

Zenith
Minerals
Limited

ABN 96 119 397 938

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2011

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CORPORATE INFORMATION

DIRECTORS

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

COMPANY SECRETARY

Alex Dermedgoglou

**REGISTERED OFFICE AND
PRINCIPAL PLACE OF BUSINESS**

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33 Ord Street
WEST PERTH WA 6005

PO Box 1426
WEST PERTH WA 6872

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AUDITORS

PKF Mack & Co
Level 2
35 Havelock Street
WEST PERTH WA 6005

Telephone: (08) 9322 2798
Facsimile: (08) 9481 2019

SHARE REGISTER

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Telephone: (08) 9315 2333
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SECURITIES EXCHANGE LISTING

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

The Directors present their report, together with the financial report of Zenith Minerals Limited ("the Company") for the year ended 30 June 2011, 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 - Independent Non Executive Chairman, appointed 2 March 2007.

Qualifications - BE Mech, BSc, Dip Ed
 Gary Comb has spent over 25 years in the Australian Mining Industry, both with mining companies and in mining contractor roles.

Experience - He was previously the Chief Executive Officer of BGC Contracting Pty Ltd, the mining contracting arm of West Australian construction group BGC Ltd., and Managing Director of Jabiru Metals Limited.

Other current directorships - Nil

Special Responsibilities - Chairman of the Board.

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 - Carpentaria Exploration Limited since April 2007, U3O8 Limited since 6 October 2005 and Gascoyne Resources Limited since 20 April 2011.

Special Responsibilities - Company promotion and project acquisition.

Rodney M Joyce - Non Executive Director, appointed 6 December 2006.

Qualifications - BSc (Hons), MSc, DIC
 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

Experience - Mineral Exploration from the Royal School of Mines, University of London, UK. He was the leader of a successful gold exploration team at Aberfoyle Resources Ltd, and was Managing Director of Giralia Resources NL.

Other current directorships - Gascoyne Resources Limited since 20 April 2011.

Special Responsibilities - Technical and corporate.

Anthony M Hespe - Managing Director, appointed 11 February 2011.

Qualifications - BSc, Dip Geosciences, MBT

Anthony Michael Hespe is a geologist with over 30 years experience in mineral exploration and mine geology. After graduation in 1974,

Experience

- 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.

Other current directorships

- Nil

Special

Responsibilities

- Executive Director

2. COMPANY SECRETARIES

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 resigned as joint Company Secretary on 25 November 2010

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. With the resignation of Bruce Acutt as joint Company Secretary on 25 November 2010, Alex was appointed sole Company Secretary. Alex is also 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 Resolutions in Writing
	A	B	
Mr G E Comb	5	5	5
Mr S A Macdonald	5	5	5
Mr R M Joyce	5	5	5
Mr A M Hespe	2	2	1

A = Number of meetings attended

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

4. REMUNERATION REPORT – AUDITED

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

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

The information provided under headings A-D includes remuneration disclosures that are required under 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 Zenith Minerals Limited are set out in the following tables. The key management personnel of Zenith Minerals Limited include the directors, as per note 1 and note 4(c) to this report, and the following executive officer:

A A Dermedoglou - Company Secretary

A. Principles of Compensation - 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

Remuneration of Directors and Executives for the year ending 30 June 2010 has been determined by the Board. In this respect consideration is given to normal commercial rates of remuneration for similar levels of responsibility.

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

Fixed Compensation

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

Performance-linked Compensation

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

Long-term Incentive

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

There is presently no stated policy restricting Directors or Executives from limiting their exposure to risk in relation to options granted.

Consequences of Performance on Shareholder Wealth

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

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

	2011	2010	2009	2008	2007
	\$	\$	\$	\$	\$
Loss attributable to owners of the Company	776,437	501,024	707,565	331,242	475,310
Basic Loss per Share	0.010	0.008	0.011	0.005	0.029
Changes in share price (from initial listing of 25 cents)	0.13	-0.08	-0.16	-0.16	0.15

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

Non-executive Compensation

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

The Chairman receives \$40,000 per annum. Directors' fees cover all main board activities and memberships of applicable sub-committees.

Service Contracts

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

- | | |
|--|--|
| Gary E Comb | <ul style="list-style-type: none"> - Non Executive Chairman, appointed 2 March 2007 - Annually renewable contract - Annual Base Salary of \$40,000, plus superannuation of 9% |
| Stanley A Macdonald | <ul style="list-style-type: none"> - Non Executive Director, appointed 24 April 2006 - Annually renewable contract - Annual Base Salary of \$30,000, plus superannuation of 9% |
| Rodney M Joyce | <ul style="list-style-type: none"> - Non Executive Director, appointed 6 December 2006 - Annually renewable contract - Annual Base Salary of \$30,000, plus superannuation of 9% |
| Anthony M Hespe
Terms of Agreement | <ul style="list-style-type: none"> - Managing Director, appointed 11 February 2011 <p>The agreement is annually renewable. To terminate the agreement, the Company must provide 6 months notice or the Managing Director 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.</p> |
| Remuneration and Benefits | <ul style="list-style-type: none"> - Annual Salary of \$280,000 inclusive of superannuation and allowances. |

B. Directors' and Executive Officers' 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 Zenith Minerals Limited.

DIRECTORS' REPORT

Zenith Minerals Limited

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

	Short-Term Benefits			Post-Employment Benefits Super-annuation	Share-Based Payment		S300A(1)(e)(i) %	S300A(1)(e)(vi) %
	Cash Salary & Fees	Cash Bonus	Non-Monetary Benefits		Options	Other Long Term Benefits		
2011	\$	\$	\$	\$	\$	\$	%	%
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	-	-
AM Hespe	251,160	-	-	17,691	4,156	273,007	-	-
	351,160	-	-	26,691	4,156	382,007	-	-
Other Key Management Personnel								
BR Acutt *	-	-	-	-	-	-	-	-
AA Dermedoglou	-	-	-	-	-	-	-	-
TOTAL:	351,160	-	-	26,691	4,156	382,007	-	-

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

¹For parameters used to value options refer to Note 23.

* Resigned 25th November 2010.

	Short-Term Benefits		Post-Employment Benefits	Share-Based Payment		S300A(1)(e)(i)	S300A(1)(e)(vi)		
	Cash Salary & Fees	Cash Bonus		Non-Monetary Benefits	Super-annuation			Other Long Term Benefits	Options
2010	\$	\$	\$	\$	\$	\$	\$	%	%
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	-	-
	100,000	-	-	9,000	-	-	109,000	-	-
Other Key Management Personnel									
AM Hespe	218,272	-	-	16,728	3,917	28,800 ¹	267,717	-	10.3
BR Acutt	-	-	-	-	-	-	-	-	-
AA Dermedgoglou	-	-	-	-	-	9,600 ¹	9,600	-	100
	218,272	-	-	16,728	3,917	38,400	277,317	-	-
TOTAL:	318,272	-	-	25,728	3,917	38,400	386,317	-	-

C. Analysis of Bonuses Included in Remuneration – Audited

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

D. Equity Instruments – Audited

i) Options and rights over equity instruments granted as compensation.

No options were granted during the reporting period.

ii) Analysis of options and rights over equity instruments granted as compensation – Audited

Options granted.

Directors	Number	Date	% Vested in Year	% Expired in Year
A.M. Hespe	300,000	8/01/2010	- %	- %
A.M. Hespe	500,000	21/08/2008	- %	- %
Executives				
A.A. Dermedoglou	100,000	8/01/2010	- %	- %

iii) Analysis of Movements in Options – Audited

There was no movement in options during the reporting period. No options were issued during the year.

Loans to directors and executives

There are no loans to directors and executives.

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 commenced exploration activity on various 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, Zenith Minerals Limited undertook mineral exploration activities in Australia.

Objectives

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

Financial Results

The loss for the financial year ended 30 June 2011 attributable to members of Zenith Minerals Limited after income tax is \$776,437 (2010: \$501,024).

Shareholder earnings (loss) per share

	2011 \$	2010 \$	2009 \$	2008 \$	2007 \$
Loss attributable to owners of the Company	776,437	501,024	707,565	331,242	475,310
Basic Loss per Share	0.010	0.008	0.011	0.005	0.029
Changes in share price (from initial listing of 25 cents)	0.13	-0.08	-0.16	-0.16	0.15

No dividends were paid or recommended for payment during the financial year ended 30 June 2011.

Review of Financial condition

During the year the net assets of the Company increased by \$2,348,353 from \$5,424,123 at 30 June 2010 to \$7,772,476 at 30 June 2011.

The Directors consider that the Company holds a valuable portfolio of mineral tenements with a carrying value at 30 June 2011 of \$4,281,763 (2010: \$2,973,650).

The Directors believe that the Company has sufficient working capital to meet its exploration objectives for the following year, with net current assets at 30 June 2011 of \$3,255,712 (2010: \$2,308,984).

Significant Changes in State of Affairs

Significant changes in the state of affairs of Zenith Minerals Limited during the financial year ended 30th June 2011, were as follows:

- a) An increase in share capital of \$3,124,790 (before issue costs) as a result of the placement of 7,440,000 shares;
- b) Net cash received from the increase in share capital was principally invested in cash deposits, short term bank deposits and used for exploration activities.
- c) The Company changed its name from Zinc Co Australia Limited to Zenith Minerals Limited on 16 December 2010.

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.

8. LIKELY DEVELOPMENTS

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

Further information about likely developments in the operations of the 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, Zenith Minerals Limited paid a premium of \$8,664 (2010: \$9,565) to insure the directors and officers of the Company who are: Gary E Comb, Stanley A Macdonald, Rodney M Joyce, Anthony M Hespe, Alex A Dermedgoglou.

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 or 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. The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

11. 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 Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

11. DIRECTORS' INTERESTS (contd)

	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	-	-	-
R M Joyce	-	1,031,759	1,031,759	-	-	-
S A Macdonald	1,540,371	562,177	2,102,548	-	-	-
A M Hespe	-	-	-	-	800,000	800,000
TOTAL	1,540,371	1,693,936	3,234,307	-	800,000	800,000

12. SHARE OPTIONS

Shares under option

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

Date options granted	Expiry date	Issue price of shares	Number under option
21 August 2008	1 February 2013	\$0.16	550,000
8 January 2010	31 December 2013	\$0.14	500,000

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

No options granted under Zenith Minerals Limited's Employee Option Plan were exercised into ordinary shares during the year ended 30 June 2011.

As at the date of this report there were 1,050,000 unlisted options on issue

13. 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.

14. NON-AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditors' independence for the following reasons:

- All non-audit services are reviewed and approved by directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the audit; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

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

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

	2011 \$	2010 \$
Assurance services		
Audit services		
PKF-Mack & Co		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	24,500	39,000
Total remuneration for audit services	<u>24,500</u>	<u>39,000</u>
Other assurance services	-	-
Total remuneration for other assurance services	<u>-</u>	<u>-</u>
Total remuneration for audit and assurance services	<u><u>24,500</u></u>	<u><u>39,000</u></u>

15. DIVIDENDS

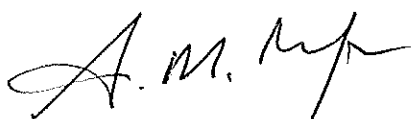
No dividends were paid or provided for during the year

16. 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 the directors.



Anthony M Hespe
MANAGING DIRECTOR

Perth, WA
28 SEPTEMBER 2011

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ZENITH MINERALS LIMITED**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2011 there has been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

PKF Mack and Co

PKF MACK & CO

Simon Fermanis
SIMON FERMANIS
PARTNER

28 SEPTEMBER 2011
WEST PERTH,
WESTERN AUSTRALIA

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 \$	2010 \$
Net gain on disposal of tenements	-	274,533
Change in fair value of investments	40,000	-
Employee benefits expenses	(197,462)	(252,320)
Depreciation and amortisation expense	(14,237)	(7,465)
Management fee	(120,000)	(120,000)
Exploration expenditure written off	(628,276)	(297,464)
Other operating expenses	5 (208,535)	(159,246)
Results from operating activities	(1,128,510)	(561,962)
Financing income - interest	100,981	60,201
Net Finance income	100,981	60,201
Loss before income tax	(1,027,529)	(501,761)
Income tax benefit	8 251,092	737
Loss for the period	(776,437)	(501,024)
Other comprehensive income		
Other comprehensive income for the period (net of tax)	-	-
Total comprehensive loss for the period	(776,437)	(501,024)
Loss per share	<u>Cents</u>	<u>Cents</u>
Basic and diluted loss per share	7 (1.02)	(0.76)

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	NOTE	2011 \$	2010 \$
CURRENT ASSETS			
Cash and cash equivalents	9	3,107,496	2,388,851
Trade and other receivables	10	310,000	27,234
Other current assets	11	37,264	31,089
TOTAL CURRENT ASSETS		<u>3,454,760</u>	<u>2,447,174</u>
NON-CURRENT ASSETS			
Plant and equipment	12	80,611	24,842
Financial assets	29	180,000	140,000
Exploration and evaluation expenditure	13	4,281,763	2,973,650
TOTAL NON-CURRENT ASSETS		<u>4,542,374</u>	<u>3,138,492</u>
TOTAL ASSETS		<u>7,997,134</u>	<u>5,585,666</u>
CURRENT LIABILITIES			
Trade and other payables	14	137,698	113,959
Employee benefits	15	61,350	24,231
TOTAL CURRENT LIABILITIES		<u>199,048</u>	<u>138,190</u>
NON-CURRENT LIABILITIES			
Employee benefits	15	25,610	23,353
TOTAL NON-CURRENT LIABILITIES		<u>25,610</u>	<u>23,353</u>
TOTAL LIABILITIES		<u>224,658</u>	<u>161,543</u>
NET ASSETS		<u>7,772,476</u>	<u>5,424,123</u>
EQUITY			
Issued capital	16	9,971,604	6,846,814
Reserves	17(a)	69,450	69,450
Accumulated losses	17(b)	(2,268,578)	(1,492,141)
TOTAL EQUITY		<u>7,772,476</u>	<u>5,424,123</u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

	Issued Capital	Option Premium Reserves	Share Based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2010	6,846,814	-	69,450	(1,492,141)	5,424,123
Loss for the period				(776,437)	(776,437)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(776,437)	(776,437)
<i>Transactions with owners, recorded directly in equity</i>					
Shares placement	3,124,790	-	-	-	3,124,790
Balance at 30 June 2011	9,971,604	-	69,450	(2,268,578)	7,772,476

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010**

	Issued Capital	Option Premium Reserves	Share Based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2009	5,092,500	237,577	544,450	(1,514,117)	4,360,410
Loss for the period				(501,024)	(501,024)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(501,024)	(501,024)
<i>Transactions with owners, recorded directly in equity</i>					
Issue of shares on exercise of options	3,657	-	-	-	3,657
Shares issued	1,503,080	-	-	-	1,503,080
Shares issued on purchase of tenement	10,000	-	-	-	10,000
Share-based payments	-	-	48,000	-	48,000
Lapsed staff options – note 17	-	-	(523,000)	523,000	-
Premium on lapsed options transferred to Issued Capital	237,577	(237,577)	-	-	-
Balance at 30 June 2010	6,846,814	-	69,450	(1,492,141)	5,424,123

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 2011**

	NOTE	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash paid to suppliers		(688,149)	(269,339)
Interest received		95,058	60,768
Net GST and other taxes received (paid)		173,341	82,469
NET CASH (USED IN) OPERATING ACTIVITIES	24	<u>(399,750)</u>	<u>(120,102)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of tenements		-	150,000
Payment for purchase of tenement		-	(20,000)
Payments of plant and equipment		(70,006)	(9,578)
Payments for exploration and expenditure		(1,936,389)	(1,447,518)
NET CASH (USED IN) INVESTING ACTIVITIES		<u>(2,006,395)</u>	<u>(1,327,096)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of share capital and options		3,124,790	1,506,737
NET CASH PROVIDED BY FINANCING ACTIVITIES		<u>3,124,790</u>	<u>1,506,737</u>
Net Increase (decrease) in cash and cash equivalents		718,645	59,539
Cash and cash equivalents at the beginning of the financial period		<u>2,388,851</u>	<u>2,329,312</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9	<u><u>3,107,496</u></u>	<u><u>2,388,851</u></u>

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 2011**

1. REPORTING ENTITY

Zenith Minerals 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 28 September 2011. Comparative information is for period 01 July 2010 to 30 June 2011.

(b) Basis of Measurement

These financial statements have been prepared on the historical cost and accrual accounting basis, and financial assets are recognised at fair value.

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgements

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

(i) Taxation

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

2. BASIS OF PREPARATION (contd)**(d) Use of Estimates and Judgements (contd)***(ii) Exploration and Evaluation Expenditure*

The Company capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at reporting date at \$4.3m.

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 2011, the carrying value of capitalised exploration expenditure is \$4,281,763 (2010: \$2,973,650).

(iii) 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. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Impairment loss recorded in the current financial year was \$628,276 (2010: \$297,464).

(iv) 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.

(v) 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.

(e) Going Concern Basis

The financial report has been prepared on the going concern basis. As at 30 June 2011 the Company had net assets of \$7,772,476 and continues to incur expenditure on its exploration tenements drawing on its cash balances. As at 30 June 2011 the Company had \$3,107,496 in cash and cash equivalents. The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. Ultimate exploitation of the assets will depend on raising necessary funding in the future.

2. BASIS OF PREPARATION (contd)**(e) Going Concern Basis (contd)**

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

The Company has the following non-derivative financial assets: financial assets at fair value through profit and loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd)

(a) Financial Instruments (contd)

Held-to-maturity financial assets

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

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, including service concession receivables¹ (see note 10).

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. 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.

The Company recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition the financial assets are measured at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Company's 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. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Share Capital

Ordinary shares are classified as equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd)**(a) Financial Instruments (contd)***Share Capital (contd)*

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

Transaction costs on the issue of equity instruments

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

(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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd)**(d) Finance Income and Expenses (contd)**

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.

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 intends to settle its current tax assets and liabilities on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd)**(e) Income Tax (contd)***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.

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").

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

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.

(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. Collectability 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd)**(i) Property, Plant and Equipment (contd)****(i) Recognition and Measurement (contd)**

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 life, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following rates are used in the calculation of depreciation:

• Plant and equipment	10% - 33%
• Motor vehicles	25%
• Office furniture and fittings	10%
• Computer & 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 otherwise 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 2(d)(iii)).

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

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.

Rehabilitation, Restoration and Environmental Costs

Long-term environmental obligations are based on the Company's environmental management plans, in compliance with current environmental and regulatory requirements.

The costs will include obligations relating to reclamation, waste site closure, plant closure and other costs associated with the restoration of the site, when relevant.

Full provision is made based on the net present value of the estimated cost of restoring the environment disturbance that has been incurred as at the balance date. Increases due to additional environmental disturbance (to the extent that it relates to the development of an asset) are capitalised and amortised over the remaining lives of the mines.

Annual increases in provision relating to the change in the present value of the provision are accounted for in earnings.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure.

(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.

(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.

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

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, 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 provision for employee benefits to long service leave is the amount of future benefit that employees have earned in return for their services in the current and prior periods. The provision is calculated using current future increases in wage and salary rates.

(iii) Share-based payment transactions

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

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

(n) 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.

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

(p) 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.

(q) New Standards and Interpretations Not Yet Adopted

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

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

(q) New Standards and Interpretations Not Yet Adopted (cont'd)

AASB NO.	TITLE	ISSUE DATE	OPERATIVE DATE (ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER)
9	Financial Instruments	Dec 2010	1 Jan 2013
10	Consolidation	Aug 2011	1 Jan 2013
11	Joint Arrangements	Aug 2011	1 Jan 2013
12	Disclosure of Interests in Other Entities	Aug 2011	1 Jan 2013
13	Fair Value Measurement	Sep 2011	1 Jan 2013
1053	Application of Tiers of Australian Accounting Standards	Jun 2010	1 Jul 2013
2009 – 12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	Dec 2009	1 Jan 2011
2010 – 2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	Jun 2010	1 Jul 2013
2010 – 4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	Jun 2010	1 Jan 2011
2010 – 5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	Oct 2010	1 Jan 2011
2010 – 6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	Nov 2010	1 Jul 2011

AASB NO.	TITLE	ISSUE DATE	OPERATIVE DATE (ANNUAL REPORTING PERIODS)
2010 – 7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	Dec 2010	1 Jan 2013
2010 – 8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	Dec 2010	1 Jan 2012
2010 – 9	Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	Dec 2010	1 Jul 2011
2010 – 10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	Dec 2010	1 Jan 2013
2011 - 1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]	May 2011	1 Jul 2011
2011 - 2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]	May 2011	1 Jul 2013
2011 - 4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	Jul 2011	1 Jul 2013

4. SEGMENT REPORTING

The Company operates predominantly in one business and geological segment, being mineral exploration in Australia. Refer to note 26.

5. OTHER OPERATING EXPENSE

	2011 \$	2010 \$
Accounting and Admin Services	10,969	13,960
Auditors Remuneration	29,000	61,500
Consulting fee	26,364	-
Legal Expenses	947	2,438
Motor Vehicle Expenses	10,434	6,381
Shareholder Expenses	6,547	6,867
Share Registry and Securities Exchange	40,392	37,085
Fringe Benefits Tax	1,898	1,726
Storage	5,259	5,259
Subscriptions, Publications, Memberships	5,188	4,636
Insurance	18,879	17,223
Sundry Administration Expenses	52,658	2,171
	<u>208,535</u>	<u>159,246</u>

6. AUDITORS' REMUNERATION

Audit Services		
Auditors of the Company		
Audit and review of financial reports – PKF Mack & Co	24,500	39,000
	<u>24,500</u>	<u>39,000</u>

7. LOSS PER SHARE

	2011 Cents	2010 Cents
Basic loss per share	(1.02)	(0.76)

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:

	2011 \$	2010 \$
Loss used in calculation of basic and dilutive earnings per share	(776,437)	(501,024)
Weighted average number of ordinary shares outstanding during the reporting period used in calculation of basic and dilutive earnings per share	76,372,556	65,770,550
Issued ordinary shares 1 July	73,865,378	65,300,304
Accrual of options into shares	-	8,753
Issue of shares	2,507,178	461,493
Total	<u>76,372,556</u>	<u>65,770,550</u>

2011	2010
\$	\$

8. INCOME TAX EXPENSE/(BENEFIT)

- 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:

Profit (Loss) before tax	(776,437)	(501,024)
Prima facie tax benefit on loss at 30% (2008: 30%)	(232,931)	(150,307)
Add:		
Tax effect of:		
Other non-allowable items	-	1,170
Share based payments	-	14,400
Overs/unders from prior year	200,873	33,660
Research and development refund	(251,092)	-
Deferred tax balances not recognised (recognised)	32,058	100,340
Income tax expense on pre-tax net profit	(251,092)	(737)

Deferred tax recognised directly in equity

Capital raising costs	-	-
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The applicable average weighted tax rates are as follows: 0% 0%

Deferred tax assets and liabilities**Recognised Deferred Tax Assets and Liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	Jun 2011	Jun 2010	Jun 2011	Jun 2010	Jun 2011	Jun 2010
Accrued expenses	(5,465)	(5,749)	-	-	(5,465)	(5,749)
Accrued income	-	-	78,409	1,305	78,409	1,305
Capital raising costs	(2,475)	(15,975)	-	-	(2,475)	(15,975)
Employee entitlements	(26,088)	(14,275)	-	-	(26,088)	(14,275)
Exploration expenditure	-	-	1,271,365	879,585	1,271,365	879,585
Financial assets	-	-	12,222	221	12,222	221
Prepayments	-	-	819	1,008	819	1,008
Property plant and equipment	-	-	23,916	3,554	23,916	3,554
Tax losses	(1,352,703)	(849,674)	-	-	(1,352,703)	(849,674)
Gross tax (assets) liabilities	(1,386,731)	(885,673)	1,386,731	885,673	-	-
Set-off DTA/DTL	1,386,731	885,673	(1,386,731)	(885,673)	-	-
Net tax (assets) liabilities	-	-	-	-	-	-

2011	2010
\$	\$

9. CASH & CASH EQUIVALENTS

Cash at bank and in hand	146,496	323,935
Deposits at call	450,000	221,912
Term Deposits	2,511,000	1,843,004
	<u>3,107,496</u>	<u>2,388,851</u>

- 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:

Balances as above	3,107,496	2,388,851
Cash and cash equivalents in statement of cash flows	3,107,496	2,388,851

The company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 18.

2011	2010
\$	\$

10. TRADE AND OTHER RECEIVABLES

Accrued Interest	10,274	4,350
Other Receivables (a)	299,726	22,884
	<u>310,000</u>	<u>27,234</u>

a) Terms and conditions

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

2011	2010
\$	\$

11. OTHER CURRENT ASSETS

Bonds & Deposits	12,428	11,819
Prepayments	24,836	19,270
Prepayments and other assets	<u>37,264</u>	<u>31,089</u>

	Plant & Equipment	Motor Vehicles	Computer Equipment & Software	Total
	\$	\$	\$	\$
12. PROPERTY, PLANT & EQUIPMENT				
Cost or Deemed Cost				
Balance at beginning of the period	6,200	12,705	21,604	40,509
Additions	1,137	-	1,919	3,056
Balance at 30 June 2009	<u>7,337</u>	<u>12,705</u>	<u>23,523</u>	<u>43,565</u>
Additions	2,749	6,467	363	9,579
Balance at 30 June 2010	<u>10,086</u>	<u>19,172</u>	<u>23,885</u>	<u>53,144</u>
Additions	10,621	51,920	7,463	70,004
Balance at 30 June 2011	<u>20,707</u>	<u>71,092</u>	<u>31,349</u>	<u>123,148</u>
Depreciation				
Balance at 30 June 2009	2,399	6,144	12,293	20,836
Depreciation for the year	2,063	1,649	3,753	7,465
Balance at 30 June 2010	<u>4,462</u>	<u>7,793</u>	<u>16,046</u>	<u>28,301</u>
Depreciation for the year	3,018	8,033	3,185	14,236
Balance at 30 June 2011	<u>7,480</u>	<u>15,826</u>	<u>19,231</u>	<u>42,537</u>
Carrying Amount				
At 30 June 2009	4,938	6,561	11,230	22,729
At 30 June 2010	<u>5,624</u>	<u>11,379</u>	<u>7,839</u>	<u>24,842</u>
At 30 June 2011	<u>13,227</u>	<u>55,266</u>	<u>12,118</u>	<u>80,611</u>

2011	2010
\$	\$

13. EXPLORATION & EVALUATION EXPENDITURE

Balance at beginning of financial period	2,973,650	2,082,596
Acquisition of tenements	-	20,000
Capitalised expenditure	1,936,389	1,168,518
Less exploration expenditure written off	(628,276)	(297,464)
Balance at end of financial period	<u>4,281,763</u>	<u>2,973,650</u>

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.

	2011 \$	2010 \$
14. TRADE AND OTHER PAYABLES		
Other Payables (a)	74,547	90,946
Accrued Fees and Employment Expenses (b)	57,834	19,427
Owed to Related Parties (note 22)	5,317	3,586
	<u>137,698</u>	<u>113,959</u>

Terms and conditions

Terms and conditions relating to the above financial instruments

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

	2011 \$	2010 \$
15. EMPLOYEE BENEFITS		
CURRENT		
Accrued annual leave	61,350	24,231
	<u>61,350</u>	<u>24,231</u>
NON-CURRENT		
Accrued long-service leave	25,610	23,353
	<u>25,610</u>	<u>23,353</u>

16. ISSUED CAPITAL

	Shares No	2011 \$	Shares No	2010 \$
(a) Share capital				
Fully paid ordinary shares				
Balance at beginning of year	73,865,378	6,846,814	65,300,304	5,092,500
Purchase of Tenement	-	-	200,000	10,000
Options exercised into shares	-	-	14,629	3,657
Premium on lapsed listed option	-	-	-	237,577
Issue of ordinary shares	7,440,000	3,124,790	8,350,445	1,503,080
Transaction costs arising on the share issues	-	-	-	-
	<u>81,305,378</u>	<u>9,971,604</u>	<u>73,865,378</u>	<u>6,846,814</u>

(b) Ordinary Shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

16. ISSUED CAPITAL (cont'd)

(c) Options

Information relating to Zenith Minerals Limited's Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 23.

(d) 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.

2011	2010
\$	\$

17. RESERVES & RETAINED LOSSES

(a) Reserves

Share-based Payment Reserve (i)	69,450	69,450
	69,450	69,450
i) Share-based Payment Reserve		
Balance at beginning of financial year	-	544,450
Lapsed staff options	-	(523,000)
Issue of 500,000 options under terms of employee share option plan	-	48,000
	69,450	69,450
ii) Options Premium Reserve		
Balance at beginning of financial year	-	237,577
Premium on lapsed options transferred to issued capital	-	(237,577)
	-	-

(b) Accumulated losses

Movements in accumulated losses were as follows:

Balance at beginning of period	1,492,141	1,514,117
Loss for the year	776,437	501,024
Lapsed staff options	-	(523,000)
Balance at 30 June 2011	2,268,578	1,492,141

Share-based payments reserve

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

Options premium reserve

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

18. 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. The Company does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the 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. At the balance sheet date there were no significant concentrations of credit risk.

Cash and Cash Equivalents

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

Trade and Other Receivables

As the 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:

	2011 \$	2010 \$
Trade and other receivables	310,000	27,234
Cash and cash equivalents	3,107,496	2,388,851

18. FINANCIAL INSTRUMENTS (cont'd)**Impairment Losses**

None of the Company's other receivables are past due (2010: 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 2011 the Company does not have any collective impairment on its other receivables (2010: 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. The Company does not have any external borrowings.

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

**Company
30 June 2011**

	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	137,698	137,698	137,698	-	-	-	-

**Company
30 June 2010**

	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	113,959	113,959	113,959	-	-	-	-

18. FINANCIAL INSTRUMENTS (cont'd)**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 (2010: 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) profit or loss by the amounts shown below. The analysis is performed on the same basis for 2010.

	2011		2010	
	Profit or Loss		Profit or Loss	
	100 bp Increase \$	100 bp Decrease \$	100 bp Increase \$	100 bp Decrease \$
Cash & cash equivalents	31,075	(31,075)	23,889	(23,889)

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:

18. FINANCIAL INSTRUMENTS (cont'd)

	30 June 2011		30 June 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	310,000	310,000	27,234	27,234
Cash & Cash equivalents	3,107,496	3,107,496	2,388,851	2,388,851
Trade and other payables	(137,698)	(137,698)	(113,959)	(113,959)
	3,279,798	3,279,798	2,302,126	2,302,126

Capital Management

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

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

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

There were not changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

19. OPERATING LEASE COMMITMENTS

The Company has an agreement with U3O8 Limited, a director related company, whereby the Company is provided with accounting and secretarial services and office facilities for a monthly fee of \$10,000. The agreement is reviewed annually.

20. EXPLORATION COMMITMENTS

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 \$892,460 during the next 12 months (2010: \$569,000). There are no commitments beyond 12 months in relation to tenements. These obligations may be varied from time to time, subject to approval, and are expected to be fulfilled in the normal course of operations of the entity.

21. KEY MANAGEMENT PERSONNEL DISCLOSURES**(a) Directors**

The following persons were directors of Zenith Minerals 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
Anthony Hespe	appointed 11 February 2011

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (contd)

(b) Other Key Management Personnel

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

Name	Position	Employer
Bruce R Acutt [†]	Joint Company Secretary	Giralia Resources NL
Alex A Dermedoglou	Joint Company Secretary	U3O8 Limited
[†] resigned 25 November 2010		

(c) Key Management Personnel Compensation

	2011 \$	2010 \$
Short-term employee benefits	351,160	318,272
Post-employment benefits	26,691	25,728
Other long-term benefits	4,156	3,917
Share-based payments	-	38,400
	382,007	386,317

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Directors 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 Zenith Minerals Limited and other key management personnel, including their personally related parties, are set out below:

2011 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 Zenith Minerals Limited

Gary E Comb	-	-	-	-	-	-
Rodney M Joyce	-	-	-	-	-	-
Stanley A Macdonald	-	-	-	-	-	-
Anthony Hespe	800,000	-	-	-	800,000	800,000

Other key management personnel compensation

Bruce R Acutt*	-	-	-	-	-	-
Alex D Dermedoglou	100,000	-	-	-	100,000	100,000

* Resigned 25 November 2010

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

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (contd)

2010 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 Zenith Minerals Limited

Gary E Comb	50,000	-	-	(50,000)	-	-
Rodney M Joyce	515,880	-	-	(515,880)	-	-
Stanley A Macdonald	1,051,275	-	-	(1,051,275)	-	-

Other key management personnel compensation

Bruce R Acutt	237,966	-	-	(237,966)	-	-
Alex D Dermedgoglou	72,019	100,000	-	(72,019)	100,000	100,000
Anthony Hesper	500,000	300,000	-	-	800,000	800,000

¹ Expired options.*ii) Share holdings*

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

2011 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 Zenith Minerals Limited

Gary E Comb	100,000	-	-	-	100,000
Rodney M Joyce	1,031,759	-	-	-	1,031,759
Stanley A Macdonald	2,102,548	-	-	-	2,102,548
Anthony Hesper	-	-	-	-	-

Other key management personnel

Bruce R Acutt*	475,930	-	-	-	475,930
Alex D Dermedgoglou	144,037	-	-	-	144,037

* Resigned 25 November 2010

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (contd)

2010 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 Zenith Minerals Limited					
Gary E Comb	100,000	-	-	-	100,000
Rodney M Joyce	1,031,759	-	-	-	1,031,759
Stanley A Macdonald	2,102,548	-	-	-	2,102,548
Other key management personnel					
Anthony Hesper	-	-	-	-	-
Bruce R Acutt	475,930	-	-	-	475,930
Alex D Dermedoglou	144,037	-	-	-	144,037

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 Zenith Minerals 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:
- accounting and secretarial services; and
 - 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 2011 is \$120,000 (2010: \$120,000).

The Company made payments of \$19,974 to U3O8 Limited for reimbursement of expenses not covered by the agreement (2010: \$nil). The Company received \$19,974 (2010: \$nil) from U3O8 Limited for reimbursement of expenses incurred on behalf of U3O8 Limited.

22. RELATED PARTY TRANSACTIONS (cont'd)

- ii) Up until Giralia Resources NL was acquired by Atlas Iron Limited in March 2011, the Company was 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 had 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. The Company has not met the agreed farm-in expenditure commitment regarding the Cardinals project. S A Macdonald and R M Joyce are not Directors of Atlas Iron Limited.

- (d) Amounts owing by (to) related parties at 30 June 2011 are:
U3O8 Limited

	2011	2010
	\$	\$
	5,317	-
	5,317	-

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

23. SHARE BASED PAYMENTS**(a) Employee Option Plan**

The establishment of the Zenith Minerals 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.

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 Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
21 Aug 2008	1 Feb 2013	\$0.16	550,000	-	-	-	550,000	550,000
8 Jan 2010	31 Dec 2013	\$0.14	500,000	-	-	-	500,000	500,000
Weighted average exercise price \$0.15			1,050,000	-	-	-	1,050,000	1,050,000

No options were forfeited 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 2.03 years.

23. SHARE BASED PAYMENTS (contd)

Zenith Minerals Limited	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2011	2011	2010	2010
Outstanding at the beginning of the period	\$0.15	1,050,000	\$0.16	550,000
Granted during the period	-	-	\$0.14	500,000
Outstanding at end of the period	\$0.15	1,050,000	\$0.15	1,050,000
Exercisable at the end of the period	\$0.15	1,050,000	\$0.15	1,050,000

* No options were exercised during the period.

The weighted average remaining contractual life of share options outstanding at the end of the year was 2.03 years (2010: 3.03 years) and have an exercise price in the range of \$0.14 to \$0.16.

(b) Expenses arising from share-based payment transactions

No options were issued this financial year.

Options issued under employee option plan

2011	2010
\$	\$
-	48,000

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

Loss for the year	(776,437)	(501,024)
Add:		
Non cash items		
Employee benefits expense – option based payments	-	48,000
- employee entitlements	39,376	(6,132)
Mining Tenement expenditure written off	628,276	297,464
Depreciation	14,237	7,465
Movement in fair value of investments	(40,000)	-
Changes in operating assets and liabilities:		
Decrease/(Increase) in trade and other receivables	(282,766)	3,096
Decrease/(Increase) in other assets	(6,175)	(1,846)
Increase/(Decrease) in trade and other payables	23,742	32,875
Net cash (used in) operating activities	<u>(399,750)</u>	<u>(120,102)</u>

25. SUBSEQUENT EVENTS

Since 30 June 2011, there have been no material events which may significantly affect the operations of the Company.

26. SEGMENT REPORTING

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker to make decisions about resources to be allocated to the segments and assess their performance.

Operating segments are identified by Management based on the mineral resource and exploration activities in Australia. Discrete financial information about each project is reported to the chief operating decision maker on a regular basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the economic characteristics, the nature of the activities and the regulatory environment in which those segments operate.

Operating segments are identified by management based on exploration activities in Australia.

	2011 \$	2010 \$
Revenue from external sources	100,981	334,734
Net loss before tax	(1,027,529)	(501,761)
Reportable segment assets	7,997,134	5,585,666
Reportable segment liabilities	224,658	161,543

27. DIVIDENDS

No dividends have been paid or provided for.

28. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets and liabilities at reporting date.

29. FINANCIAL ASSETS

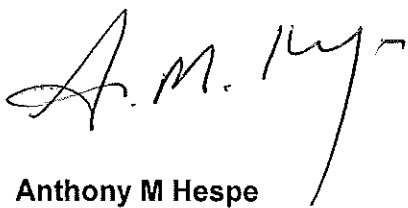
	2011 \$	2010 \$
Listed shares at fair value	180,000	140,000
	<u>180,000</u>	<u>140,000</u>

DIRECTORS' DECLARATION

1. In the opinion of the directors of Zenith Minerals Limited ("the Company"):
 - (a) the Financial Statements and notes, and the Remuneration report in the Directors' report, set out on pages 4 to 10 are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the financial position of the Company's financial position as at 30 June 2011, and of its performance for the financial year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) the Financial Report also complies with International Financial Reporting Standards as disclosed in note 2(a);
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2011.

Dated at Perth this 28 Day of September 2011.

Signed in accordance with a resolution of the directors:



Anthony M Hespe
Managing Director

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

Report on the Financial Report

We have audited the accompanying financial report of Zenith Minerals Limited (the company), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of Zenith Minerals Limited.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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Opinion

In our opinion:

- (a) the financial report of Zenith Minerals Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 9 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Zenith Minerals Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



PKF MACK & CO



SIMON FERMANIS
PARTNER

28 SEPTEMBER 2011
WEST PERTH
WESTERN AUSTRALIA

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

PRINCIPLES OF BEST PRACTICE RECOMMENDATIONS

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role of Board and Responsibilities

The Board of Directors of Zenith Minerals Limited is responsible for the corporate governance of the 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.

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.zenithminerals.com.au. The charter details the Board's composition and responsibilities.

Board Responsibilities

(ASX CGC Recommendation 1.1)

The responsibilities of the Board include:

- supervising the 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;
 - 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.

Senior Executive Responsibilities

The Company is served by three senior executives;

A Managing Director and a joint Company Secretary.

The Managing Director is responsible for:-

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

The joint Company Secretary is responsible for:

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

Evaluation of Senior Executive Performance

(ASX CGC Recommendation 1.2)

The Managing Director 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. Similarly, the performance of the Company Secretary/CFO's is evaluated by the Board annually.

(ASX CGC Recommendation 1.3)

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

PRINCIPLE 2: STRUCTURE OF THE BOARD TO ADD VALUE

Current Board and its Composition

Details of the current Directors of the Company, their expertise and length of service as a director are contained in the Directors' Report (page 2).

Composition and Functions of the Board

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

- The Board shall comprise at least three Directors, increasing where additional expertise is considered desirable in certain areas;
- Where possible the Board is to comprise a majority of non-executive directors who are considered by the Board to be independent;
- 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 "1. Directors". There are three non-executive directors' one of whom 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 an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- 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 director 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 – Related Party Transactions**, 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. Mr Comb has no executive role in the running of the Company.

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.zenithminerals.com.au.

Board Committees

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

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

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

Minutes of meetings are tabled at the subsequent Board meeting.

Nomination Committee

(ASX CGC Recommendation 2.4)

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

G E Comb (Non-Executive Independent Chairman)
R M Joyce (Non-Executive Director)
S A Macdonald (Non-Executive Director)
A M Hesse (Managing Director)

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

The main responsibilities are to:

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

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

The Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the 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 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 2011.

The commitments of non-executive Directors are considered by the Board, 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 (ASX CGC Recommendations 2.5)

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

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

Commitment

The Board held five board meetings during the year and two 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 2011, and the number of meetings attended by each Director, is disclosed on page 3 of the Directors' Report.

The commitments of non-executive Directors are considered by the nomination committee prior to the Directors' appointment to the Board of the 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)

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.

(ASX CGC Recommendation 3.2)

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.

(ASX CGC Recommendation 3.2)

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

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit Committee (ASX CGC Recommendation 4.1, 4.2)

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

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

For details of the Board members please refer to the Directors Report (page 2).

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

In fulfilling its responsibilities, the Board:

- receives regular reports from management and external auditors;
- meets with management and external auditors at least twice a year, or more frequently if necessary;
- reviews the processes the Managing Director and CFO have in place to support their certifications to the Board;

- discuss external audit plans, identifying significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review external audit fees proposed for the audit work to be performed;
- reviews the half year and annual report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made;
- provides management and external auditors with a clear line of direct communication at any time to the Chairman of the Board.

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

External Auditors

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

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report and in note 6 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.

Audit Committee Charter

(ASX CGC Recommendation 4.3)

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

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Continuous Disclosure and Market Communication

(ASX CGC Recommendation 5.1, 5.2)

The 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 Managing Director and the Company Secretary 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 Company's continuous disclosure policy and understand the processes involved in relation to the timely disclosure of information.

All information disclosed to the ASX is posted on the Company's website (www.zenithminerals.com.au) as soon as possible after it is disclosed to the ASX. When analysts are briefed on aspects of the 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 as soon as possible following the release to the ASX.

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 Meeting to answer shareholder questions in relation to the conduct of the audit, the preparation and content of the audit report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Assessment and Management

(ASX CGC Recommendations 7.1, 7.2, 7.4)

The Board, acting as the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the 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.

(ASX CGC Recommendations 7.2)

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

(ASX CGC Recommendations 7.3)

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

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

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Committee

(ASX CGC Recommendation 8.1, 8.2, 8.3)

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

- G E Comb (Chairman) – (Non-executive and Independent Director)
- R M Joyce (Non-executive Director)
- S A Macdonald (Non-executive Director)
- A M Hespe (Managing Director)

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

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

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

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

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

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