors Report in this Annual Report.

Recommendation 8.3:

A listed entity which has an equity-based remuneration scheme should:

- a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- b) disclose that policy or a summary of it.

The Group has an equity based remuneration scheme in the form of share options, which are granted from time to time to encourage longer term performance objectives. The Group's Securities Trading Policy and Guidelines details that recipients of equity-based remuneration (eg. incentives options) are prohibited from entering into any transactions that would limit the economic risk of options or other unvested entitlements.

The Securities Trading Policy and Guidelines is available in the Corporate Governance Information Section, of the Group website at <http://www.zenithminerals.com.au/corporate.27.html>.

In Compliance with ASX Requirements

The shareholder information set out below was applicable as at 15 September 2016.

1. DISTRIBUTION OF EQUITY SECURITIES

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

	Number of Shareholders	Number of Fully Paid Ordinary Shares
1 – 1,000	466	177,971
1,001 – 5,000	479	1,107,418
5,001 – 10,000	169	1,433,771
10,001 – 100,000	584	18,929,843
100,001 and over	136	151,227,942
	1,834	172,876,945

b) Number of shareholders holding less than a marketable parcel – 921 (at 15 September 2016).

2. PARTICULARS OF TWENTY LARGEST SHAREHOLDERS

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

Shareholder Shares Issued	Fully Paid Ordinary Shares	
	Number held	% of total
1 CITICORP NOM PTY LTD	11,404,261	6.60%
2 HSBC CUSTODY NOMINEES AUSTRALIA LTD	10,811,661	6.25%
3 GRANICH NADA	10,587,340	6.12%
4 ABINGDON NOM PTY LTD	7,780,567	4.50%
5 GDR PTY LTD	7,380,000	4.27%
6 J P MORGAN NOM AUST LTD	6,086,373	3.52%
7 MIQUILINI SUZI QUELI	5,817,669	3.37%
8 BREAMELEA PTY LTD	5,400,000	3.12%
9 MILLER AUSTIN SYDNEY E	3,700,002	2.14%
10 JENKINS EUAN WILLIAM	3,504,798	2.03%
11 YANDAL INV PTY LTD	3,262,417	1.89%
12 TILBROOK J B + P + J E (TILBROOK S/F A/C)	3,084,547	1.78%
13 BMC UK NO.2 LTD	2,500,000	1.45%
14 CREEKWOOD NOMINEES PTY LTD	2,380,862	1.38%
15 TILBROOK J B + P + J E	2,191,697	1.27%
16 MACDONALD STANLEY ALLAN	2,156,520	1.25%
17 TINTERN VIC PTY LTD	2,107,886	1.22%
18 STRUVEN NOM PTY LTD	2,104,000	1.22%
19 CHRISTOPHER JAMES A G	2,097,767	1.21%
20 YOVICH WALTER MICK G	2,065,749	1.19%
TOTAL FOR TOP 20:	96,424,116	55.78%

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
CITICORP NOM PTY LTD	11,404,261	6.60%
HSBC CUSTODY NOMINEES AUSTALIA LTD	10,811,661	6.25%
NADA GRANICH	10,587,340	6.12%

5. UNQUOTED EQUITY SECURITIES

(a) The following unquoted options are on issue:

	Number on Issue	Number of Holders
Options issued under the Company's Employee Option Plan to take up ordinary shares: Exercisable at 13 cents each by 21 st December 2017.	1,000,000*	1
* Persons holding 20% or more: M J Clifford	100%	

6. DISTRIBUTION OF EQUITY SECURITIES

a) Analysis of numbers of shareholders by size of holding – Quoted options expiring 31 December 2017 at \$0.10 (ZNCO)

	Number of Optionholders	Number of Options
1 – 1,000	96	25,970
1,001 – 5,000	86	219,388
5,001 – 10,000	27	192,623
10,001 – 100,000	55	1,647,609
100,001 and over	30	20,035,557
	294	22,121,147

b) Number of shareholders holding less than a marketable parcel – 206 (at 15 September 2016).

c) Particulars of the twenty largest optionholders (ZNCO)

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

Optionholder	Quoted Options (ZNCO)	
	Number held	% of total
1 CITICORP NOM PTY LTD	2,997,479	13.55%
2 MCDONALD NICHOLAS D	2,210,587	9.99%
3 TILBROOK J B + P + J E (TILBROOK S/F A/C)	1,366,467	6.18%
4 ABINGDON NOM PTY LTD	1,231,714	5.57%
5 MILLER AUSTIN SYDNEY E	1,225,001	5.54%
6 J P MORGAN NOM AUST LTD	1,107,706	5.01%
7 GRANICH NADA	882,279	3.99%
8 AOTEA MINERALS LTD	775,000	3.50%
9 RYAN JOHN ALBERT JAMES	752,355	3.40%
10 MIQUILINI SUZI QUELI M	743,807	3.36%
11 JENKINS EUAN WILLIAM	708,734	3.20%
12 STRUVEN NOM PTY LTD	667,000	3.02%
13 GDR PTY LTD	615,000	2.78%
14 JONNOLA PTY LTD	610,000	2.76%
15 YOVICH WALTER MICK G	575,000	2.60%
16 MIQUILINI SUZI QUELI	500,000	2.26%
17 HSBC CUSTODY NOM AUST LTD	460,623	2.08%
18 BREAMELEA PTY LTD	450,000	2.03%
19 DISCOVERY III PTY LTD	375,000	1.70%
20 PENMAEN LTD	250,000	1.13%
TOTAL FOR TOP 20:	18,503,752	83.65%

INTERESTS IN MINING TENEMENTS at 15 September 2016

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%	Application
Earaheedy	Western Australia	E69/2	Zenith Minerals Limited	100%	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	L08/155	Zenith Minerals Limited	100%	Application
Mount Alexander	Western Australia	E08/1987	Nanutarra Minerals Pty Ltd	100%	Granted
Vivash Gorge	Western Australia	E47/3071	Zenith Minerals Limited	100%	Application
Kavaklitepe	Turkey	EL20079861	Empire International AnadoluMadencilikAnonimSirketi	Teck Earning to 70%	Granted
Develin Creek	Queensland	16749	Kalicoal Pty Ltd	100%	Granted
Develin Creek	Queensland	17604	Kalicoal Pty Ltd	100%	Granted
Develin Creek	Queensland	18845	Kalicoal Pty Ltd	100%	Relinquishing
Cardinals	Western Australia	E45/4445	S2M2 Eastern Coal Pty Ltd	100%	Granted
Minnie Creek	Western Australia	E09/2063	S2M2 Eastern Coal Pty Ltd	100%	Granted
Smith Well	Western Australia	E45/4713	Black Dragon Energy (AUS) Pty Ltd	100%	Application
Split Rocks	Western Australia	E77/2375	Black Dragon Energy (AUS) Pty Ltd	100%	Application
Split Rocks	Western Australia	E77/2394	Black Dragon Energy (AUS) Pty Ltd	100%	Application
Split Rocks	Western Australia	E77/2395	Black Dragon Energy (AUS) Pty Ltd	100%	Application
Split Rocks	Western Australia	E77/2391	Black Dragon Energy (AUS) Pty Ltd	100%	Application
Split Rocks	Western Australia	E77/2392	Black Dragon Energy (AUS) Pty Ltd	100%	Application
Split Rocks	Western Australia	E77/2386	Black Dragon Energy (AUS) Pty Ltd	100%	Application
Split Rocks	Western Australia	E77/2387	Black Dragon Energy (AUS) Pty Ltd	100%	Application
Maggie Hays South	Western Australia	E63/1794	Black Dragon Energy (AUS) Pty Ltd	100%	Application
Pollappa	Queensland	EPM26235 & EPM26301	Black Dragon Energy (AUS) Pty Ltd	100%	Application
San Domingo State Mineral Exploration Permits	Arizona – USA	08-118824 & 08-118825	Zenolith (USA) Inc.	100%	Application
San Domingo	Arizona – USA	Federal Lode Claims 1 to 69	Zenolith (USA) Inc.	100%	Granted
Crystal Mountain State Mineral Exploration Permit	Colorado – USA	EP110433	Zenolith (USA) Inc.	100%	Granted