Zinc Co Australia Limited

ABN 96 119 397 938

Annual Report 2008

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Corporate Information

DIRECTORS

Gary E Comb (Non-Executive Chairman)
Stanley A Macdonald (Non-Executive Director)
Rodney M Joyce (Non-Executive Director)

GENERAL MANAGER

Tony Hespe (General Manager)

COMPANY SECRETARY (JOINT)

Bruce Acutt
Alex Dermedgoglou

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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STOCK EXCHANGE LISTING

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

Chairman's Report

Zinc Co listed in May 2007 with a portfolio of five zinc prospects in Western Australia. The metals and stock markets have both been highly volatile in the year since listing.

In the first half of the 2007/8 financial year, historically high metal prices, underpinned by demand from China and other developing countries, supported a high level of exploration activity worldwide. However, supply-side shortages resulted in increased costs and delays in permitting, availability of drill rigs and shortages of skilled staff, particularly in Western Australia. All of these issues affected Zinc Co's progress.

Despite these impediments, we completed drilling programmes at our Earaheedy, Cardinals and Conquistador projects, acquired a large extension to our Conquistador project and developed targeting techniques for Conquistador and Earaheedy to reduce the amount of first pass drilling required. At Horse Springs and Mt Alexander we have made good progress with permitting and these projects can be drilled in 2009.

In the second half of the year, the credit and liquidity problems in the financial sector began to spill over into the 'real' economy. Metal prices plummeted and confidence in the future of the resource industry was shaken. In the future, we believe that after a period of stabilisation of markets and consolidation of the global economies, metal prices will inevitably improve as developed countries resume their desired levels of consumption. In the meantime, developing countries will endeavour to maintain growth at or near current levels, underpinning a high level of demand for resources.

The slowing in exploration activity is already improving the availability of drilling rigs and putting downward pressure on contract prices. We have carefully managed our expenditure and can now take advantage of these changed conditions. At 30 June 2008, Zinc Co had $3.8 million in cash and short term deposits.

The next twelve months will be a challenging period for the exploration industry. Zinc Co is fortunate to be in a stronger position than many of its peers. The Company intends to maintain this position by carefully implementing exploration programmes and controlling expenditures, while awaiting the inevitable market recovery.

Gary Comb
Chairman

22 October 2008

Review of Operations

EXPLORATION ACTIVITY

Projects Overview

Zinc Co Australia Limited (Zinc Co) listed in May 2007 with a portfolio of five zinc projects in Western Australia.

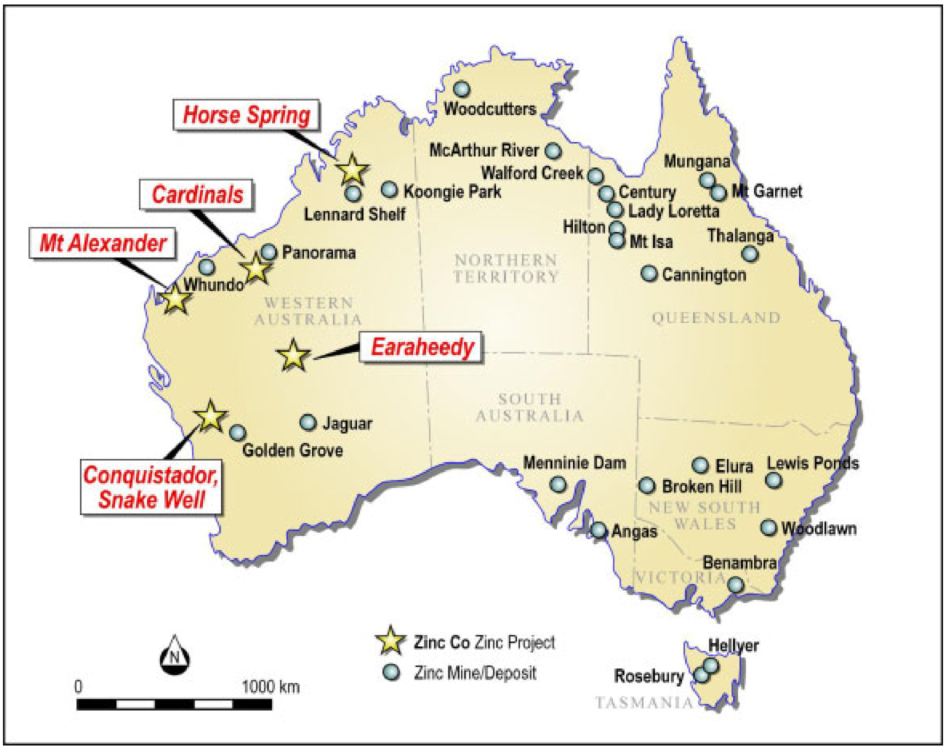
Since listing Zinc Co has:

- Completed RC (1810 metres), diamond (220 metres) and RAB drilling (980 metres) programmes at Conquistador and RC drilling at Earaheedy (660 metres). During August 2008 the Company also completed 1390 metres of RC drilling at the Cardinals prospect. These drilling programmes intersected mineralisation which has confirmed the prospectivity of each project.

- Significantly expanded its project base by farming into the Snake Well Project tenements surrounding the Conquistador project. The company now has an interest in 30 strike kilometres of tenements prospective for volcanic hosted massive sulphide deposits which has little previous exploration.

- Completed large geophysical surveys to define drill targets at the Earaheedy and Snake Well Projects.

The shortage of drill rigs and complex permitting regime in Western Australia has restricted progress on the Company's drilling programmes. However the Company has been careful to preserve its funds and is in a good financial position to continue drilling in the next financial year. At 30 June 2008 Zinc Co had $3.8 million in cash and short term deposits.



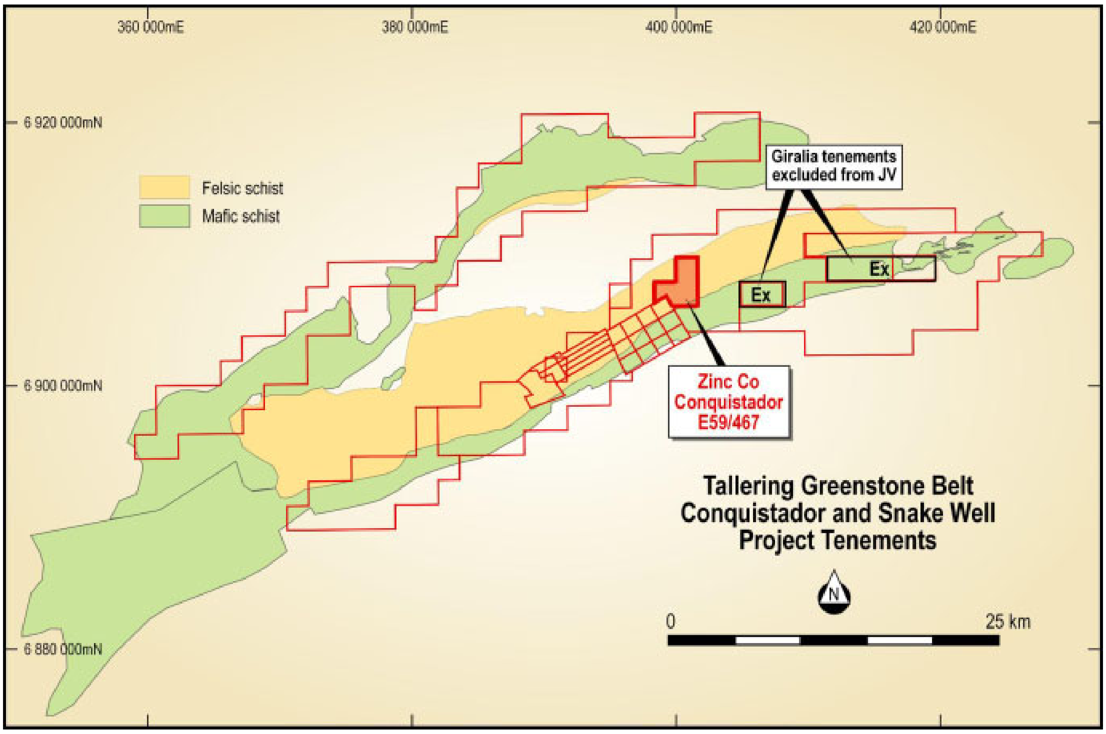
Zinc Co Project Location

Conquistador and Snake Well JV (Zinc Co earning up to 75%, Giralia retains certain gold rights)

These contiguous projects are in the Tallering Greenstone Belt about 200 kilometres east of Geraldton. They are well situated with regard to current infrastructure and infrastructure planned to serve the Mid West iron ore province.

Zinc Co listed with Conquistador as one of its initial projects. During the year, the Company agreed to terms with Giralia Resources NL (Giralia) on a farm-in agreement for the surrounding Snake Well Project tenements which significantly expands the area for exploration.

The combined projects now cover 30 strike kilometres of Archaean volcanic rocks which have strong indications of volcanic hosted massive sulphide ("VHMS") mineralisation similar to the Oz Mineral's Golden Grove deposits 150 kilometres to the south east. Features of this style of deposit include high zinc grades, other base metal and precious metal by product credits, multiple ore bodies, large footwall alteration zones and location at a specific stratigraphic horizon within the volcanic package.



Conquistador and Snake Well Tenements

The target volcanic rocks in the project area are mostly covered by 5 to 30 metres of overburden. Information on mineralisation is derived mainly from drilling and geophysics.

At Conquistador, previous drilling over 4 strike kilometres intersected zinc, lead and copper sulphides with silver credits in sericite schist after felsic volcanics. Intersections include:

Hole	From (m)	To (m)	Intersection
97CNQRC1	88	92	4m @ 8.25% Zn, 0.63% Pb, 0.53% Cu, 20.5 ppm Ag
97CNQD2 Including	118.3 118.3	125 120.3	6.7m @ 6.03% Zn, 0.44% Pb, 0.24% Cu, 14 ppm Ag 2.0m @ 18.0 % Zn, 0.65% Pb, 0.72% Cu, 35 ppm Ag
98CNQD3	135.4	137.8	2.4m @ 12.15% Zn, 0.63% Pb, 0.64% Cu, 27.5ppm Ag
98CNQD5 Including	114 116	118 117	4m @ 4.2% Zn, 0.17% Pb, 0.20% Cu, 11 ppm Ag 1m @ 7.11% Zn, 0.20% Pb, 0.29% Cu, 12 ppm Ag
98CNQD6	147.1	152	4.9m @ 4.52% Zn, 0.37% Pb, 0.28% Cu, 13.5 ppm Ag

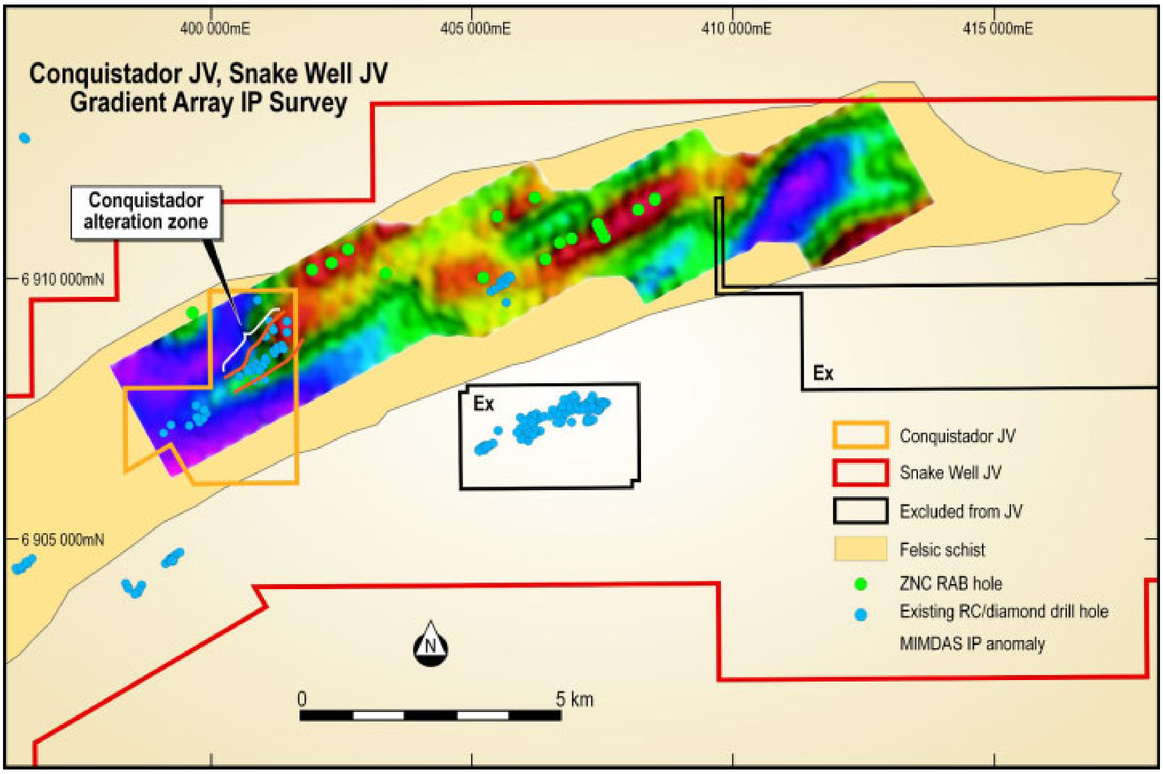
During the year the Company obtained a lead (Pb) isotope analysis from galena in drill core at 122.8 metres in 97CNQD2. The isotope ratios indicate that sulphide mineralisation is the same age as the host rocks which strongly supports the interpretation of the project area as a VHMS belt.

Within the Snake Well Project tenements, historical RC drilling defined an alteration zone over 3 strike kilometres at A Zone prospect. Giralia retains rights to a shallow oxide resource of 51,000 ounces of gold here. Below this is a VHMS style footwall alteration zone in sericite schist which includes the following deeper diamond core intersections:

Hole	From (m)	To (m)	Intersection
CWRD180	87	89	2m @ 5.43% Zn, 0.71% Pb, 0.27% Cu, 16 g/t Ag, 0.68 g/t Au
CWRD180	154	155	1m @ 4.90% Zn, 0.90% Pb, 0.51% Cu, 14 g/t Ag, 5.63 g/t Au
CWRD181	131.4	133.5	2.1m @ 2.34% Zn, 0.22% Pb, 0.69% Cu, 14 g/t Ag, 1.81 g/t Au

During the year Zinc Co mapped extensions to this regional scale alteration zone encompassing A Zone and Conquistador with a gradient array IP survey over 12 strike kilometres east of Conquistador. The IP method responds strongly to the sulphide rich footwall alteration which underlies the target massive sulphide zone of VHMS ore systems. The new IP data defines extensive zones of IP anomalism with peak values of 7 to 9 mV/V against a background of 3 to 5 mV/V. The anomalous zones have a combined strike length greater than 5 kilometres.

A scout RAB drilling programme of 18 holes was completed to sample the source of the IP anomalies. 12 holes intersected unweathered volcanics with alteration similar to that at Conquistador. Identification of the mineralogy of this alteration is in progress. Five holes returned anomalous zinc values greater than 400 ppm from bottom hole samples with a maximum value of 1660 ppm Zn.



Conquistador and Snake Well Gradient IP Survey and follow up RAB drilling

A review of geophysical surveys over the properties was completed. It concluded that modern electromagnetic (EM) systems would be effective in penetrating the widespread cover rocks to search for a massive sulphide target.

The results from the IP survey and RAB drilling described above indicate that the mineralised system is potentially much more extensive than areas drilled so far at Conquistador and A Zone.

To test the potential for multiple ore bodies within this large system, the Company is planning a large scale EM survey. This method can directly detect massive sulphide mineralisation and was crucial in the discovery of the Jaguar VHMS deposit (Jabiru Metals) and the recent discovery of high grade VHMS mineralisation at Quinn's Project (Silver Swann Group).

In the 2007 annual report Zinc Co announced completion of 1360 metres of reverse circulation (RC) drilling in 10 holes at the Conquistador prospect. Assay results for that drilling included:

Hole	From (m)	To (m)	Intersection
CNQRC045 including	134	155	21m @ 2.56% Zn, 0.60% Pb, 0.04% Cu, 0.5 g/t Ag, 1.08 g/t Au
CNQRC045	146	148	2m @ 8.49% Zn, 2.94% Pb, 0.06% Cu, 0.5 g/t Ag, 0.35 g/t Au
CNQRC045	154	155	1m @ 12.2% Zn, 1.71% Pb, 0.11% Cu, 0.5 g/t Ag, 12.2 g/t Au

In August 2007 the Company completed a program of 450 metres of RC drilling in 3 holes to follow up these results.

CNQRC050, collared 30m north of CNQRC045, intersected a 12 metre interval of pyrite alteration including a 6 metre interval of visible sphalerite (zinc sulphide). Assay results from this interval were:

Hole	From (m)	To (m)	Intersection
CNQRC050	116	122	6m @ 2.29% Zn, 0.34% Pb, 0.06% Cu, 0.5 g/t Ag, 1.07 g/t Au

CNQRC051 and CNQRC052, were collared 80 metres and 180 metres respectively grid south of CNQRC050. They did not intersect significant alteration or mineralisation and have closed off the system to the south.

The RC drilling results indicated continuity of mineralisation between CNQRC045 and CNQRC052. This was tested by diamond drilling of ZNCQRD001, an extension to CNQRC052. This hole intersected:

Hole	From (m)	To (m)	Intersection
ZNCQRD001	184	185	2m @ 3.93% Zn, 0.22% Pb, 0.06% Cu, 13 g/t Ag, 0.03 g/t Au
ZNCQRD001	241	242	1m @ 2.67% Zn, 0.23% Pb, 0.13% Cu, 26 g/t Ag, 0.66 g/t Au

The texture of mineralisation in the diamond core indicates that this is footwall stringer mineralisation.

In September 2007 21 line kilometres of fixed loop EM survey and 2 line kilometres of moving loop EM survey were completed over three strike kilometres of the Conquistador alteration zone. No significant conductive responses were detected, indicating that the mineralisation within the Conquistador tenement is likely to be footwall stringer style.

Earaheedy (Zinc Co 100%)

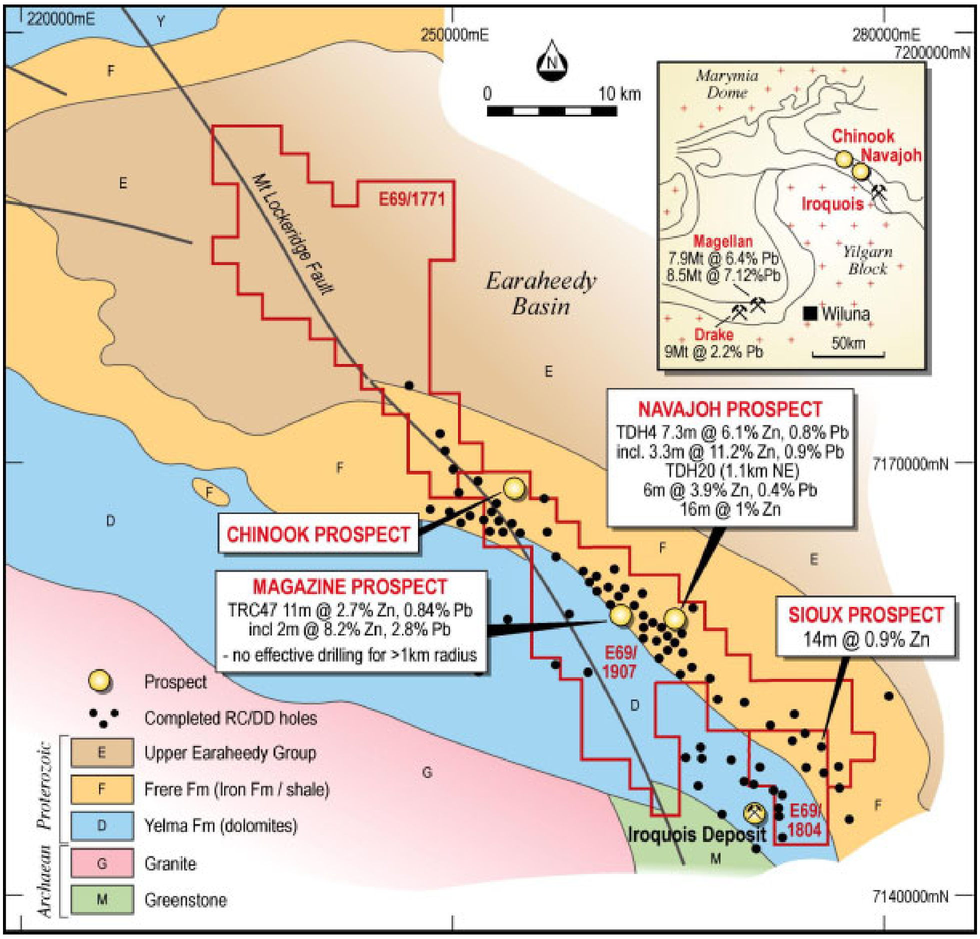
The Earaheedy project tenements cover 30 strike kilometres of carbonate-hosted zinc (Zn) and lead (Pb) mineralisation in the early Proterozoic Navajoh Dolomite Member of the Yelma Formation in the Earaheedy Basin north of Wiluna.

5 to 10 kilometre spaced drilling by RGC Exploration (RGC) from 1992 to 1996 defined several prospects containing oxidised and primary Zn-Pb mineralisation.

Significant intersections from the prospects in Zinc Co's tenements include:

Hole	Prospect	From (m)	To (m)	Intersection
TDH4	Navajoh	150.2	157.5	7.3m @ 6.12% Zn, 0.77% Pb
including		150.2	153.5	3.3m @ 11.2% Zn, 0.93% Pb
TDH14	Chinook	222.5	231.5	9.0m @ 3.54% Zn, 0.58% Pb
TRC47	Magazine	103.0	114.0	11m @ 2.66% Zn, 0.84% Pb

The discovery of these prospects, along with the Magellan Pb mine (operated by TSX listed Ivernia West Inc; measured and indicated resources at Dec 2005 of 21.4 million tonnes @ 5.8% Pb), which is located in outliers of the same rocks just north west of Wiluna, suggest an emerging new base metals province in rocks of the Earaheedy Basin.



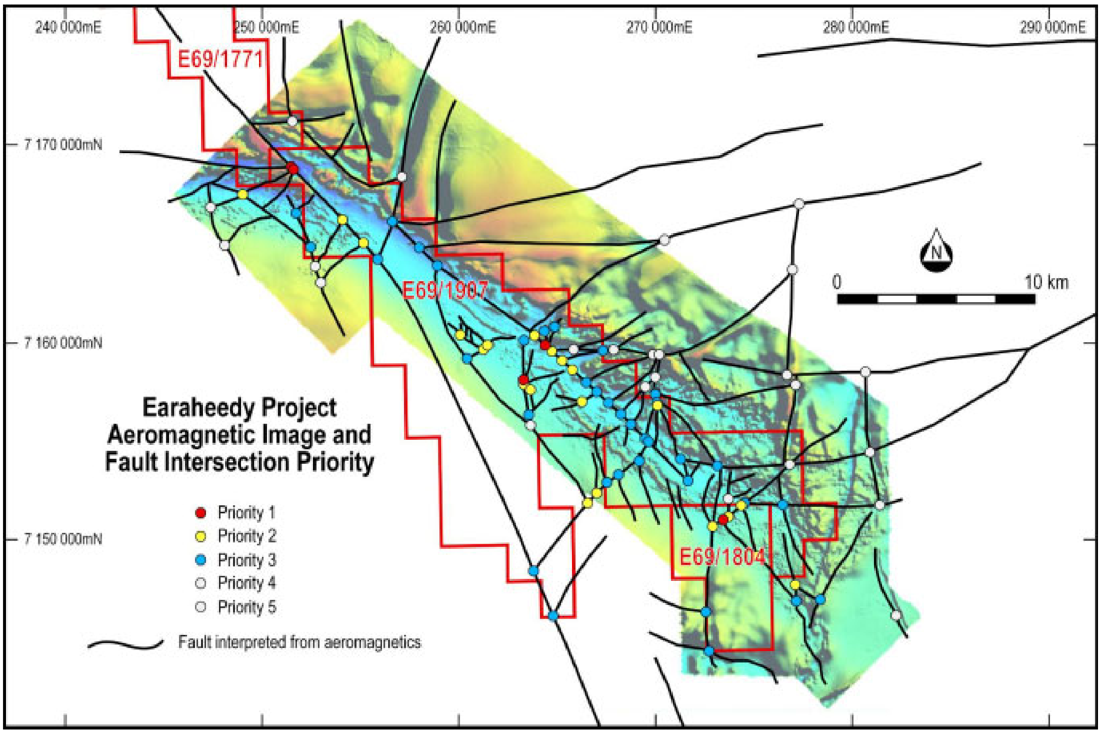
Earaheedy Project

Previous exploration emphasised primary and secondary porosity in the Navajoh Dolomite as controls on the location of Zn Pb mineralisation. This model does not provide a way to efficiently target drilling over the 30 kilometre extent of this unit in the company's tenement.

Zinc Co is developing the concept of an additional control on mineralisation due to faulting. Many of the best drilling intersections are aligned along faults. Age dating indicates that the Zn, Pb mineralisation is younger than the depositional age of the Yelma Formation and coincides with the Stanley Fold Belt deformation. This event strongly deformed the northern margin of the Earaheedy Basin and its effects persist into the Zinc Co project area, 35 kilometres to the south , on the southern margin of the basin.

To map the structures associated with the Stanley Fold Belt deformation, Zinc Co commissioned 4900 line kilometres of aeromagnetic survey over the project area. The survey was completed in September 2007. Magnetite bearing rocks of the Frere Formation conformably overly the non magnetic Yelma Formation which hosts the target Zn Pb mineralisation. Magnetics can therefore map the structures in the Frere Formation and these can be readily projected into the conformably underlying Yelma Formation.

An interpretation of the data was completed by SRK Consulting in June 2008. SRK identified a pattern of north-west and north-east to east trending faults related to the same phase of deformation. Intersections of these faults are predicted to be favourable for development of Zn, Pb mineralisation. The location of these intersections and their ranking as targets is shown in the diagram.



Earaheedy Project - Faulting Interpreted from Aeromagnetics

A program of 660 metres of RC drilling in eight holes was completed at the Magazine and Navajoh Prospects during the year. The holes were 250 metre spaced step-outs from Zn, Pb intersections in previous drilling by RGC. Due to capacity limitations of the drill rig, only hole ZTRC003 reached the target zone in the Navajoh Dolomite of the Yelma Formation. This hole terminated in mineralisation at 156 metres and returned a significant intersection of:

Hole	Prospect	From (m)	To (m)	Intersection
ZTRC003	Navajoh	146	156	10m @ 0.56% Zn, 0.14% Pb
including		148	150	2m @ 2.08% Zn, 0.48% Pb

ZTRC003 is located at the Navajoh Prospect, 250 metres south east of RGC Exploration (RGC) diamond drill hole TDH4 which intersected 7.3 metres @ 6.1% Zn, 0.8% Pb in the Navajoh Dolomite from 150.2 metres down hole.

The results from ZTRC003 are encouraging in that the first effective hole by Zinc Co intersected significant mineralisation in the predicted location 250m away from previous drilling.

Cardinals JV (Zinc Co earning up to 75%, Giralia retaining nickel rights)

The Cardinals project covers strike extensions to the Sulphur Springs Group. This unit is the host rock to CBH Resources Ltd's Panorama-Sulphur Springs volcanic hosted massive sulphide style ("VHMS") base metals project 35 kilometres to the north east.

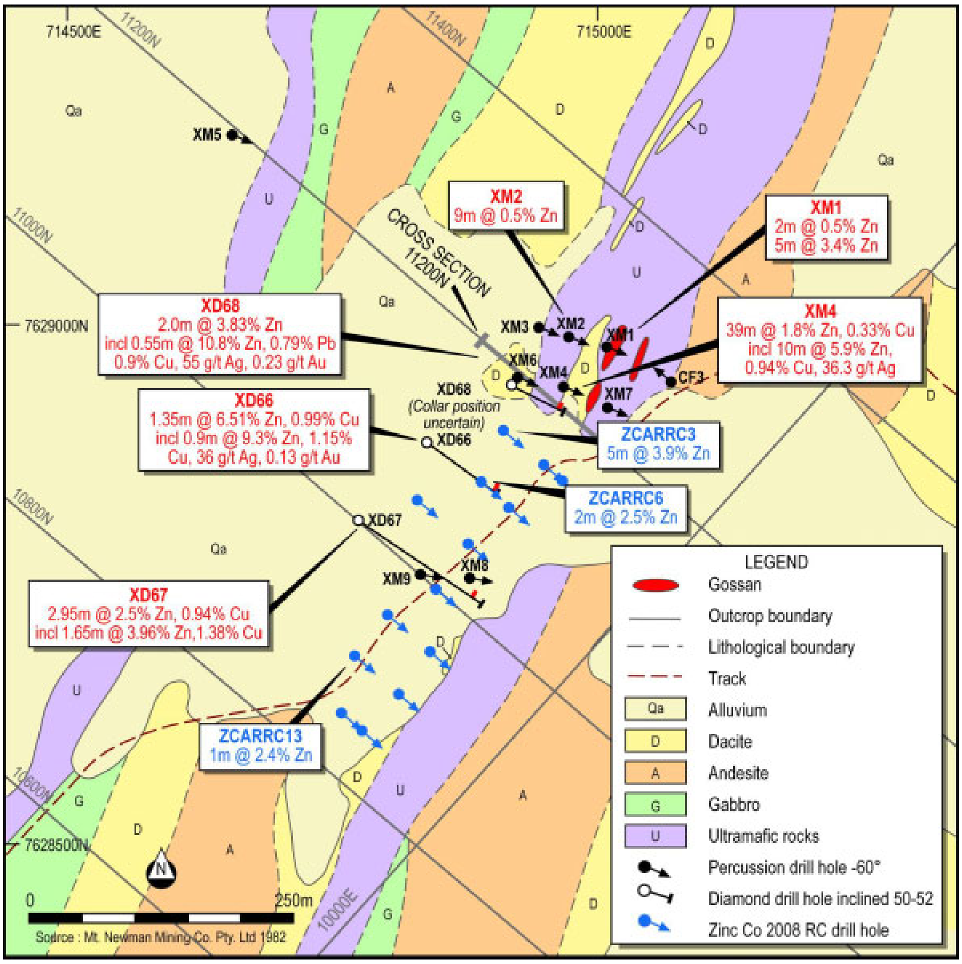
The Sulphur Springs deposit has a resource of resource of 16.4 million tonnes @ 3.6% Zn, 1.2% Cu and 17 g/t Ag.

Historical rock chip sampling of the Cardinals gossan returned values up to 22% Zn, 8% Pb and 10.4% Cu. Rock samples from a second gossan discovery to the south returned up to 16% Zn and 32% Cu.

Shallow percussion drilling in the 1979 beneath the gossan, returned an intersection of 10 metres @ 5.9% Zn, 0.94% Cu, 36 g/t Ag (including 2 metres @ 13.2% Zn).

A strong ground EM conductor is associated with the drilling intersections described above, and extends several hundred metres south of the gossan.

In August 2008 Zinc Co completed 15 RC drill holes covering 350 metres south of the gossan to test the EM conductor. Sulphides were intersected in three holes and assay results include:



Cardinals Prospect Drilling Location Plan

Hole	From (m)	To (m)	Intersection
ZCARRC003	69	74	5m @ 3.9% Zn, 0.3% Pb, 0.6% Cu, 37 g/t Ag
ZCARRC006	74	76	2m @ 2.5% Zn, 0.1% Pb, 0.1% Cu
ZCARRC013	91	92	1m @ 2.4% Zn,

These holes are aligned over 260 metres along the western margin of the area drilled.

A ground electromagnetic survey is in progress to test for extensions to the mineralisation.

Horse Spring (Zinc Co 100%)

Zinc Co holds 100% of the Horse Spring Zinc Project in the Kimberley District, Western Australia. The project is situated approximately 45km east of Fitzroy Crossing and consists of a single exploration licence application which is proceeding to grant.

Mineralisation at Horse Spring is of the limestone hosted Mississippi Valley Type and similar to that at the Xstrata-Teck Cominco owned Blendevale and Cadjebut deposits located 35km south-west and 55km south respectively.

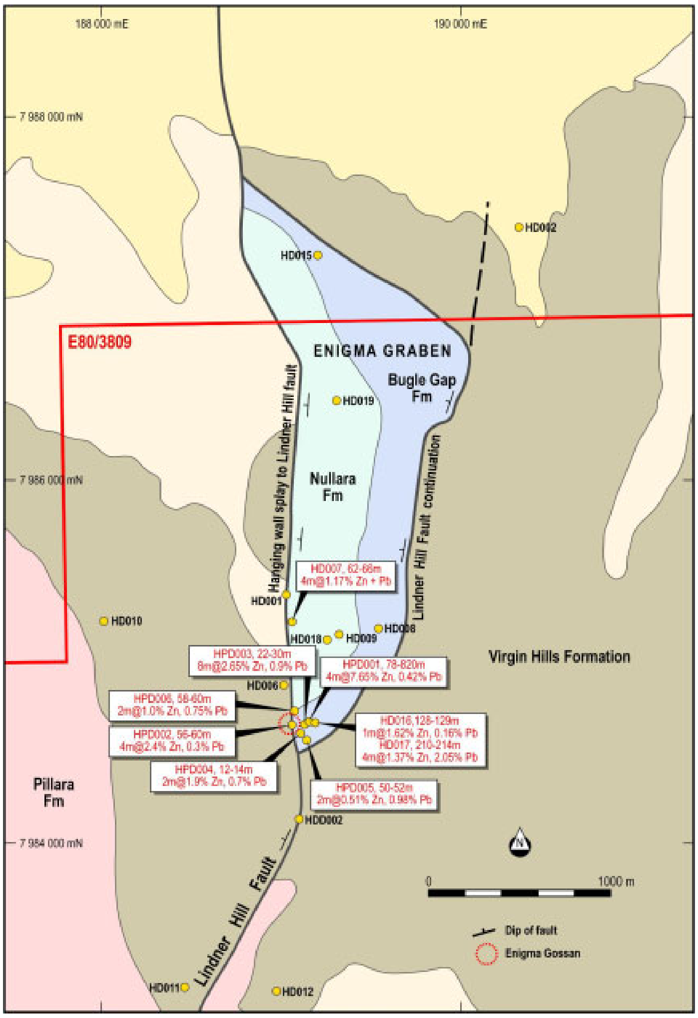
Historical exploration drilling at Horse Spring focused on the Enigma Gossan, a 200 metre long zone of gossanous fracture filling veins adjacent to the Lindner Hill Fault. The gossan is strongly anomalous in base metals with rock chip values to 34% Zn and 5% Pb. Drill intersections from this zone include:

Hole	From (m)	To (m)	Intersection
HDD1	78	82	4m @ 7.65% Zn, 0.42% Pb,
HD7	62	66	4m @ 1.03% Zn, 0.15% Pb
HD16	128	129	1m @ 1.62% Zn, 0.16% Pb,
HD17	210	214	4m @ 1.37% Zn, 2.05% Pb

Geological consultants CSA Australia were contracted to review all historical exploration data including dipole-dipole induced polarisation/resistivity data collected by Western Metals in 1997. CSA personnel have firsthand experience of the Lennard Shelf deposits and geology.

CSA interprets the geological structure at Horse Springs as a fault bounded graben (Enigma Graben). The graben is bounded on the eastern side by the west dipping, north and north-east striking continuation of the Lindner Hill Fault. On the west side, the graben is bounded by an west dipping hangingwall splay that connects at depth with the Lindner Hill Fault. Down dropped into the graben is younger Nullara Cycle fore reef limestone (Bugle Gap Formation and Nullara Formation). Outside the graben faults is older Pillara Cycle basin facies (Virgin Hills Formation) underlain by Pillara Limestone. This interpretation is supported by the IP/resistivity profiles which map the Nullara cycle rocks as more resistive than the Virgin Hills Formation shales.

This structural setting is similar to that at Pillara, the biggest of the Lennard Shelf Mines (pre mining resource 16.9 million tonnes @ 8.5% Zn, 2.7% Pb), where mineralisation occurs in Pillara Limestone adjacent to north to north north east trending graben faults.



Horse Springs Project, Enigma Graben

Previous drilling in the Horse Springs tenement concentrated on the Enigma Gossan. Drilling has not tested 2200 metres strike of the fault on the eastern margin of the graben, 1500 metres of strike of the Lindner Hill splay fault north of the Enigma Gossan or the favoured host rock, the Pillara Limestone which occur at depth.

Drilling of these targets is proposed for 2009 when the tenement is granted.

Mount Alexander (Zinc Co 100%)

Mt Alexander (Zinc Co 100% of zinc rights)

Zinc Co holds rights to all minerals other than tungsten in the Mt Alexander prospect, located close to the North West Coastal Highway, 370 kilometres north of Carnarvon.

The Mt Alexander Prospect is located in 9 graticular blocks within Exploration Licence E08/1410 held by Mt Alexander Resources Pty Ltd.

At Mt Alexander, a sequence of schist, amphibolite, banded iron formation, dolomite, marble and skarn, quartzite and black shale of the Lower Proterozoic Gascoyne Block, extensively intruded by acid intrusive phases, dolerite dykes and quartz veins.

13 shallow RC drill holes drilled in the early 1980s testing beneath a siliceous gossan outcrop with disseminated galena ('Cyprus' gossan) returned intersections including:

Hole	From (m)	To (m)	Intersection
MARC-1	2 6	6 12	4m @ 3.0% Zn 6m @ 4.7% Cu, 1.3% Pb, 126 g/t Ag
MARC-3	30	32	2m @ 0.9% Cu, 1.4% Pb, 15 g/t Ag
MARC-4	32	40	8m @ 2.4% Zn, 0.95% Pb, 10 g/t Ag
MARC-5	46	50	4m @ 3.15% Zn, 0.2% Pb, 7.5 g/t Ag

Soil sampling over the entire 15 kilometres of strike of the folded dolomite/BIF sequence defined two significant areas of lead soil anomalism, including a major anomaly coinciding with the 'Cyprus' gossan area. Surface rock chip sampling over the main siliceous gossan returned 42m @ 1.36% Pb, 1.08% Zn, and 17.2 ppm Ag.

A second anomaly was defined at the 'Galena-cave' and 'Dozer-cut' area, where patchy lead anomalism over 1500m strike coincides with intermittent exposures of the target dolomitic shale unit with known galena occurrences. Rock chip sampling of two galena showings returned 0.3m @ 62% Pb, 0.31% Zn, 440 ppm Ag, and a further 4m @ 3.15% Pb, 0.92% Zn, 29 ppm Ag at 'Galena cave' and 2m @ 62% Pb, 0.32% Zn 420 ppm Ag and a further 10m @ 204 ppm Pb, 0.47% Zn at the 'Dozer-cut' prospect. Two drill holes returned thin, sub-economic intersections - MADD 4 'Galena cave' 3.1m @ 0.11% Pb, 1.6% Zn incl. 0.15m @ 10.4% Zn, and MADD 3 'Dozer-cut' 0.3m @ 0.19% Pb, 0.11% Zn.

During the year Zinc Co undertook environmental permitting, Aboriginal cultural heritage clearances and access track construction. This work was completed in September 2008 and drilling is proposed for 2009 after the wet season.

Directors' Report

The Directors present their report, together with the financial report of Zinc Co Australia Limited ("the Company") for the year ended 30 June 2008, and the auditors' report thereon.

1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Gary E Comb	- Non Executive Chairman, appointed 2 March 2007
Qualifications	- B.E Mech, BSc, Dip Ed
Experience	- Gary Comb has spent over 25 years in the Australian Mining Industry, both with mining companies and in mining contractor roles. He was previously the Chief Executive Officer of BGC Contracting Pty Ltd, the mining contracting arm of West Australian construction group BGC Ltd.
Other current directorships	- Managing Director of Jabiru Metals Limited and a director of Tanami Gold Limited
Special Responsibilities	- Chairman of the Board
Interest in shares and options	- 100,000 shares (beneficially held) - 500,000 unlisted 25c options, expiring 30 June 2009

Stanley A Macdonald	- Non Executive Director, appointed 24 April 2006
Experience	- Stan Macdonald has been associated with the mining and exploration industry for over 20 years.
Other current directorships	- Director of Giralia Resources NL since April 1991. Non-Executive Director of Red Hill Iron Limited, Carpentaria Exploration Limited and U3O8 Limited.
Special Responsibilities	- Company promotion and project acquisition
Interest in shares and options	- 2,102,528 shares (562,177 beneficially held) - 1,551,275 25c options, expiring 30 June 2009 (281,089 beneficially held)

Rodney M Joyce	- Non Executive Director, appointed 6 December 2006
Qualifications	- BSc (Hons), MSc, DIC
Experience	- Mike Joyce is a geologist with over 25 years experience in mineral exploration, following graduation in 1979 with a BSc (Hons) degree in Geology from Monash University. He also holds an MSc in Mineral Exploration from the Royal School of Mines, University of London, UK. Prior to joining Giralia in late 1998, 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.
Other current directorships	- Managing Director of Giralia Resources NL and Chairman of PacMag Metals Limited.
Special Responsibilities	- Technical and corporate
Interest in shares and options	- 1,031,759 shares (beneficially held) - 1,015,880 25c options, expiring 30 June 2009 (515,880 beneficially held)

Directors' Report (cont'd)

1.1 Key Executive

Anthony Michael Hespe (BSC, Dip Geosciences, MBT) was appointed General Manager in May 2007. He is a geologist with over 30 years experience in mineral exploration and mine geology. After graduation in 1974, he worked with Amoco Minerals as a Geophysicist until 1980, then in exploration and mine geology roles with Aberfoyle Resources Ltd and Western Metals Ltd, including 15 years in senior management. He has extensive experience in all of the major zinc provinces in Australia.

2. COMPANY SECRETARY

Bruce Richard Acutt was appointed to the position of Company Secretary on 24 April 2006. Bruce trained and worked as an accountant with major accounting firms in the audit and resources sector. He has been associated with the mining and exploration sector for over twenty years.

Bruce is currently Company Secretary for Giralia Resources NL, PacMag Metals Limited and Greenland Minerals and Energy Ltd.

Alex Dermedgoglou is a chartered accountant with over 15 years experience in the auditing of a wide range of enterprises including companies engaged in the mining and exploration industry. Alex was appointed Joint Company Secretary on 29 June 2007. Alex is Company Secretary of U3O8 Limited.

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 Company during the financial year are:

	Meetings		Circular Resolution in Writing
	A	B	
Mr Gary E Comb	4	4	3
Mr S A Macdonald	4	4	3
Mr R M Joyce	4	4	3

A = Number of meetings attended

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

Directors' Report (cont'd)

4. REMUNERATION REPORT – AUDITED

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

A. Principles used to determine the nature and amount of remuneration

B. Details of remuneration

C. Service agreements

D. Share-based compensation

E. Additional information

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001, which have not been audited.

Details of the remuneration of the directors and key management personnel of Zinc Co Australia Limited are set out in the following tables. The key management personnel of Zinc Co Australia Limited includes the directors, as per note 1 and note 4(c) to this report, and the following executive officers:

A M Hespe	–	General Manager
B R Acutt	–	Joint Company Secretary
A A Dermedgoglou	–	Joint Company Secretary

A. Principles used to determine the nature and amount of remuneration – audited

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

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

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

Directors' Report (cont'd)

Remuneration of Directors and Executives for the year ending 30 June 2008 has been determined by the Board. In this respect consideration is given to normal commercial rates of remuneration for similar levels of responsibility.

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

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.

B. Details of remuneration – audited

The following table discloses the remuneration of the Directors of the Company and key management personnel (as defined in AASB 124 Related Party Disclosures) of Zinc Co Australia Limited.

The key management personnel of Zinc Co Australia Limited includes the directors and the following executive officers of the Company:

	Short-term benefits			Post-employment benefits		Share-based payment	
	Cash salary & fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits	Options	TOTAL
2008	$	$	$	$	$	$	$
Non-executive directors							
GE Comb (Chairman)	40,000	–	–	3,600	–	–	43,600
SA Macdonald	30,000	–	–	2,700	–	–	32,700
RM Joyce	30,000	–	–	2,700	–	–	32,700
Sub-Total	100,000	–	–	9,000	–	–	109,000

Directors' Report (cont'd)

	Short-term benefits			Post-employment benefits		Share-based payment	
	Cash salary & fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits	Options	TOTAL
2008	$	$	$	$	$	$	$
Other Key Management Personnel							
AM Hespe	189,303	–	–	16,530	–	57,250	263,083
BR Acutt	–	–	–	–	–	–	–
AA Dermedgoglou	–	–	–	–	–	–	–
Sub-Total	189,303	–	–	16,530	–	57,250	263,083
TOTAL:	289,303	–	–	25,530	–	57,250	372,083

	Short-term benefits			Post-employment benefits		Share-based payment	
	Cash salary & fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits	Options	TOTAL
2007	$	$	$	$	$	$	$
Non-executive directors							
GE Comb (Chairman)	3,333	–	–	300	–	103,500	107,133

Directors' Report (cont'd)

	Short-term benefits			Post-employment benefits		Share-based payment	
	Cash salary & fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits	Options	TOTAL
2007	$	$	$	$	$	$	$
SA Macdonald	2,500	–	–	225	–	103,500	106,225
RM Joyce	2,500	–	–	225	–	103,500	106,225
Sub-Total	8,333	–	–	750	–	310,500	319,583
Other Key Management Personnel							
AM Hespe	26,313	–	–	2,424	–	–	28,737
BR Acutt	–	–	–	–	–	41,400	41,400
AA Dermedgoglou	–	–	–	–	–	41,400	41,400
Sub-Total	26,313	–	–	2,424	–	82,800	111,537
TOTAL:	34,646	–	–	3,174	–	393,300	431,120

Directors' interests in contracts with the Company are disclosed in Note 22.

C. Service agreements – audited

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.

Directors' Report (cont'd)

Gary E Comb	- Non Executive Chairman
	- Annually renewable contract
	- Base Salary of $40,000, plus superannuation of 9%
Stanley A Macdonald	- Non Executive Director
	- Annually renewable contract
	- Base Salary of $30,000, plus superannuation of 9%
Rodney M Joyce	- Non Executive Director, appointed 6 December 2006
	- Annually renewable contract
	- Base Salary of $30,000, plus superannuation of 9%
Anthony M Hespe	- General Manager
Terms of Agreement	The agreement is annually renewable. To terminate the agreement, the Company must provide 6 months notice or the General Manager must provide 3 months notice. If serious misconduct is committed by the executive, the agreement may be immediately terminated by the Company. On termination, the Company may provide the executive with a payment in lieu of notice of termination for all or part of the notice period.
Remuneration and Benefits	- Base Salary of $205,833 p.a. inclusive of superannuation and allowances ($235,000 p.a. from 1/5/08)

D. Share-based compensation – audited

Options granted under the Zinc Co Australia Limited Employee Option Plan were approved by a directors resolution dated 27 April 2006, as outlined in the Company's prospectus. The Board may offer free options to persons who are:

(i) full time or part time employees (including a person engaged by the Company under a consultancy agreement); or

(ii) Directors of the Company or any subsidiary based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the Board considers relevant.

The terms and conditions of each grant of options issued to Directors and Key Executives affecting remuneration in this or future reporting periods are as follows:

Directors' Report (cont'd)

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable	Number Issued
29 May 2007	30 June 2009	$0.25	$0.207	Immediate	1,900,000
13 August 2007	30 June 2009	$0.25	$0.229	Immediate	250,000
21 August 2008	1 Feb 2013	$0.16	$0.090	Immediate	500,000

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 Company will issue to the option holder, the number of shares specified in that notice. The Company will apply for official quotation of all shares issued and allotted pursuant to the exercise of the options.

Subject to the ASX Listing Rules, the options are fully transferable.

Details of options over ordinary shares in the Company provided as remuneration to each director of Zinc Co Australia Limited and each of the key management personnel of the entity are set out below. When exercised, each option is convertible into one ordinary share of Zinc Co Australia Limited. Further information on the options is set out in Note 22 – Key Management Personnel Disclosures to the financial statements.

Name	Number of options granted during the year		Number of options vested during the year	
	2008	2007	2008	2007
Directors of Zinc Co Australia Limited				
Gary E Comb	–	500,000	–	500,000
Stanley A Macdonald	–	500,000	–	500,000
Rodney M Joyce	–	500,000	–	500,000

Directors' Report (cont'd)

Name	Number of options granted during the year		Number of options vested during the year	
	2008	2007	2008	2007
Other key management personnel compensation				
Bruce R Acutt	–	200,000	–	200,000
Alex A Dermedgoglou	–	200,000	–	200,000
Anthony M Hespe	250,000		250,000	
TOTAL	250,000	1,900,000	250,000	1,900,000

All options were vested and exercisable at the end of the year.

The expected price volatility is based on the historic volatility, if available, (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information and volatility within the mining industry.

No ordinary shares in the Company were issued as a result of the exercise of remuneration options to each director of Zinc Co Australia Limited and other key management personnel during the financial period ended 30 June 2008.

E. **Additional information – Audited**

Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance.

The overall level of executive reward takes into account the performance of the Company over the year, with greater emphasis given to the current year given the current year is the first year of operation.

Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included in Section D, the percentage of the available grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria, is set out below. There are no vesting conditions.

Directors' Report (cont'd)

	OPTIONS			
Name	Year granted	Vested %	Forfeited %	Financial years in which options may vest
G E Comb	2007	100	–	30/06/07
R M Joyce	2007	100	–	30/06/07
S A Macdonald	2007	100	–	30/06/07
B R Acutt	2007	100	–	30/06/07
A A Dermedgoglou	2007	100	–	30/06/07
A M Hespe	2008	100	–	30/06/08

Share-based compensation: Options

Further details relating to options are set out below.

Name	A Remuneration consisting of options	B Value at grant date $	C Value at exercise date $	D Value at lapse date $	E Total of columns B-D $
A M Hespe	20.88%	57,250	–	–	57,250

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.

B = The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Loans to directors and executives

There are no loans to directors and executives.

Directors' Report (cont'd)

Shares under option

Unissued ordinary shares of Zinc Co Australia Limited under option at the date of this report are as follows:

Date options granted	*Expiry date*	*Issue price of shares*	*Number under option*
29 May 2007	30 June 2009	$0.25	2,250,000
13 August 2007	30 June 2009	$0.25	250,000
11 December 2007	30 November 2009	$0.25	26,392,407
21 August 2008	1 February 2013	$0.16	550,000

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

Shares issued on the exercise of options

No ordinary shares of Zinc Co Australia Limited were issued during the year ended 30 June 2008 on the exercise of options granted under Zinc Co Australia Limited's Employee Option Plan.

Options granted subsequent to year end

Officer	*Number granted*	*Exercise price*	*Expiry date*
A M Hespe	500,000	$0.16	1 February 2013

Directors' Interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the Company, as notified by the directors to the Australian Stock 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*
G E Comb	–	100,000	100,000	500,000	–	500,000
R M Joyce	–	1,031,759	1,031,759	500,000	515,880	1,015,880

Directors' Report (cont'd)

	Fully Paid Ordinary shares			*Options*		
	Number Directly Held	*Number Beneficially Held*	*TOTAL*	*Number Directly Held*	*Number Beneficially Held*	*TOTAL*
S A Macdonald	1,540,371	562,177	2,102,548	1,270,186	281,089	1,551,275
TOTAL	1,540,371	1,693,936	3,234,307	2,270,186	796,969	3,069,155

5. PRINCIPAL ACTIVITIES

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

Following listing on ASX on 29 May 2007, the Company has commenced exploration activity on zinc projects in Western Australia.

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

6. OPERATING & FINANCIAL REVIEW

Overview

During the year, Zinc Co Australia Limited commenced mineral exploration activities in Australia.

Objectives

The Company's objectives are to pursue advanced opportunities in exploration and mining for zinc in Australia, in areas which are highly prospective for zinc mineralisation.

1. *Financial Results*

The loss for the financial year ended 30 June 2008 attributable to members of Zinc Co Australia Limited after income tax is $331,242 (2007: $475,310)

2. *Shareholder earnings(loss) per share*

	2008	2007
	Cents	Cents
Loss attributable to members of Zinc Co Australia Limited		
Basic loss per share	(0.51)	(2.91)

Directors' Report (cont'd)

No dividends were paid or recommended for payment during the financial year ended 30 June 2008.

3. *Review of finances and operations*

Zinc Co Australia Limited listed on ASX on 29th May 2007 after raising $5,000,000 (before costs of listing). The Company does not produce minerals at this stage, and any income is derived from interest on cash deposits.

The Directors consider that the Company holds a valuable portfolio of mineral tenements with a fair value as at 30 June 2008 of $1,206,912 (2007: $317,668)

The Company is subject to various legislative and other external requirements, such as Native Title, Environmental Laws, Occupational Health and Safety Laws, Stock Exchange Rules, Corporation Act and Mines Department Laws.

4. *State of Affairs*

Significant changes in the state of affairs of Zinc Co Australia Limited during the year ended 30 June 2008 were as follows:

		2008 $
(a)	An increase in share capital of $263,928 (before costs) as a result of the issue of 26,360,262 1c options on 20 November 2007	263,928
	Transaction costs arising on the share issues	(26,351)
		237,577

(b) Net cash received from the increase in share capital was principally invested in deposits, a short term bank bill and used for mineral exploration activities in Australia.

7. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and/or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Directors' Report (cont'd)

8. FUTURE DEVELOPMENTS

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

Further information about likely developments in the operations of the Company 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 Company.

9. ENVIRONMENTAL REGULATION

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

10. INSURANCE OF OFFICERS

During the financial year, Zinc Co Australia Limited paid a premium of $13,034 to insure the directors and officers of the Company.

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

11. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the period.

12. NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Directors' Report (cont'd)

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

The Board of directors has considered the position and, in accordance with the advice receives from the Audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

– all non-audit services have been reviewed by the Audit committee to ensure they do not impact the impartiality and objectivity of the auditor

– none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

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

	2008	2007
	$	$
Assurance services		
Audit services		
Mack & Co:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	22,325	12,000
Total remuneration for audit services	22,325	12,000
Other assurance services	–	7,900
Total remuneration for other assurance services	–	7,900
Total remuneration for audit and assurance services	22,325	19,900

Directors' Report (cont'd)

13. AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is attached.

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

Signed in accordance with a resolution of directors.

Gary E Comb
Chairman

Perth
24th September 2008

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ZINC CO AUSTRALIA LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

1. No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

2. No contraventions of any applicable code of professional conduct in relation to the audit.

Mack & Co
Chartered Accountants
2nd Floor, 35 Havelock Street
West Perth WA 6005

N A Calder, Partner

Date

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	2008	2007
		$	$
Other income	5	292,131	61,655
Administration expenses	6	(96,690)	(19,882)
Compliance expenses		(62,898)	(17,217)
Director's fees		(110,957)	(8,333)
Depreciation		(9,363)	(1,821)
Employee benefits		(48,002)	(8,786)
Equity Compensation benefits		(57,250)	(465,750)
Exploration expenses written off		(99,808)	(501)
Insurance		(18,405)	(4,675)
Management fee		(120,000)	(10,000)
Operating loss before income tax expense		(331,242)	(475,310)
Income tax expense	9	–	–
Net operating loss after income tax expense		(331,242)	(475,310)
LOSS PER SHARE			
Basic loss per share (cents)	8	0.51	2.91
Diluted loss per share (cents)	8	0.51	2.91

The Income Statement is to be read in conjunction with the notes to the Financial Statements

BALANCE SHEET AS AT 30 JUNE 2008

	NOTE	2008	2007
		$	$
CURRENT ASSETS			
Cash and cash equivalents	10	3,805,723	4,736,228
Trade and other receivables	11	91,176	33,038
Other current assets	12	43,700	24,483
TOTAL CURRENT ASSETS		3,940,599	4,793,749
NON CURRENT ASSETS			
Plant and equipment	13	29,325	22,257
Exploration and evaluation expenditure	14	1,206,912	317,668
TOTAL NON CURRENT ASSETS		1,236,237	339,925
TOTAL ASSETS		5,176,836	5,133,674
CURRENT LIABILITIES			
Trade and other payables	15	115,544	33,715
Provision for annual leave		13,909	–
Financial liabilities	16	858	17,095
TOTAL CURRENT LIABILITIES		130,311	50,810
TOTAL LIABILITIES		130,311	50,810
NET ASSETS		5,046,525	5,082,864
EQUITY			
Issued capital	17	5,092,500	5,092,424
Reserves	18(a)	760,577	465,750
Accumulated losses	18(b)	(806,552)	(475,310)
TOTAL EQUITY		5,046,525	5,082,864

The Balance Sheet is to be read in conjunction with the notes to the Financial Statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Issued Capital	Reserves	Accumulated Losses	Total
		$	$	$	$
At 1 July 2007		5,092,424	465,750	(475,310)	5,082,864
Income tax on items recognised in equity		–	–	–	–
Contribution from Issue of share capital		76	–	–	76
Contribution from Issue of options	18(a)	–	263,928	–	263,928
Share based payments	23	–	57,250	–	57,250
Share issue costs	18(a)	–	(26,351)	–	(26,351)
Loss attributable to members	18(b)	–	–	(331,242)	(331,242)
Balance at 30 June 2008		5,092,500	760,577	(806,552)	5,046,525
At 24 April 2006		–	–	–	–
Issue of share capital		5,338,002	–	–	5,338,002
Issue of options		–	465,750	–	465,750
Share issue costs		(245,578)	–	–	(245,578)
Loss attributable to members		–	–	(475,310)	(475,310)
Balance at 30 June 2007		5,092,424	465,750	(475,310)	5,082,864

The Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	2008	2007
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash paid to suppliers		(440,665)	(88,709)
Interest received		294,227	57,164
NET CASH (USED IN) OPERATING ACTIVITIES	24	(146,438)	(31,545)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of plant and equipment		(16,432)	(24,078)
Exploration expenditure		(989,052)	(317,668)
NET CASH (USED IN) INVESTING ACTIVITIES		(1,005,484)	(341,746)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of share capital		237,654	5,338,002
Payment of share issue costs		–	(245,578)
Loan from related entities		(16,237)	17,095
NET CASH PROVIDED BY FINANCING ACTIVITIES		221,417	5,109,519
Net increase in cash and cash equivalents		(930,505)	4,736,228
Cash and cash equivalents at the beginning of the financial period		4,736,228	–
Cash and cash equivalents at 30 June 2008	10	3,805,723	4,736,228

The Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. REPORTING ENTITY

Zinc Co Australia Limited (the "Company") is a company domiciled in Australia, incorporated in Australia, publically listed on the ASX and limited by Shares. The address of the Company's registered office is Level 3, 33 Ord Street, West Perth, Western Australia, 6005.

The Company is involved in mining exploration.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs), pronouncements adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The financial report of the Company complies with International Financial Reporting Standards (IFRSs) and Australian Accountancy Standards.

The financial statements were approved by the Board of Directors on 25 September 2008

Comparative information is for period 24 April 2006 to 30 June 2007.

(b) Basis of measurement

These financial statements have been prepared on the historical cost and accrual accounting basis.

(c) Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(d).

Held-to-maturity investments

If the Company has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(k)(i)), and foreign exchange gains and losses on available-for-sale monetary items (see note 3(b)(i)), are recognised directly in a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit and loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Share Capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Revenue recognition

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

Interest Revenue

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

Other Revenue

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

(d) Finance Income and Expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit and loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(e) Income tax

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

Current tax

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

Deferred tax

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

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.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

(f) Impairment

(i) Financial Assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

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

(ii) Non-financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

(g) Cash and cash equivalents

Cash includes cash on hand and at call and deposits with banks or financial institutions and investments in money market instruments which are readily convertible to cash and used in the cash management function on a day to day basis.

(h) Loans and receivables

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

A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provisions 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. The amount of the provision is recognised in the income statement.

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

The following rates are used in the calculation of depreciation:

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

(j) 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 Company has obtained the legal rights to explore an area are recognised in the income statement.

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

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

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 1(s)). 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.

(k) Trade and other payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

(l) Provisions

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

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

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

(m) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in 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) Long service leave

The liability for long service leave is recognised in the provision of employee benefits and 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.

(n) Share-based payments

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

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

(o) Equity

Transaction costs on the issue of equity instruments

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

(p) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company, 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.

(q) 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 Cash Flow Statement 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

(r) Australian Accounting Standards issued but not effective

The following Australian Accounting Standards have been issued or amended but are not yet effective. They have not been adopted in the preparation of the financial statements for the year ended 30 June 2008.

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date of Company
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 *Operating Segments*	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Company's financial statements. However the new standard may have an impact on the segment disclosures included in the Company's financial report.	1 July 2009
AASB 8	Operating Segments	This new standard will replace AASB 114 Segment Reporting and adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 above.	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date of Company
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Amending standard issued as a consequence of AASB 123 (revised) Borrowing Costs.	1 January 2009	As the Company does not currently construct or produce any qualifying assets which are financed by borrowings the revised standard will have no impact.	1 July 2009
AASB 123	Borrowing Costs	AASB 123 previously permitted entities to choose between expensing all borrowing costs and capitalizing those that were attributable to the acquisition, construction or production of a qualifying asset. The revised version of AASB 23 requires borrowing costs to be capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset.	1 January 2009	Refer to AASB 2007-6 above.	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date of Company
AASB 101 (revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the company's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date of Company
AASB 101 (revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the company's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The company has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date of Company
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12	Amending standard issued as a consequence of AASB Interpretation 12 *Service Concession Arrangements.*	1 January 2008	As the company currently has no service concession arrangements or public-private-partnerships (PPP), it is expected that this Interpretation will have no impact on its financial report.	1 July 2008
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The company does not make share based payments. As such there will be no financial impact.	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date of Company
AASB 3 (revised)	Business combinations	The revised standard introduces a number of changes to the accounting for business combinations	1 July 2009	The company has no planned business combi-nations. As such there will be no financial impact.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (revised) and AASB 127 (revised) above.	1 July 2009

s) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the

revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Impairment loss recorded in the current financial year was $99,808 (2007: $501).

Share based payments

The Company 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, using the assumptions detailed in note 23.

4. SEGMENT REPORTING

The Company operates predominantly in one business and geological segment, being mineral exploration in Australia.

	2008	2007
	$	$
5. REVENUE		
From continuing operations		
Interest income	292,131	61,655
6. ADMINISTRATION EXPENSE		
Auditors Remuneration	22,325	12,000
Stationery, Postage & Printing	10,911	1,090
Motor Vehicle Expenses	4,501	284
Shareholder Expenses	3,872	-
Staff Recruitment	12,000	-
Subscriptions, Publications, Marketing	5,447	35
Communication	4,326	478
Travel & Accommodation	7,033	3,381
Capital Expenses	8,115	1,353
Sundry Administration Expenses	18,160	1,261
	96,690	19,882

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	$	$
7. AUDITORS' REMUNERATION		
Audit Services		
Auditors of the Company		
Audit and review of financial reports – Mack & Co	22,325	12,000
Independent Accountants Report	-	7,900
	22,325	19,900

	2008	2007
8. LOSS PER SHARE	Cents	Cents
Basic loss per share	0.51	2.91
Diluted loss per share	0.51	2.91

	2008	2007
Basic loss per share	$	$
The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:		
Loss used in calculation of earnings per share	331,242	475,310
Weighted average number of ordinary shares for the purposes of basic loss per share	65,300,144	16,312,876
Diluted loss per share		
The loss and weighted average number of ordinary shares used in the calculation of diluted loss per share are as follows:		
Loss used in calculation of diluted earnings per share	331,242	475,310
Weighted average number of ordinary shares for the purposes of diluted loss per share	65,300,144	16,576,301

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	$	$

9. INCOME TAX EXPENSE

(a) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2008 $	2007 $
Prima facie tax benefit on loss at 30% (2007: 30%)	(99,373)	(142,593)
Add:		
Tax effect of:		
Other non-allowable items	150	15,110
Share based payments	17,175	139,725
Other deferred tax balances not recognised	82,048	-
	99,373	154,835
Less:		
Tax effect of:		
Other deferred tax balances not recognised	–	12,242
Income tax expense	–	–
The applicable average weighted tax rates are as follows:	0%	0%

(b) The following deferred tax balances have not been recognised:

	2008 $	2007 $
Deferred Tax Assets:		
At 30%:		
Carry forward revenue losses	394,078	73,985
Capital raising costs	54,057	59,371
Provisions and accruals	12,451	3,699
	460,585	137,055

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

9. INCOME TAX EXPENSE (cont'd)

The tax benefits of the above Deferred tax assets will only be obtained if:

(a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) the company continues to comply with the conditions for deductibility imposed by law; an

(c) no changes in income tax legislation adversely affect the company in utilising the benefits.

	2008	2007
	$	$
Deferred Tax Liabilities		
At 30%:		
Exploration and evaluation expenditure	360,250	70,461
Interest income accrued	4,241	1,556
Property, plant and equipment	5,285	3,366
	369,776	75,383

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.

	2008	2007
	$	$
10. CASH & CASH EQUIVALENTS		
Cash at bank and in hand	210,242	294,388
Deposits at call	2,085,783	441,840
Bank Bills	1,509,698	4,000,000
	3,805,723	4,736,228

(a) Reconciliation to cash at the end of the year

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

	2008	2007
Balances as above	3,805,723	4,736,228
Cash and cash equivalents in statement of cash flows	3,805,723	4,736,228

The company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 19.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	$	$
11. TRADE AND OTHER RECEIVABLES		
Accrued Interest	14,138	–
Other Receivables	42,469	33,038
Owed by Related Party (note 22)	34,569	–
	91,176	33,038

(a) Terms and conditions

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

	2008	2007
	$	$
12. OTHER CURRENT ASSETS		
Bonds & Deposits	10,800	800
Prepayments	32,900	23,683
Prepayments and other assets	43,700	24,483

	Plant & Equipment	Motor Vehicles	Computer Equipment & Software	Total
13. PROPERTY, PLANT & EQUIPMENT				
Cost or Deemed Cost				
Balance at beginning of the period	–	–	–	–
Additions	403	11,145	12,529	24,077
Balance at 30 June 2007	403	11,145	12,529	24,077
Additions	5,797	1,560	9,075	16,432
Balance at 30 June 2008	6,200	12,705	21,604	40,509
Depreciation				
Balance at 30 June 2007	3	1,466	351	1,820
Depreciation for the year	442	2,491	6,431	9,364
Balance at 30 June 2008	445	3,957	6,782	11,184

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Plant & Equipment	Motor Vehicles	Computer Equipment & Software	Total
13. PROPERTY, PLANT & EQUIPMENT (cont'd)				
Carrying Amount				
At 30 June 2007	400	9,679	12,178	22,257
At 30 June 2008	5,755	8,748	14,822	29,325

	2008	2007
	$	$
14. EXPLORATION & EVALUATION EXPENDITURE		
Balance at beginning of financial period	317,668	–
Acquisition of tenements	–	200,000
Capitalised expenditure	989,052	118,168
Less exploration expenditure written off	(99,808)	(500)
Balance at 30 June 2008	1,206,912	317,668

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.

	2008	2007
	$	$
15. TRADE AND OTHER PAYABLES		
Trade Payables	89,563	33,715
Accrued Fees and Employment Expenses	25,981	–
	115,544	33,715

(a) Terms and conditions

Terms and conditions relating to the above financial instruments

(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	$	$
16. FINANCIAL LIABILITIES		
Loan from related party	858	17,095

The loan is non interest bearing, unsecured and payable on demand.

17. ISSUED CAPITAL	Shares No	2008 $	Shares No	2007 $
(a) Share capital				
Fully paid ordinary shares				
Balance at beginning of year	65,300,000	5,092,424	2	2
(b) Movements in issued share capital				
Issue of 38,999,998 ordinary shares to Giralia Resources NL	–	–	38,999,998	78,000
Prospectus ordinary shares issued at $0.20 per unit	–	–	25,000,000	5,000,000
Issue of shares as consideration for acquiring Tenements		–	1,300,000	260,000
Options exercised into shares	304	76	–	–
Transaction costs arising on the share issues	–	–	–	(245,578)
	65,300,304	5,092,500	65,300,000	5,092,424

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

17. ISSUED CAPITAL (cont'd)

(c) 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 Company. All shares rank equally with regard to the Company's residual assets.

(d) Options

Information relating to Zinc Co Australia 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 23.

(e) Capital Management

The Directors primary objective is to maintain a capital structure that ensures the lowest cost of capital available to the company. At balance date, the company has no external borrowings. The Directors have no current plans to raise capital on the market through the issue of shares. The company is not subject to any externally imposed capital requirements.

	2008	2007
	$	$
18. RESERVES & RETAINED LOSSES		
(a) Reserves		
Share-based Payment Reserve (i)	523,000	465,750
Options Premium Reserve (ii)	237,577	–
	760,577	465,750
(i) Share-based Payment Reserve		
Balance at beginning of financial year	465,750	–
Issue of 250,000 options under terms of employee share option plan	57,250	465,750
	523,000	465,750

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

18. RESERVES & RETAINED LOSSES (cont'd)

		No.	2008 $	2007 $
(ii)	Options Premium Reserve			
	Balance at beginning of financial year	–	–	–
	Issue of options at 1 cent each	26,392,711	263,928	–
	Less: Cost of option issue	–	(26,351)	–
	Less: Option exercised during the year	(304)	–	–
		26,392,407	237,577	–

		2008 $	2007 $
(b)	Accumulated losses		
	Movements in accumulated losses were as follows:		
	Balance at beginning of period	(475,310)	–
	Loss for the year	(331,242)	(475,310)
	Balance at 30 June 2008	(806,552)	(475,310)

Share-based payments reserve

The share-based payments reserve is used to recognise the premium on the issue of options.

Options premium reserve

The options premium reserve is used to recognise premiums paid for options issued.

19. FINANCIAL INSTRUMENTS

Overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

19. FINANCIAL INSTRUMENTS (cont'd)

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 company through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. For the Company it arises from receivables due from director related parties.

Investments

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company limits its exposure to credit risk by only investing in liquid securities with the Company's banker. Only Australian based banks are used for the deposits held by the Company.

Trade and other receivables

As the Company 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.

Presently, the Company undertakes exploration and evaluation activities exclusively in Australia. At the balance sheet date there were no significant concentrations of credit risk.

Exposure to credit risk

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

	2008 $	2007 $
Available-for-sale financial assets	–	–
Held-to-maturity investments	–	–
Financial assets at fair value through profit or loss	–	–
Loans and receivables	134,716	57,360
Cash and cash equivalents	3,805,083	4,735,587

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

19. FINANCIAL INSTRUMENTS (cont'd)

Impairment losses

None of the Company's other receivables are past due (2007: nil).
The allowance accounts in respect of other receivables and held-to-maturity investments are used to record impairment losses unless the Company 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 2008 the Company does not have any collective impairments on its other receivables (2007: nil).

Guarantees

Company policy is to not provide financial guarantees. No guarantees have been provided during the year.

Liquidity risk

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

The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Company does not maintain any lines of credit.

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

Company
30 June 2008

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Trade and other payables	130,311	–	130,311	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

19. FINANCIAL INSTRUMENTS (cont'd)

Company

30 June 2007

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Trade and other payables	50,806	–	50,806	–	–	–	–

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

The Company 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 Company has no exposure to foreign currency risk at balance date (2007: nil)

Interest rate risk

The Company is exposed to interest rate risk, however to maintain liquidity, Cash is invested for periods 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:

	Profit or Loss		Equity	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
2008	**$**	**$**	**$**	**$**
Variable rate instruments	41,364	(41,364)	41,364	(41,364)
Cash flow sensitivity (net)	41,364	(41,364)	41,364	(41,364)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

19. FINANCIAL INSTRUMENTS (cont'd)

	Profit or Loss	Equity		Profit or Loss
2007				
Variable rate instruments	5,002	(5,002)	5,002	(5,002)
Cash flow sensitivity (net)	5,002	(5,002)	5,002	(5,002)

Fair values

Fair values versus carrying amounts

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

	30 June 2008		30 June 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans & Receivables	134,716	134,716	57,360	57,360
Cash & Cash Equivalents	3,805,723	3,805,723	4,735,587	4,735,587
Trade & Other Payables	(130,311)	(130,311)	(50,806)	(50,806)
	3,810,488	3,810,288	4,742,141	4,742,141

	2008	2007
	$	$
20. COMMITMENTS		
Operating lease commitments		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	–	90,000
Later than one year but not later than five years	–	–
	–	90,000

The Company has certain obligations to perform minimum exploration work and expend minimum amounts on works on mining tenements on order to retain its interests in these tenements, which would be approximately $445,255 during the next 12 months (2007: $704,900). 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

21. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of Zinc Co Australia Limited during the financial year:

Gary E Comb	appointed 2 March 2007
Stanley A Macdonald	appointed 24 April 2006
Rodney M Joyce	appointed 6 December 2006

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of Zinc Co Australia Limited, directly or indirectly, during the financial year:

Name	Position	Employer
Anthony Hespe	General Manager	Zinc Co Australia Limited
Bruce R Acutt	Joint Company Secretary	Giralia Resources NL
Alex A Dermedgoglou	Joint Company Secretary	U3O8 Limited

	2008	2007
	$	$
(c) Key management personnel compensation		
Short-term employee benefits	289,303	34,646
Post-employment benefits	25,530	3,174
Share-based payments	57,250	393,300
	372,083	431,120

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Directors Report. The Company has applied the option under the Corporations Amendment Regulation 2006 to transfer Key Management Personnel disclosures required by AASB 124 to the remuneration report.

(d) Equity instrument disclosures relating to key management personnel

(i) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Zinc Co Australia Limited and other key management personnel, including their personally related parties, are set out in the following:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

2008 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year (1)	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Zinc Co Australia Limited						
Gary E Comb	500,000	–	–	–	500,000	500,000
Rodney M Joyce	500,000	–	–	515,880	1,015,880	1,015,880
Stanley A Macdonald	500,000	–	–	1,051,275	1,551,275	1,551,275
Other key management personnel compensation						
Bruce R Acutt	200,000	–	–	237,966	437,966	437,966
Alex D Dermedgoglou	200,000	–	–	72,019	272,019	272,019
Anthony Hespe	–	250,000	–	–	250,000	250,000

All options vested and are exercisable at the end of the year.

(1) Purchased and not granted as compensation

2007 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Zinc Co Australia Limited						
Gary E Comb	–	500,000	–	–	500,000	500,000
Rodney M Joyce	–	500,000	–	–	500,000	500,000
Stanley A Macdonald	–	500,000	–	–	500,000	500,000
Other key management personnel compensation						
Bruce R Acutt	–	200,000	–	–	200,000	200,000
Alex D Dermedgoglou	–	200,000	–	–	200,000	200,000

No options are vested. All options are exercisable at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(ii) Share holdings

The number of shares in the Company held during the financial year by each director of Zinc Co Australia Limited and other key management personnel, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2008 Name	Balance at the start of the year	Purchases	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Zinc Co Australia Limited					
Gary E Comb	100,000	–	–	–	100,000
Rodney M Joyce	607,944	–	–	423,815	1,031,759
Stanley A Macdonald	797,279	–	–	1,305,269	2,102,548
Other key management personnel					
Anthony Hespe	–	–	–	–	–
Bruce R Acutt	289,505	44,152	–	141,273	475,930
Alex D Dermedgoglou	100,000	40,000	–	4,037	144,037

2007 Name	Balance at the start of the year	Purchases	Received during the year on the exercise of options	Other changes during the year (1)	Balance at the end of the year
Directors of Zinc Co Australia Limited					
Gary E Comb	–	100,000	–	–	100,000
Rodney M Joyce	–	607,944	–	–	607,944
Stanley A Macdonald	–	797,279	–	–	797,279
Other key management personnel					
Anthony Hespe	–	–	–	–	–
Bruce R Acutt	–	289,505	–	–	289,505
Alex D Dermedgoglou	–	100,000	–	–	100,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(1) In specie distribution from Giralia NL to Giralia shareholders.

Not granted as compensation.

22. RELATED PARTY TRANSACTIONS

(a) Parent entity and ultimate controlling party

The Company does not have an ultimate controlling entity. Giralia Resources NL which at 30 June 2007 owned 61.26% of the issued ordinary shares of Zinc Co Australia Limited, reduced its holding to 12.25% in July 2007.

(b) Key management personnel

Disclosures relating to key management personnel are set out in Note 21

(c) Transactions with related parties

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

(i) The Company has a service agreement with U3O8 Limited, which is also a director-related entity of Mr Stanley A Macdonald. U3O8 Limited provides the Company with the following services:

a) accounting and secretarial services and

b) provision of fully furnished and equipped offices.

Under the agreement, U3O8 Limited is remunerated by the Company monthly on a basis of actual cost reimbursement of services provided, plus a service fee of $10,000 per month. The total management service fee paid to U3O8 Limited for the year ended 30 June 2008 is $120,000 (2007: $10,000).

The Company also paid U3O8 Limited $3,365 for reimbursement of expenses not covered by the agreement (2007: nil).

(ii) The Company is the operating joint venture partner in two farm-in joint ventures with Giralia Resources NL, an entity related to Directors; S A Macdonald and R M Joyce. The Company has the right to earn up to 75% interest in all minerals (other than nickel) at the Cardinals project , and up to 75% interest in all minerals (other than gold) at the Conquistador project.

In 2008, amounts owing by Giralia Resources NL relate to their portion of shared exploration expenditure.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

22. RELATED PARTY TRANSACTIONS (cont'd)

	2008	2007
	$	$
Giralia Resources NL was remunerated during the year as follows:		
Management Service Fee	–	80,000
Reimbursement of expenses incurred	17,093	262,233
	17,093	342,233

(d) Amounts owing by (to) related parties at 30 June 2008 are:

	2008	2007
U3O8 Limited	(858)	–
Giralia Resources NL	34,569	(17,093)
	33,711	(17,093)

Loans between related entities are repayable on reasonable notice having regard to the financial stability of the Company. No interest is payable on the loans.

23. SHARE BASED PAYMENTS

(a) Employee Option Plan

The establishment of the Zinc Co Australia Limited's Employee Option Plan was approved by Directors resolution dated 27 February 2007 as outlined in the Company's prospectus. 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 Company under a consultancy agreement); or

(ii) Directors of the company or any subsidiary based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company 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 Company will issue to the option holder, the number of shares specified in that notice. The

Company will apply for official quotation of all shares issued and allotted pursuant to the exercise of the options.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

23. SHARE BASED PAYMENTS (cont'd)

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

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

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Granted during the year	Exercise during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
29 May 2007	30 June 2009	$0.25	2,250,000	–	0	0	2,250,000	2,250,000
7 August 2007	30 June 2009	$0.25	–	250,000	0	0	250,000	250,000
Weighted average exercise price		$0.25	2,250,000	250,000	0	0	2,500,000	2,500,000

No options were forfeited during the periods covered by the above table.

No options were exercised during the period covered by the above table.

The weighted average remaining contractual life of share options outstanding at the end of the period was 1 year.

Fair Value of options Granted

The assessed fair value at grant date of options granted during the year ended 30 June 2008 was $0.229 cents per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the terms 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.

The model inputs for options granted during the year ended 30 June 2008 included:

(i) options are granted for no consideration, have a 2 year life expiring 30 June 2009

(ii) exercise price: $0.25

(iii) grant date: 7 August 2007

(iv) expiry date: 30 June 2009

(v) share price at grant date: $0.40

(vi) expected price volatility of the company's shares: 70%

(vii) expected dividend yield: Nil

(viii) risk-free interest rate: 6.25%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

23. SHARE BASED PAYMENTS (cont'd)

The expected price volatility is based on the historic volatility, if available, (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information and volatility within the mining industry.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2008 $	2007 $
Options issued under employee option plan	57,250	465,750

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

Loss for the year	(331,242)	(475,310)
Add:		
Non cash items		
Employee benefits expense – option based payments	57,250	465,750
- employee entitlements	13,909	-
Mining Tenement expenditure written off	99,808	-
Depreciation	9,363	1,821
Changes in operating assets and liabilities:		
Decrease/(Increase) in trade and other receivables	(58,138)	(33,038)
Decrease/(Increase) in other assets	(19,217)	(24,483)
Increase/(Decrease) in trade and other payables	81,829	33,715
Net cash (used in) operating activities	(146,438)	(31,545)

25. SUBSEQUENT EVENTS

Since 30 June 2008, there have been no material events which may significantly affect the operations of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

26. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

In preparing this Financial Report the Company has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

a) Significant accounting judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Capitalisation of exploration and evaluation expenditure

The Company has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

Deferred tax assets

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

b) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

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 (including changes to environmental restoration obligations) and changes to commodity prices.

As at 30 June 2008, the carrying value of capitalised exploration expenditure is $1,206,912

2007: $317,668.

27. DIVIDENDS

No dividends have been paid or provided for.

Directors' Declaration

1. In the opinion of the directors of Zinc Co Australia Limited ("the Company"):

   (a) the financial statements, notes and additional disclosures (including the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, and designated as audited) are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the Company as at 30 June 2008, and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   (c) the remuneration disclosures that are contained in the Remuneration Report of the Directors Report, comply with Australian Accounting Standard AASB 124 *Related Party Disclosures* and the Corporations Regulations 2001.

2. The directors have been given the declarations by the General Manager and the Company Secretaries (who perform the Chief Financial Officer function) for the financial year ended 30 June 2008 pursuant to Section 295A of the Corporations Act 2001.

Dated at Perth this 24th day of September 2008

Signed in accordance with a resolution of the directors:

....

Gary E Comb
Chairman

INDEPENDENT AUDIT REPORT
To the members of Zinc Co Australia Limited

Report on the Financial Report

We have audited the accompanying financial report of Zinc Co Australia Limited (the Company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgment, 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 and fair presentation of the financial report 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. In addition to our audit report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

INDEPENDENT AUDIT REPORT
To the members of Zinc Co Australia Limited

Auditor's Opinion

In our opinion:

a. the financial report of Zinc Co Australia Limited is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Zinc Co Australia Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

Mack & Co

Mack & Co
Chartered Accountants
2nd Floor, 35 Havelock Street
West Perth WA 6005

N A Calder

N A Calder, Partner

September 25 2008

Date

Corporate Governance Statement

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

PRINCIPLES OF BEST PRACTICE RECOMMENDATIONS

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role of Board and Responsibilities

(ASX CGC Recommendation 1.1)

The Board of Directors of Zinc Co Australia Limited is responsible for the corporate governance of the Company. The Board monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected, and to whom they are accountable.

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

Composition and functions of the Board

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 Company website at www.zincco.com.au. The charter details the Board's composition and responsibilities.

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

- The Board shall comprise at least three Directors, increasing where additional expertise is considered desirable in certain areas.
- The Board is to comprise a majority of non-executive Directors who are to be independent.
- Directors may bring characteristics which allow a mix of qualifications, skill and experience.
- The Chairman shall be a non-executive independent director.

  An independent director is a director who is not a member of management (a non-executive director) and who:

- Holds less than five per cent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company.
- Has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold any such employment.

Corporate Governance Statement (cont'd)

- Within the last three years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another Group member.
- Is not a material* supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material* supplier or customer.
- Has no material* contractual relationship with the Company or another Group member other than as a director of the Company.
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially* interfere with the director's ability to act in the best interests of the Company.

* The Board considers, 'material', in this context, to be where any director-related business relationship has represented, or is likely in future to represent the lesser of at least 10 per cent of the relevant segment's or the director-related business' revenue. The board considered the nature of the relevant industries' competition and the size and nature of each director-related business relationship, in arriving at this threshold.

The Board reviews its composition to ensure that it has the appropriate mix of expertise and experience. 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 General Manager is accountable to the Board for management of the Company, with authority levels approved by the Board, and is subject to the supervision of the Board.

The performance of all Directors is reviewed by the Chairman each year. Directors whose performance is unsatisfactory are to be asked to retire.

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

Responsibilities

The responsibilities of the Board include:

- supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed;
- ensuring the Company is properly managed, for example by:
  - appointing and, where appropriate, removing any Managing Director, Chief Executive Officer (or equivalent) of the Company;
    - ratifying the appointment and, where appropriate, the removal of any Chief Financial Officer and the Company Secretary;

Corporate Governance Statement (cont'd)

  - formulating short term and long term strategies to enable the Company to achieve its objectives and ensuring that the Company has the resources to meet its strategic objectives;
  - input into and final approval of management's development of corporate strategy and performance objectives;
  - reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
  - monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available; and
  - establishing, monitoring and determining the powers and duties of any and all of the Company's committee's;

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

STRUCTURE OF THE BOARD TO ADD VALUE

Composition and functions of the Board

(ASX CGC Recommendations 2.1, 2.2, 2.3, 2.5)

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

Corporate Governance Statement (cont'd)

The Board shall comprise at least three Directors, increasing where additional expertise is considered desirable in certain areas.

- Where possible the Board is to comprise a majority of non-executive directors who are considered by the Board to be independent.
- Directors may bring characteristics which allow a mix of qualifications, skill and experience.
- At any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Company, and directors with an external or fresh perspective; and
- the size of the Board is conducive to effective discussion and efficient decision-making.
- The Board reviews its composition on an annual basis to ensure that it has the appropriate mix of expertise and experience to adequately discharge its responsibilities and duties. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience.

  Details of members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the Directors' Report under the heading "Information on Directors". There is one non-executive Director who is deemed independent under the principles set out below, at the date of signing the Directors' Report.

Term of office

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

Directors' independence

(ASX CGC Recommendation 2.1)

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

- not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years, not have been employed in an executive capacity by the Company or been a director after ceasing to hold any such employment;
- within the last three years not have been a principal of a material professional advisor or a material consultant to the Company or an employee materially associated with the service provided;
- not be a material supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;

Corporate Governance Statement (cont'd)

- must have no material contractual relationship with the Company or another Company member, other than as a director of the Company;
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company;
- not have been on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

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

  There is one non-executive directors who is deemed independent at the date of signing the Directors' Report, as outlined in the Directors' Report under the heading "Information on Directors".

Conflict of interests

Entities connected with Mr R M Joyce and Mr S Macdonald had business dealings with the entity during the year, as described in **note 22** to the financial statements. In accordance with the Board charter, the Directors concerned declared their interests in those dealings to the Company and took no part in decisions relating to them or the preceding discussions.

Chairman

(ASX CGC Recommendation 2.2, 2.3)

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

Mr Gary E Comb, an independent non executive director, was appointed Chairman by the board on 2 March 2007.

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

Board committees

Each committee may be comprised of executive and non-executive Directors. Due to the small size and structure of the Board, there are no separate audit, nomination and remuneration committees. Instead, the Board considers it more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily be considered by audit, nomination or remuneration committees.

Corporate Governance Statement (cont'd)

When considering these matters, the Board functions in accordance with its Audit Committee Charter and Remuneration Committee Charter.

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

All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

Minutes of committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

Nomination committee

(ASX CGC Recommendation 2.4, 2.5)

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

G E Comb (Non-Executive Chairman)

R M Joyce (Non-Executive Director)

S A Macdonald (Non-Executive Director)

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

The main responsibilities are to:

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

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

Corporate Governance Statement (cont'd)

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

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

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

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

It is the Company's practice to allow its executive directors to accept appointments outside the Company with prior written approval of the Board. No appointments of this nature were accepted during the year ended 30 June 2008.

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

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

Performance assessment

Independently of the Remuneration Committee, The Chairman undertakes an annual assessment of the performance of the Board and its committees. The result of his assessment will be presented to the Board.

Commitment

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

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2008, and the number of meetings attended by each Director, is disclosed on page 20.

It is the Company's practice to allow its executive Director to accept appointments outside the Company with prior written approval of the Board. No appointments of this nature were accepted during the year ended 30 June 2008.

Corporate Governance Statement (cont'd)

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

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

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of conduct and trading policy

(ASX CGC Recommendation 3.1, 3.2, 3.3, 10.1)

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

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

Directors, employees and contractors are required to comply with the Company's comprehensive Share Trading Policy when dealing in the Company's securities. This policy outlines the law on insider trading and restricts people working for or associated with the company from dealing in company securities.

The policy prohibits Directors or employees to deal in Company's securities when they are in possession of price sensitive information that is not generally available to the market.

The Company abides by a policy of continuous disclosure, as required by the ASX Listing Rules.

- The Company has developed a Code of Conduct for directors and officers, and to guide compliance with legal and other obligations to legitimate stakeholders, and it is disclosed on the Company's website.
- The Company has in place a Share Trading Policy concerning trading in Company securities, and it is disclosed on the Company's website.

  The directors are satisfied that the Company has complied with its policies on ethical standards, including trading in securities.

  A copy of the Code of Conduct and the trading policy are available on the company's website.

Corporate Governance Statement (cont'd)

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Corporate reporting

(ASX CGC Recommendation 4.1)

The General Manager and CFO's have made the following certifications to the board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

This statement is required annually.

Audit committee

(ASX CGC Recommendation 4.2, 4.3, 4.4, 4.5)

There is no separate audit committee. 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 Company operates.

The Board, acting as the audit committee, operates in accordance with a charter which is available on the Company website. The main responsibilities are to:

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

Corporate Governance Statement (cont'd)

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

In fulfilling its responsibilities, the Board:

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

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

External auditors

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

Corporate Governance Statement (cont'd)

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 7 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Continuous disclosure and market communication

(ASX CGC Recommendation 5.1, 5.2)

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

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

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

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Shareholder communication

(ASX CGC Recommendations 6.1, 6.2)

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

Corporate Governance Statement (cont'd)

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

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

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

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

The Company's external auditor attends the annual general meetings to answer shareholder questions in relation to the conduct of the audit, the preparation and content of the audit report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

A summary of these policies and procedures is available on the company's website at www.zincco.com.au.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk assessment and management

(ASX CGC Recommendations 7.1, 7.2, 7.3)

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

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

Ultimate responsibility for risk oversight and risk management rests with the full Board. Management is responsible for developing and implementing a sound system of risk management and internal control. Management carries out regular systematic monitoring of control activities and reports to the Board. Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, IT security, compliance and other risk management issues.

Corporate Governance Statement (cont'd)

The Board has obtained a written confirmation from the General Manager and the Company Secretaries, that the statement in relation to principle 4 above, is founded on a sound system of risk management and internal compliance and control and that the system is operating efficiently and effectively in all material respects.

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

The environment, health and safety management systems (EHSMS)

The Company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance.

The Board is responsible for ensuring there is compliance with the Health, Safety, Environment and Community policy which is contained in the Company's Corporate Governance policy.

PRINCIPLE 8: ENCOURAGE ENHANCED PERFORMANCE

Risk assessment and management

(ASX CGC Recommendation 8.1)

Refer to Principle 2 under the title 'performance assessment', which addresses the process for performance evaluation of the Board, its committees, individual directors and key executives.

PRINCIPLE 9: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration committee

(ASX CGC Recommendation 9.2, 9.5)

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

G E Comb (Chairman)

R M Joyce (Non-executive Director)

S A Macdonald (Non-executive Director)

When considering matters of remuneration, the Board functions in accordance with its Remuneration Committee Charter, which is available on the Company website. The remuneration committee charter requires the Board to review matters on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

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

Corporate Governance Statement (cont'd)

Senior executives sign a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination.

The standard contract refers to a specific formal job description.

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

The remuneration committee's terms of reference include responsibility for reviewing any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the Corporations Act 2001 and are appropriately disclosed.

The remuneration committee's charter is maintained in the Corporate Governance Policies which is available on the Company's website.

In relation to ASX CGC Recommendation 9.1, 9.2 and 9.3, refer to the directors' report under the heading "Remuneration report" for further information on director and executive remuneration.

The remuneration committee's terms of reference include responsibility for reviewing any transactions between the organisation and the directors, or any interests associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the Corporations Act 2001 and are appropriately disclosed.

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

PRINCIPLE 10: RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

(ASX CGC Recommendation 10.1)

The Board has a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders. A copy of the Code of Conduct is available on the Company website. Refer to Principle 3.1 for further information in relation to the Company's code of conduct.

Non-compliance statement

Zinc Co Australia Limited has not followed all of the best proactive recommendations released by the ASX Corporate Governance Council, and set out in ASX Listing Rule 4.10.3.

The Company has in place a Share Trading Policy concerning trading in Company. The Company has identified those recommendations that have not been followed as follows:

- At the date of this report no separate nomination, remuneration or audit committees of the Board of Directors exist. Instead, the Board sets aside time at Board meetings to specifically address matters that would ordinarily be considered by audit, nomination or remuneration committees.

Corporate Governance Statement (cont'd)

The reasons the Company has not followed all of the recommendations are as follows:

- The Company is a junior exploration Company with limited financial and human resources.
- The Company has confined its management structures to maximise the availability of resources for exploration.
- None of the Company's three Directors are active in the management of the Company, thereby effecting substantial savings in the managerial and administration costs of the Company.
- The minimisation of organisational structures allows the Company to respond quickly to any opportunities that may arise.
- All matters to be dealt with by the nomination, remuneration and audit committees are dealt with by the full Board of Directors.

The Company recognises the importance of proper corporate governance and, notwithstanding its size and limited resources, has endeavoured to meet the principles of good corporate governance and best practice recommendations set by the ASX Corporate Governance Council.

Additional Shareholders Information

in Compliance with ASX Requirements

The shareholder information set out below was applicable as at 30 September 2008.

1. DISTRIBUTION OF EQUITY SECURITIES

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

	Number of Shareholders	Number of Shares	% of issued capital
1 – 1,000	571	243,682	.37%
1,001 – 5,000	765	1,729,305	2.65%
5,001 – 10,000	338	2,917,973	4.47%
10,001 – 100,000	782	21,249,374	32.54%
100,001 and over	63	39,159,970	59.97%
	2519	65,300,304	100.00%

b. Number of shareholders holding less than a marketable parcel – 1,437 (at 30 September 2008)

c. Particulars of Twenty Largest Shareholders

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

	Shareholder		No of Shares	% Held
1	Giralia Resources NL		7,993,485	12.24%
2	HSBC Custody Nominees Australia Limited		4,380,672	6.71%
3	Yandal Investments Pty Ltd		2,796,357	4.28%
4	Breamlea Pty Ltd		2,502,654	3.83%
5	Riley Graham D & AM		1,683,152	2.58%
6	Macdonald Stanley Allan		1,540,371	2.36%
7	ANZ Nominees Limited		1,392,707	2.13%
8	Grey Willow PL		1,314,478	2.01%
9	Tilbrook John Bevan		1,208,103	1.85%
10	Maxigold Holdings PL		1,131,749	1.73%
11	Crescent Nominees Ltd		1,128,649	1.73%
12	National Nominees Ltd		1,061,669	1.63%
13	Granich Nada		1,031,759	1.58%

Additional Shareholders Information (cont'd)

	Shareholder *(cont'd)*		No of Shares	% Held
14	Berne No 132 Nominees PL		556,913	.85%
15	Creekwood Nominees Pty Ltd		500,000	.77%
16	Charrington Pty Ltd		491,560	.75%
17	Jenkins Euan William		429,617	.66%
18	Discovery 111 PL		366,353	.56%
19	Transgold PL		360,000	.55%
20	Hernstadt William Henry		349,823	.54%
			32,220,071	49.34%

2. DISTRIBUTION OF LISTED OPTIONS

a. Analysis of numbers of optionholders by size of holding.

25 cent listed options expiring 30 November 2009 (ZNCO)

	Number of Optionholders	Number of Options	% of issued options
1 – 1,000	280	123,537	.47%
1,001 – 5,000	385	1,180,906	4.47%
5,001 – 10,000	321	2,295,108	8.70%
10,001 – 100,000	319	8,178,839	30.99%
100,001 and over	28	14,614,017	55.37%
	1333	26,392,407	100.00%

b. Number of optionholders holding less than a marketable parcel – 1,301 (at 30 Sept 08)

c. Particulars of Twenty Largest Optionholders

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

	Optionholder	No of Options	% Held
1	Giralia Resources NL	3,996,743	15.14%
2	Yandal Investments Pty Ltd	1,398,179	5.30%
3	Breamlea Pty Ltd	1,251,327	4.74%
4	Macdonald Stanley Allan	770,186	2.92%

Additional Shareholders Information (cont'd)

	Optionholder *(cont'd)*	**No of Options**	**% Held**
5	Tilbrook John Bevan	728,016	2.76%
6	Grey Willow Pty Ltd	713,127	2.70%
7	HSBC Custody Nominees Australia Limited	600,918	2.28%
8	Riley Graham D & AM	591,576	2.24%
9	Crescent Nominees Limited	564,325	2.14%
10	Granich Nada	515,880	1.95%
11	ANZ Nominees Limited	474,027	1.80%
12	National Nominees Limited	429,310	1.63%
13	Berne No 132 Nominees PL	278,457	1.06%
14	Cai Hancheng & FU Hongwei	263,912	1.00%
15	Creekwood Nominees Pty Ltd	250,000	.95%
16	Transgold Pty Ltd	250,000	.95%
17	Acutt Bruce Richard	231,164	.88%
18	De Jong Peter Van Zijll	227,933	.86%
19	Rogerson Steve	205,000	.78%
20	Pacmag Metals Ltd	150,000	.57%
		13,890,080	52.63%

2. VOTING RIGHTS

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

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders in the Company are:

Ordinary Shares		**Number held**	**% Interest**
Giralia Resources NL		7,993,485	12.24%

Additional Shareholders Information (cont'd)

3. UNQUOTED EQUITY SECURITIES

a. The following unquoted ordinary shares are on issue:

	Number on Issue	**Number of Holders**
Ordinary shares	10,685,926*	6

*Persons holding 20% or more

Giralia Resources NL 74.8%

b. 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 25 cents each by 30 June 2009.	**3,050,000***	**11**
* Persons holding 20% or more: AM Hespe	**24.6%**	

Interests in Mining Tenements

at 30 June 2008

PROJECT	TENEMENT NUMBER	HOLDER	ZINC CO INTEREST	
Cardinals	P45/2702	Giralia	Up to 75%, excluding copper, nickel, platinum group elements	
	E45/2984	Giralia		
Conquistador, Snake Well	E59/467	Carlinga	Up to 75% excluding certain gold rights	
	M59/564	Carlinga		Will replace E59/467 on grant
	P59/1230	Carlinga		
	E59/1133-I	Carlinga		
	E59/1208	Carlinga		
	P59/1229	Carlinga		
	E59/1123	Giralia		
	P59/1231	Carlinga		
	P59/1232	Carlinga		
	P59/1233	Carlinga		
	P59/1234	Carlinga		
	P59/1240	Carlinga		
	P59/1241	Carlinga		
	P59/1242	Carlinga		
	P59/1243	Carlinga		
	P59/1244	Carlinga		
	P59/1245	Carlinga		
	P59/1246	Carlinga		
	P59/1247	Carlinga		
	P59/1248	Carlinga		
	P59/1249	Carlinga		
	P59/1250	Carlinga		

Interests in Mining Tenements (cont'd)

PROJECT	TENEMENT NUMBER	HOLDER	ZINC CO INTEREST	
	P59/1251	Carlinga		
	M59/041	Carlinga		
	P59/1708	Carlinga		Application
	E59/1207	Carlinga		Application
	E59/1344	Carlinga		Application
	E59/1441	Carlinga		Application
	M59/474	Carlinga		Application
	M59/476	Carlinga		Application
	M59/477	Carlinga		Application
Earaheedy	E69/1804	Giralia	100%	Will transfer to Zinc Co in June 2009
	E69/1771	Giralia	100%	Will transfer to Zinc Co in June 2009
	E69/1907	Zinc Co	100%	
Horse Springs	E80/3809	Zinc Co	100%	Application
Mt Alexander	E08/1410	MARP	100%, excluding tungsten, molybdenum	Zinc Co interest covers 9 blocks of E08/1410
Lake Wooleen	E59/1440	Zinc Co	100%	Application

All tenements are in Western Australia

"Giralia" means Giralia Resources NL

"Carlinga" means Carlinga Mining Pty Limited, wholly owned by Giralia Resources NL

"MARP" means Mt Alexander Resources Pty Ltd

"Zinc Co" means Zinc Co Australia Limited

Zinc Co Australia Limited

ABN 96 119 397 938