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# AustralianZircon

NL ABN 60 063 389 079

## ANNUAL REPORT – 2015

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The Australian Zircon NL Corporate Governance Statement is available on our website, in the section titled Board and Governance at:

(<http://www.auzircon.com.au/corporate-governance-statement>).

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# DIRECTORS' REPORT

## Directors' Report

The Directors of Australian Zircon NL ('the Company') submit their report for the year ended 30 June 2015. The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

### JEREMY D SHERVINGTON

B.Juris.LLB – Appointed 16 February 1998, Non-executive Chairman from 23 December 2008.

Mr Shervington is a solicitor specialising in laws regulating companies and the securities industry in Australia.

He is also a director of various unlisted public and private companies.

#### **Other current Directorships:**

**Former Directorships in the last 3 years:** Prairie Downs Limited: appointed 11 October 2002, resigned 25 August 2011; Cardinal Resources Limited: appointed 11 November 2010, resigned 27 December 2012; Emerald Oil & Gas - Non executive Chairman from 23 January 2006, resigned 15 May 2014; Horseshoe Metals Limited - Non executive Chairman from 14 December 2006, resigned 23 June 2014.

Age: 58

### THOMAS STYBLO

Executive Master of Laws (LL.M.), Masters Degree in Economic and Social Sciences – Non-executive Director. Appointed 22 February 2012.

Mr Styblo is an executive of Australian Zircon's largest shareholder, DCM DECOmetal GmbH and is responsible for the legal and commercial aspects of DCM's mining investments as well as management of DCM's Australian mining operations.

Prior to joining DCM, Mr Styblo was Managing Director and CFO of Schweighofer & Styblo GmbH and was responsible for finance, legal and accounting, tax optimisation, human resources and strategic planning for that company.

**Other current Directorships:** Stirling Resources Limited - Non executive Director from 28 March 2012.

**Former Directorships in the last 3 years:** Swan Gold Mining Limited: appointed 14 September 2012, resigned 27 March 2013; Redbank Copper Limited: appointed 11 April 2012, resigned 23 April 2013.

Age: 47

### DR GERHARD KORNFELD

PhD, Master of Business Economics – Non-executive Director. Appointed 23 August 2012.

Dr Kornfeld is the CEO of Australian Zircon's largest shareholder, DCM DECOmetal GmbH.

Dr. Kornfeld has extensive experience in the industrial and manufacturing sectors, mainly in the Central and Eastern Europe region. He has a degree and PhD in Economics and has held senior positions in the Siemens Group and Mondi Group.

**Other current Directorships:** Stirling Resources Limited - Non executive Director from 14 September 2012.

**Former Directorships in the last 3 years:** Swan Gold Mining Limited: appointed 25 July 2012, resigned 27 March 2013; Redbank Copper Limited: appointed 14 September 2012, resigned 23 April 2013.

Age 46

# DIRECTORS' REPORT

## JOHANN JACOBS

B.Acc, MBL, FCA, FAICD – Non-executive Director. Appointed 18 September 2012.

Mr Jacobs has more than 30 years' experience in the resource sector where he has managed established companies and acquisitions, expansions or start-up mining operations in Australia, South Africa, and Indonesia.

**Other current Directorships:** King Island Scheelite Limited - Independent Executive Chairman from 30 November 2012, Magnis Resources Limited, (previously Uranex Limited) – Non executive Chairman from 27 August 2010 until 4 June 2014, remains a Non executive director,

**Former Directorships in the last 3 years:** IMX Resources Limited: appointed 12 August 2007, resigned 10 February 2012; Coalworks Limited: appointed 20 June 2012, resigned 18 December 2012. TW Holdings Pty Ltd - Non executive director from 14 December 2012 Resigned 18 November 2014.

Age:61

## Company Secretary

## GRAHAM SEPPELT

Company Secretary from 6 December 2011.

Mr Seppelt has a wide exposure to a range of industries as a senior manager and contract accountant in corporate advisory roles. He is also company secretary for ASX listed companies BSA Limited, UXA Resources Limited and Legend Corporation Limited.

## Director's Interests in Shares and Options

Particulars of current Directors' interests in the shares of Australian Zircon NL as at the date of this report are as follows:

	Fully paid shares held	Partly paid shares held	Options held	Performance Rights
JD Shervington	1,216,230	900,000	-	2,000,000
T Styblo*	-	-	-	1,500,000
G Kornfeld*	-	-	-	1,500,000
J Jacobs	-	-	-	1,500,000

\* Dr G Kornfeld and Mr T Styblo are representatives of DCM DECOMetal GmbH, the Company's largest shareholder which holds 1,067,479,114 shares.

# DIRECTORS' REPORT

## Principal Activities

During the year, the Company completed, an optimisation review pertaining to the WIM 150 mineral sands project in Western Victoria. At the same time, work has been undertaken in relation to an Environmental Effects Statement and that Statement is nearly complete. Upon completion, the Statement will be placed on exhibition for public comment.

## Results and Dividends

The Company made a loss after tax of \$12,058,910 (2014: \$6,497,996), primarily due to the continuing work on the Optimisation Study pertaining to the WIM150 project.

No dividends were paid during the year to 30 June 2015 and the Directors have not recommended the payment of a dividend.

## Corporate Performance

The performance of Australian Zircon NL over the last five years is:

Year	Net (loss)/profit for the year	(Loss)/profit per share – cents	Shareholders' Equity	Share price at the beginning of the year – cents	Share price at the end of the year - cents
2011	28,960,385	2.0	(56,130,240)	N/A	N/A
2012	(3,928,823)	(0.3)	(60,059,063)	N/A	N/A
2013	(9,498,618)	(0.6)	(69,557,681)	N/A	N/A
2014	(6,497,996)	(0.4)	(76,055,677)	N/A	N/A
2015	(12,058,910)	(0.8)	(88,114,587)	N/A	N/A

No dividends were paid in any of the above years, nor were there any capital reductions or share cancellations.

# DIRECTORS' REPORT

## Tenements Held

Details of all Tenements held or which AZC has rights to as at 30 June 2015:

AUSTRALIAN ZIRCON NL							
<i>Tenement Schedule - Victoria - 8 August 2015</i>							
EL Number	Tenement Name	Registered Holder	Area (sq km)	Grant Date	Expiry Date	Annual Tech Report Due Date	Australian Zircon Interest
EL5446	Horsham	Australian Zircon NL	211	11/01/2013	10/01/2018	30/09/2015	100%
EL5460	Laharum	Australian Zircon NL	121	18/04/2013	17/04/2018	30/09/2015	100%
EL4521	WIM150	Orient Zirconic Resources (Australia) Pty Ltd	159	1/12/2000	1/12/2014*	1/02/2016	80% of WIM150 Project area
RL2007	WIM150	Orient Zirconic Resources (Australia) Pty Ltd	146	26/07/2013	26/07/2018	30/07/2016	80%

\* This licence covers small sections of crown land contained within the Project area. The Department of Economic Development, Jobs, Transport and Resources (DEDJTR) will leave the current renewal (on the basis of exceptional circumstances) in place for 2 years - it is anticipated that prior to the expiry of the 2 year period, an application for a Mining Licence covering both crown and private land will be lodged with the department.

## Review of Operations and Likely Developments

During the year Australian Zircon NL made the following announcements to the ASX in respect of the WIM150 Mineral Sands Project in Western Victoria.

- **Completion of Optimised Studies in respect of Bankable Feasibility Study, WIM150 Mineral Sands Project, Victoria**

Optimised Studies on the Feasibility Study carried out by Australian Zircon NL ("the Company") on the WIM150 Project, in western Victoria have now been completed. The Company now plans to proceed to finalization of marketing, capital raising and receipt of requisite approvals in respect of the Project.

Bankable Feasibility Study Optimised financial results:

- AZC 80% interest, assuming 50/50 debt: equity funding.
  - Net Present Value (10%) \$657 million
  - Internal Rate of Return 26.5%.
  - Gross Operating Margin 59% (life-of-mine average)
  - Payback period 3.25 years

# DIRECTORS' REPORT

- AZC 80% share of construction costs (real 2014, AUD)
  - Base Construction cost \$338.4 million
  - Contingency \$27.1 million
  - Working capital \$39.9 million
- Key Metrics (life of mine average, 100% project)
  - Total Site Operating Costs pa \$94 million
  - Total Site Revenue pa \$233 million
  - Gross Operating Margin pa 59%
  - Inflation 2.5%
  - AUD/USD Exchange Rate 0.875
  - Royalties (% of Net Market Value) 2.75%
  - Discount Rate 10%

## WIM150 Project Status

The Company has nominated 30 June as the annual date for reporting JORC compliant estimates of mineral resources and reserves and which will be stated within each year's annual report to shareholders.

Australian Zircon NL reported to the ASX (26 July 2013) that **Proved and Probable Ore Reserves of 552 million tonnes of 4.3% total heavy mineral** had been defined at WIM150.

The current WIM150 Ore Reserve estimate is shown in the table below.

Category	Ore Tonnes (Mt)	In Situ HM (Mt)	% THM (-75+20 µm)	HM Mineral Assemblage (%)					
				Zircon	Rutile	Ilmenite	Leucoxene	Monazite*	Xenotime*
<b>Proved</b>	268	12.0	4.5	22.0	11.7	32.7	5.9	2.4	0.4
<b>Probable</b>	283	12.0	4.2	21.3	11.6	30.8	5.9	2.2	0.4
<b>Total</b>	<b>551</b>	<b>24.0</b>	<b>4.3</b>	<b>21.6</b>	<b>11.7</b>	<b>31.7</b>	<b>5.9</b>	<b>2.3</b>	<b>0.4</b>

Source: Australian Zircon NL. \*Note: Rare earth minerals

Notes accompanying the Ore Reserves statement are as follows:

- Ore Reserves are based upon a variable cut-off grade calculated by assessing the revenue of each block.
- Ore Reserves are based on a state royalty of 2.75%.
- Mineral Resources have been reported inclusive of Ore Reserves.
- Total Heavy Minerals is assessed on the +20 µm –75 µm size fraction.
- Total Heavy Minerals grade is reported as a percentage of in situ ore.
- Leucoxene includes altered leucoxene.
- The HM assemblage grades (zircon, ilmenite, and so on) are reported as a percentage of Total Heavy Minerals contained in the ore.
- Tonnes are reported to four significant figures and grades to two significant figures. Discrepancies in summations are due to rounding.
- The Ore Reserve statement was compiled in accordance with the guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2012).

# DIRECTORS' REPORT

The Ore Reserves statement was compiled by Andrew Law of Optiro, Fellow of The Australasian Institute of Mining and Metallurgy. Mr Law has sufficient experience in Ore Reserve estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2012).

The information above that relates to Ore Reserves, is a summary table and information released to the ASX on 26 July 2013 entitled 'Ore Reserve Statement'. There has been no subsequent change to this Ore Reserve Statement.

This Ore Reserve is included in a Measured, Indicated and Inferred **Mineral Resource base of 1,650 million tonnes of 3.7% total heavy mineral** as reported to the ASX on the 18 June 2013.

Classification	Million tonnes	% Total Heavy Minerals (-5 +20 µm)	Slimes (-20 µm)	Particle Classification % within -75+20 µm Total Heavy Minerals					
				Zircon	Rutile	Ilmenite	Leucoxene	Monazite*	Xenotime*
St Helens									
Measured	415	4.3	18.0	21.7	11.5	32.2	5.8	2.3	0.41
Indicated	485	4.0	17.0	21.0	11.6	30.8	6.0	2.2	0.40
Inferred	410	2.9	21.1	20.9	11.9	30.9	6.1	2.2	0.39
Subtotal	1,310	3.8	18.6	21.2	11.6	31.3	6.0	2.2	0.40
Danube									
Measured	—	—	—	—	—	—	—	—	—
Indicated	95	4.1	25.6	17.2	11.7	31.7	6.4	1.3	0.26
Inferred	245	3.3	23.1	18.9	11.7	31.4	6.3	1.5	0.30
Subtotal	340	3.6	23.8	18.3	11.7	31.5	6.3	1.5	0.28
Total									
Measured	415	4.3	18.1	21.7	11.5	32.2	5.8	2.3	0.41
Indicated	580	4.0	18.4	20.4	11.6	31.0	6.1	2.0	0.37
Inferred	655	3.1	21.9	20.1	11.8	31.1	6.2	1.9	0.35
Total	1,650	3.7	19.6	20.7	11.7	31.4	6.0	2.1	0.38

**\*Note: Rare earth minerals**

The information in this Annual Report that relates to Mineral Resources, is a summary table of the WIM150 Resource Statement issued to the ASX on 18 June 2013. There has been no subsequent change to this Mineral Resource Statement. The information included in the mineral resource statement is based upon information compiled by Mrs Christine Standing, who is a Member of the Australasian Institute of Mining and Metallurgy, and a member of the Australian Institute of Geoscientists. Mrs Standing is an employee of Optiro Pty Ltd and has



# DIRECTORS' REPORT

sufficient experience in the style of mineralisation and type of deposit under consideration to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 edition of the Australasian code of Reporting of exploration results, mineral resources and ore reserves.

Both the Ore Reserve and Mineral Resource estimates quoted in this announcement should be read as summaries of the original announcements. Australian Zircon NL confirms that the data contained in this release complies with the requirements of ASX Listing Rule 5.23.2:

*"The entity confirms in the subsequent public report that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and, in the case of estimates of mineral resources or ore reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed."*

The Project has an **Ore Reserve** mine-life of **55 years** and a Mineral Resource mine-life of more than **160 years** at the planned rate of production. Drilling has established a total contained Project Resource of 23 million tonnes of zircon plus rutile plus leucoxene.

In the course of its Ore Reserve studies, expert Optiro Pty Ltd determined that the 552 million tonne WIM150 Ore Reserve carries a waste: ore ratio, after removal of soil and subsoil, of 0.51:1. This ratio compares well with other zircon/titanium mineral producers.

The WIM150 Orebody is well located with respect to infrastructure. State Electricity Victoria mains power, a Gas Pipeline Victoria trunkline, a Grampian Wimmera Mallee Water trunkline, the Melbourne – Adelaide standard gauge rail line and the Melbourne – Adelaide Western Highway all pass adjacent to the centre of the planned development. A range of social and industrial amenities, including permanent and temporary accommodation healthcare, schooling, skilled labour and engineering facilities are available in the nearby regional centre of Horsham.

## Project Optimisation

A complete review of the Project was undertaken under the following headings and as reported to the market on 1 October 2014:

- **Mine Scheduling**

The results of Mineral Resource and Ore Reserve drilling undertaken late in Bankable Feasibility Studies were brought into account for mine scheduling purposes. A more efficient and more value creative sequence of mining schedules has been prepared.

- **Mining Method**

Favourable results from stabilisation of co-deposited sand and slime tailings trials prompted redesign of the mining method which will now use scrapers for movement of overburden. Overburden will be picked up ahead of the mining face and replaced directly on top of stabilised tailings behind the mining void, with a consequent reduction in operating cost.

- **Ore-loading scrubbing and pumping**

Capital equipment and operating practices pertinent to ore-loading, scrubbing and slurry pumping were reviewed. Value-accretive improvements were made to both equipment configuration and operating practices.

- **Tailings Stabilisation**

Parameters which will permit a more efficient use of rheology modifier were established as a consequence of successful settling tests. The nett effect of these findings is to enable overburden to be replaced directly on top of consolidated tailings. A further benefit will be an increase in the amount of water to be recovered from tailings for reuse in the Process Plant.

# DIRECTORS' REPORT

- **Value Engineering**

Engineering construction and practice across the full spectrum of operational activity was critically reviewed. Improvements to operational effectiveness and efficiency were identified.

- **Mineral Processing**

Improvements in both recoveries to Product and Product Quality were achieved in mineral processing studies which made use of two bulk samples, one of 2.6 tonnes and one of 2.3 tonnes.

The physical and chemical characteristics of each of the recovered products were determined.

## Pilot Plant Zircon Upgrade Trials

The thermal section of CSIRO's Pure Zircon Process was successfully trialled with multiple runs at pilot-plant scale at CSIRO's facilities at Clayton in Victoria. This demonstrated the viability of the planned Zircon Upgrade Plant to achieve a high quality, low impurity zircon flour.

## Supply and Offtake Agreements

Marketing discussions are ongoing. The Company has previously announced execution of a contract to sell **37.5%** of Australian Zircon NL share of production to WIM150 partner Orient Zirconic Australia Pty Ltd for the life of the mine.

## Further Development and Project Financing

### Environment and Community Engagement

Studies required for completion of a finalised Environmental Effects Statement are ongoing, together with engagement with the relevant Federal, State, and Local government agencies, landholders and the community generally. A community consultation group has been formed to assist in enhancing community understanding of the project and provide valuable input as part of the finalisation of the EES process.

The company has continued to focus on:

- Continued finalisation of the WIM150 Environment Effects Statement (EES) report and its supporting specialist reports (focussing on Ground and Surface Water, Air Quality, Noise, Greenhouse Gases, Radiation, Cultural Heritage, Visual, Flora & Fauna, Land Use and Planning, Geology, Soils and Landform, Socioeconomic and Rehabilitation).
- Finalisation of several key specialist studies in consultation with regulators as part of the EES process.
- Review of the final draft of the EES report by regulatory organisations is currently underway.
- Continued finalisation of rehabilitation and closure plans for the project.
- Finalisation of key parts of the EES and progressed environmental permitting, in particular completion of the draft Cultural Heritage Management Plan.
- Working with environmental groups, ecological consultants and regulators to develop a native vegetation offset strategy that meets the company's regulatory requirements whilst maximising benefit to the local environment and community.
- Completion of federally listed species surveys, including the striped legless lizard. Surveys undertaken in accordance with Federal survey procedures, did not locate the species on the project area.
- Extensive ongoing engagement with regulators with respect to EES finalisation.
- Stakeholder engagement, including formation of the WIM150 Community Consultation Group (CCG).

# DIRECTORS' REPORT

## State of Affairs

During the year the Company issued no fully paid ordinary shares.

## Environmental Regulation

The Company is subject to environmental regulation in respect of the mining tenements granted to it and the mining legislation of the states in which the mining tenements are held.

The Directors are satisfied that no breaches of the environmental conditions of these licences have occurred as they are continually monitoring the Company's operations.

No notices of any such breaches have been received from any authority.

## Options

There are no unlisted options on issue as at the date of this report.

### **30 June 2015**

No Key Management Personnel held options in the Company during the year ended 30 June 2015.

### **30 June 2014**

No Key Management Personnel held options in the Company during the year ended 30 June 2014.

## Significant Events after Balance Date

On 12 August 2015 the Company was informed by its largest shareholder, DCM DECOMetal GmbH (DCM, that it has entered into a Terms Sheet which, if it was to proceed to completion, would result in, amongst other things, the sale of DCM's 72.39% shareholding in the Company.

The Company is informed that the Terms Sheet is subject to a number of conditions being fulfilled, including formal documentation, due diligence, approvals of each party's investment committee, approval of the Company's shareholders and various requirements with respect to progress of the WIM150 Project having been met.

The Company is also informed that the entry into the Terms Sheet does not give rise to any restrictions on DCM (or the Company) in continuing to negotiate and if appropriate, entering into any alternative, preferred transaction with any other parties and that DCM is, in consultation with the Company, continuing with alternative negotiations to procure financing for the development of the WIM 150 Project. The Company is informed by DCM that if any such alternative negotiations were to result in agreement being arrived at, the Terms Sheet would be terminated.

DCM has noted to the Company that it will keep the Company informed on the progress with the conditions of the Terms Sheet and if it wants the Company to seek necessary shareholder approval.

Other than the above, in the opinion of the Directors there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

# DIRECTORS' REPORT

## Going Concern

The financial statements have been prepared on the basis that the Company will continue to meet its commitments and can therefore continue normal business activities and realise assets and settle liabilities in the ordinary course of business at the amounts stated in these financial statements.

To continue as a going concern however, the Group requires additional funding to be secured from sources including but not limited to:

- Its continuing support from its controlling shareholder, DCM DECOmetal GmbH ('DCM'), who have in the past, and at the date of this report, continues to provide funding
- The successful completion of an equity raising
- The sale of an interest in the WIM 150 mineral sands project

As at 30 June 2015, the Company had net liabilities of \$88,114,587 and \$106,863,611 was owing to DCM. DCM confirmed it is its intention, subject to its financial capabilities, to continue to support the Company's activities in relation to the WIM150 mineral sands project.

At the date of signing the financial report, the directors consider there are reasonable grounds to believe that funding from one of the sources, or a combination thereof, will allow the Company to meet its debts as and when they fall due.

Should the funding referred to above not be forthcoming the Company will not be able to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts, or the amounts or classification of liabilities, which might be necessary should the Company not be able to continue as a going concern.

## 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 year.

## Business Risks

The material business risks faced by the Company that are likely to have an effect on the financial prospects of the Company, and how the Company manages these risks.

- **WIM150 Bankable Feasibility Study** - there are technical, marketing, permitting and financial modelling risks associated with the WIM150 Bankable Feasibility Study. The Company has utilised highly regarded industry consultants and advisors to obtain the best available advice as to appropriate inputs for the study. The study has been subjected to independent review by the Company's farm-in partner's representatives to ensure robustness of the study.
- **Financial position** - the Company's balance sheet, as shown hereunder in the accounts section of this report, reflects a significant negative equity position. This is primarily because of losses incurred in a previous mining venture resulting in the borrowings from the Company's major shareholder, DCM DECOmetal GmbH

# DIRECTORS' REPORT

("DCM"). DCM has undertaken to continue to support the Company whilst the WIM150 project is being evaluated, in full expectation that the Company's share in that project will enable repayment of the debt.

- **Working capital** - the Company is currently solely reliant on its largest shareholder and major creditor, DCM, to provide funding for ongoing activities. The Company has received an undertaking from DCM that it will continue to provide funding support for the Company.

## Remuneration Report (audited)

This report outlines the remuneration arrangements in place for key management personnel of the Company. The corporate performance summary is disclosed elsewhere in the Directors' Report. The information provided in this remuneration report has been audited as required by Section 308 (3C) of the *Corporations Act 2001*

### REMUNERATION PHILOSOPHY

The performance of the Company depends on the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled staff, Directors and Executives.

To this end, the Company embodies the following principle in its remuneration framework:

- Provide competitive rewards to attract high calibre executives

The key management personnel of Australian Zircon NL consists of the directors as previously listed above in the Directors' Report and the Company Secretary, Graham Seppelt.

### REMUNERATION COMMITTEE

Due to the small size of the Company the Board has decided not to form a separate Remuneration Committee, and instead the Board of Directors is responsible for determining and reviewing compensation arrangements for the key management personnel.

The Board of Directors assesses the appropriateness of the nature and amount of remuneration of key management personnel on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Share options and other incentives may form part of a remuneration package and number and terms of such options will be determined in accordance with the above objectives.

### REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of key management personnel remuneration is separate and distinct.

#### NON-EXECUTIVE DIRECTOR REMUNERATION

##### Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre and with the experience and qualifications appropriate to the development of the Company, whilst incurring a cost which is acceptable to shareholders.

##### Structure

The constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by shareholders in general meeting.

The latest determination was at the Annual General Meeting held in 2006 when shareholders approved an aggregate remuneration limit of \$400,000 per year.

The remuneration of the Directors is listed below in this report.

The Board considers fees paid to non-executive Directors of comparable companies when undertaking the annual review process. Non-executive Directors fees are not linked to the performance of the company.

# DIRECTORS' REPORT

However, Directors may be issued share based incentives from time to time to provide the necessary incentive to work and grow long-term shareholder value. Issues of options and incentives to Directors require approval by shareholders in general meeting. Share based incentives that were issued during the year under review are disclosed below.

It is Board policy that an employment contract is entered into with the Chief Executive Officer. Whilst the company is in transition, a new CEO has not been appointed. Currently the company secretary is undertaking the role of Acting CEO.

## REMUNERATION CONSULTANTS

No remuneration consultants were contracted to provide remuneration advice during the year.

## COMPENSATION OF KEY MANAGEMENT PERSONNEL

**30 June 2015**

	Short term		Post - employment		Total	Total performance related
	Directors' fees	Executive Remuneration	Superannuation	Super Salary Sacrifice		
	\$	\$	\$	\$	\$	%
JD Shervington	48,000	-	-	-	48,000	-
T Styblo	36,000	-	-	-	36,000	-
G Kornfeld	69,866	-	-	-	69,866	-
J Jacobs	39,000	-	-	-	39,000	-
G Seppelt	-	65,230	-	-	65,230	-
	192,866	65,230	-	-	258,096	-

**30 June 2014**

	Short term		Post - employment		Total	Total performance related
	Directors' fees	Executive Remuneration	Superannuation	Super Salary Sacrifice		
	\$	\$	\$	\$	\$	%
JD Shervington	48,000	-	-	-	48,000	-
T Styblo	39,000	-	-	-	39,000	-
G Kornfeld	80,589	-	-	-	80,589	-
J Jacobs	45,000	-	-	-	45,000	-
M Adams	-	61,100	-	-	61,100	-
G Seppelt	-	32,308	-	-	32,308	-
	212,589	93,408	-	-	305,997	-

There were no options issued to directors as part of remuneration during the year ended 30 June 2015 (2014:nil)

# DIRECTORS' REPORT

## KMP Shareholdings

The number of ordinary shares in Australian Zircon NL held by each KMP are as follows:

30 June 2015	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options or Rights during the Year	Other Changes during the Year	Balance at End of Year
J Shervington (i)	2,126,230	-	-	-	2,126,230
G Kornfeld	-	-	-	-	-
T Styblo	-	-	-	-	-
J Jacobs	-	-	-	-	-
G Seppelt	-	-	-	-	-
	2,126,230	-	-	-	2,126,230

30 June 2014	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options or Rights during the Year	Other Changes during the Year	Balance at End of Year
J Shervington (i)	2,126,230	-	-	-	2,126,230
G Kornfeld	-	-	-	-	-
T Styblo	-	-	-	-	-
J Jacobs	-	-	-	-	-
G Seppelt	-	-	-	-	-
	2,126,230	-	-	-	2,126,230

- (i) The balance of shares held by J Shervington comprises 1,216,230 fully paid shares and 900,000 partly paid shares.

However, Dr G Kornfeld and Mr T Styblo are representatives of DCM DECOMetal GmbH, the Company's largest shareholder which holds 1,067,479,114 shares.

## Description of Performance Rights issued as remuneration

Details of the performance rights granted as remuneration to those KMP listed in the previous table are as follows:

	Grant Date	Date of Expiry	Date Exercisable	Exercise Price	Number under Right	Amount Paid/ Payable by Recipient
J Shervington	19 Dec 2014	18 Dec 2019	31 Dec 2015	\$0.00	2,000,000	\$0.00
G Kornfeld	19 Dec 2014	18 Dec 2019	31 Dec 2015	\$0.00	1,500,000	\$0.00
T Styblo	19 Dec 2014	18 Dec 2019	31 Dec 2015	\$0.00	1,500,000	\$0.00
J Jacobs	19 Dec 2014	18 Dec 2019	31 Dec 2015	\$0.00	1,500,000	\$0.00
G Seppelt	2 Feb 2015	31 Jan 2020	31 Dec 2015	\$0.00	500,000	\$0.00
					7,000,000	

During the year ended 30 June 2015 and since that date, no shares have been issued upon exercise of those Rights.

# DIRECTORS' REPORT

Performance rights issued may vary in terms and conditions with current vesting occurring if:

- The ordinary securities of the Company have been reinstated to quotation on ASX on or before the 1<sup>st</sup> day of January 2016; and
- The holder of the performance right must not have ceased to be a director, employee or contractor of the Company more than 6 months prior to the date on which the ordinary securities of the Company are reinstated to quotation on ASX.

Performance rights have no issue price and no exercise price.

No person entitled to exercise the right had or has any right by virtue of the right to participate in any share issue of any other body corporate.

## Director's Meetings

The number of meetings of Directors (including meetings of committees of Directors) held and numbers of meetings attended by each of the Directors' of the Company during the financial year were:

	Directors' meetings		Audit committee meetings	
	Number of meetings held while in office	Number of meetings attended	Number of meetings held while in office	Number of meetings attended
JD Shervington	12	12	2	2
T Styblo	12	12	2	2
G Kornfeld	12	12	2	2
J Jacobs	12	12	2	2

Due to the small size of the Company's Board of Directors, all members of the Board are also members of the Audit Committee. Mr J Jacobs is the chairman of the audit committee.

## Auditor's Independence Declaration

An independence declaration form has been obtained from the Company's auditors *Somes Cooke*, a copy of which is on page 16 of this report.

## 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 no compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 100: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.



# DIRECTORS' REPORT

The following fees were paid or payable to Somes Cooke for non-audit services provided during the year to 30 June 2015:

	\$
Taxation Services	7,720
Other Services	1,200
	<hr/>
	8,920
	<hr/>

## Indemnification and Insurance of Officers

During the previous financial year the Company entered into agreements to indemnify all Directors of the Company, Australian Zircon NL, against all liabilities (subject to certain limited exclusions) to persons (other than the Company or a related body corporate) which arise out of the performance of their normal duties as a Director or executive officer unless the liability relates to conduct involving a lack of good faith.

The company has agreed to indemnify the Directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments. During the financial year the Company paid insurance premiums in respect of Directors' liability insurance. Disclosure of the nature of the liability and the extent of the premium is prohibited by the confidentiality clause of the contract of insurance.

The Directors' and officers' liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than Australian Zircon NL or a related body corporate) incurred in their position as Director or officer unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

Signed in accordance with a resolution of the Directors.



**J D Shervington**  
Chairman  
Perth, 22 October 2015

## Auditor's Independence Declaration

To those charged with governance of Australian Zircon NL

As auditor for the audit of Australian Zircon NL for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the independence requirements of 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.



**Somes Cooke**



**Nicholas Hollens**  
Partner

Perth

22 October 2015

# STATEMENT OF PROFIT OR LOSS AND OTHER INCOME

## Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2015

	<u>Note</u>	<u>2015</u> \$	<u>2014</u> \$
Other income	3	8,395	862,235
Employee benefits expense	4	12,755	(17,499)
Finance expenses	4	(5,510,291)	(6,740,588)
Corporate expenses		(682,523)	(600,540)
Other expenses	4	(5,887,246)	(1,604)
<b>LOSS BEFORE INCOME TAX</b>		<b>(12,058,910)</b>	<b>(6,497,996)</b>
Income tax benefit / (expense)	5	-	-
<b>LOSS FROM CONTINUING OPERATIONS</b>		<b>(12,058,910)</b>	<b>(6,497,996)</b>
<b>LOSS FOR THE YEAR</b>		<b>(12,058,910)</b>	<b>(6,497,996)</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT</b>		<b>(12,058,910)</b>	<b>(6,497,996)</b>

### EARNINGS PER SHARE

Basic loss per share (cents)	18	(0.8)	(0.4)
Diluted loss per share (cents)	18	(0.8)	(0.4)

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

# STATEMENT OF FINANCIAL POSITION

## Statement of Financial Position as at 30 June 2015

	<u>Note</u>	<u>2015</u> \$	<u>2014</u> \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	99,592	358,274
Trade and other receivables	7	172,326	179,269
<b>TOTAL CURRENT ASSETS</b>		<b>271,918</b>	<b>537,543</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	31,275	46,026
Deferred exploration and evaluation expenses	10	18,705,598	17,442,967
<b>TOTAL NON-CURRENT ASSETS</b>		<b>18,736,873</b>	<b>17,488,993</b>
<b>TOTAL ASSETS</b>		<b>19,008,791</b>	<b>18,026,536</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	246,610	455,678
Borrowings	12	106,863,611	93,594,302
Provisions	13	13,157	32,233
<b>TOTAL CURRENT LIABILITIES</b>		<b>107,123,378</b>	<b>94,082,213</b>
<b>TOTAL LIABILITIES</b>		<b>107,123,378</b>	<b>94,082,213</b>
<b>NET LIABILITIES</b>		<b>(88,114,587)</b>	<b>(76,055,677)</b>
<b>ACCUMULATED LOSSES</b>			
Issued capital	14	110,816,025	110,816,025
Reserves	15	-	-
Accumulated Losses		(198,930,612)	(186,871,702)
<b>ACCUMULATED LOSSES</b>		<b>(88,114,587)</b>	<b>(76,055,677)</b>

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

# STATEMENT OF CHANGES IN EQUITY

## Statement of Changes in Equity for the Year Ended 30 June 2015

	Issued capital	Accumulated losses	Share based payments reserve	Total
	\$	\$	\$	\$
<b>At 1 July 2013</b>	110,816,025	(181,272,801)	899,095	(69,557,681)
<u>Comprehensive Income</u>				
Total comprehensive income for the year	-	(6,497,996)	-	(6,497,996)
<u>Transactions with owners, in their capacity as owners, and other transfers</u>				
Expiry of options	-	899,095	(899,095)	-
Total transactions with owners and other transfers	-	899,095	(899,095)	-
<b>At 30 June 2014</b>	110,816,025	(186,871,702)	-	(76,055,677)
<b>At 1 July 2014</b>	110,816,025	(186,871,702)	-	(76,055,677)
<u>Comprehensive Income</u>				
Total comprehensive income for the year	-	(12,058,910)	-	(12,058,910)
<b>At 30 June 2015</b>	110,816,025	(198,930,612)	-	(88,114,587)

The above Statement of Changes in Equity should be read in conjunction with accompanying notes.

# STATEMENT OF CASHFLOWS

## Statement of Cash Flows for the Year Ended 30 June 2015

		<u>2015</u>	<u>2014</u>
	<u>Note</u>	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(683,405)	(436,946)
Interest paid		(116)	-
Interest received		8,395	10,447
Sundry revenue from other activities		72,637	-
<b>Net cash outflow from operating activities</b>	20	<b>(602,489)</b>	<b>(426,499)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Exploration and evaluation costs paid		(1,525,200)	(4,085,304)
Payments for acquisition of plant and equipment		(2,881)	-
<b>Net cash (outflow) / inflow from investing activities</b>		<b>(1,528,081)</b>	<b>(4,085,304)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan finance from the Company's controlling entity, DCM DECOmetal GmbH ('DCM')		1,871,888	4,472,000
Finance lease principal repayments		-	(8,619)
<b>Net cash inflow / (outflow) from financing activities</b>		<b>1,871,888</b>	<b>4,463,381</b>
<b>Net (decrease) in cash and cash equivalents held</b>		<b>(258,682)</b>	<b>(48,422)</b>
Cash and cash equivalents at the beginning of the financial year	6	358,274	406,696
<b>Cash and cash equivalents at the end of the financial year</b>	6	<b>99,592</b>	<b>358,274</b>

The above Statement of Cash Flows should be read in conjunction with accompanying notes.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## Notes To and Forming Part of The Financial Statements for the Year Ended 30 June 2015

### 1. CORPORATE INFORMATION

These financial statements of Australian Zircon NL (or "the Company") for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on the date of the Directors Report.

Australian Zircon NL, is a public no liability company. Under the Corporations Act 2001, public no liability companies are required to include specific provisions in their Constitution which state that:

*The sole object of the company must be mining; and the company must have no right under its constitution to recover calls made on its shares from shareholders who fail to pay them.*

The registered office of the Company is located at Suite H4.6, Level 4 172 North Terrace, Adelaide, South Australia 5000.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The financial report is presented in Australian dollars.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial liabilities and financial assets.

#### ***Going concern***

The financial statements have been prepared on the basis that the Company will continue to meet its commitments and can therefore continue normal business activities and realise assets and settle liabilities in the ordinary course of business at the amounts stated in these financial statements.

To continue as a going concern however, the Group requires additional funding to be secured from sources including but not limited to:

- Its continuing support from its controlling shareholder, DCM DECOMetal GmbH ('DCM'), who have in the past, and at the date of this report, continues to provide funding

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- The successful completion of an equity raising
- The sale of an interest in the WIM 150 mineral sands project

As at 30 June 2015, the Company had net liabilities of \$88,114,587 and \$106,863,611 was owing to DCM. DCM confirmed it is its intention, subject to its financial capabilities, to continue to support the Company's activities in relation to the WIM150 mineral sands project.

At the date of signing the financial report, the directors consider there are reasonable grounds to believe that funding from one of the sources, or a combination thereof, will allow the Company to meet its debts as and when they fall due.

Should the funding referred to above not be forthcoming the Company will not be able to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts, or the amounts or classification of liabilities, which might be necessary should the Company not be able to continue as a going concern.

On 12 August 2015 the Company was informed by its largest shareholder, DCM DECOMetal GmbH (DCM), that it has entered into a Terms Sheet which, if it was to proceed to completion, would result in, amongst other things, the sale of DCM's 72.39% shareholding in the Company.

The Company is informed that the Terms Sheet is subject to a number of conditions being fulfilled, including formal documentation, due diligence, approvals of each party's investment committee, approval of the Company's shareholders and various requirements with respect to progress of the WIM150 Project having been met.

Should the financial support of DCM, or future buyer of DCM's shares in the Company, be discontinued, there is significant uncertainty whether the Company will be able to continue as a going concern. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or the amounts or classification of liabilities, which might be necessary should the Company not be able to continue as a going concern.

## **(b) Significant accounting judgements, estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on judgements, estimates and assumptions of future events. The key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are the going concern assumption (Note 2a) and:

### ***Impairment of non-financial assets***

The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Where the recoverable amount cannot be reliably estimated, the Company endeavours to obtain the best estimate of market value for those assets.

### ***Deferred exploration and evaluation expenses***

The Company capitalises and carries exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current and that are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## **(c) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

### ***Interest income***

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

## **(d) Borrowing costs**

Borrowing costs are recognised as an expense when incurred, except to the extent that they relate to the acquisition of qualifying assets in which case they are capitalised.

## **(e) Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the asset as follows:  
Plant and equipment 3 - 5 years.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognized.

## **(f) Exploration and evaluation**

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the Statement of Financial Position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

## **(g) Impairment**

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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.

## **(h) Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding.

## **(i) Interests in joint arrangements**

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Under the equity method, the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the joint venture. In addition, the Company's share of the profit or loss of the joint venture is included in the Company's profit or loss.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Company's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

## **(j) Trade and other receivables**

Trade and other receivables are generally receivable within 30-90 day terms, are recognised and carried at original amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable.

Bad debts are written off when they are no longer recoverable.

## **(k) Interest bearing loans and borrowings**

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently recorded with increases for interest charged, less any repayments made to the loan provider.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

## **(l) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## **Restoration**

Provisions for future environmental restoration are recognised where there is a present obligation as a result of exploration, production, transportation or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning mined strands and restoring the affected areas.

The provision of future restoration costs is the best estimate of the present value of the future expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at the Statement of Financial Position date, with a corresponding change in the cost of the associated asset.

The amount of the provision for the future restoration costs are capitalised and depleted as a component of the cost of those activities. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

## **(m) Employee leave benefits**

### **(i) Wages, salaries and annual leave**

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the reporting date are recognised in other payables and annual leave in respect of employees' services up to reporting date are recognised in provisions. They are measured at the amounts expected to be paid when the liabilities are settled.

### **(ii) Long service leave**

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service.

Expected future payments are discounted using market yields at the reporting date on notional government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash flows.

## **(n) Leases**

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss over the lease term.

## **(o) Trade and other payables**

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition and are recognised at amortised cost.

## **(p) Contributed equity**

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of share proceeds received.

## **(q) Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position date.

Deferred income tax is provided on all temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except;

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each Statement of Financial Position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Statement of Financial Position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

## **(r) Earnings per share**

Basic earnings per share is calculated as net profit / (loss) attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares on issue, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit (loss) to members of the Company, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

## **(s) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

## **(t) Foreign currency translation**

Both the functional and presentation currency of the Company and its joint arrangement is Australian dollars (\$). Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the Statement of Financial Position.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## **(u) Share based payments**

From time to time, the Company provides benefits to Senior Executives of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

The fair value is determined by an external valuer using the Black-Scholes method.

The cost of equity-settled transactions is recognised, together with the corresponding increase in equity, over the period in which the performance and /or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the profit or loss is the product of:

- (i) the grant date fair value of the award;
- (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period; and
- (iii) the expired portion of the vesting period.

The charge to the profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

## **(v) Changes to Accounting Policies**

There are a number of new Accounting standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Company and have not been applied in preparing these consolidated financial statements. The Company does not plan to adopt these standards early.

These standards are not expected to have a material impact on the Company in the current or future reporting periods.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 3. OTHER INCOME

	<u>2015</u>	<u>2014</u>
	\$	\$
Foreign exchange gain (i)	-	819,951
Other income	<b>8,395</b>	42,284
	<b>8,395</b>	862,235

- (i) Relates to exchange gain on the portion of amounts owing to the Company's controlling entity, DCM DECOmetal GmbH, an entity incorporated in Austria ('DCM'), that are denominated in US Dollars (Note 12)

## 4. LOSS BEFORE TAX FOR THE YEAR INCLUDES THE FOLLOWING EXPENSES FROM CONTINUING ACTIVITIES:

	<u>2015</u>	<u>2014</u>
	\$	\$
Employee benefit expenses:		
Wages and salaries	<b>(12,755)</b>	16,346
Defined contribution superannuation expense	-	1,153
	<b>(12,755)</b>	17,499
Interest expense on financial liabilities not at fair value through profit and loss:		
Related parties (i)	<b>5,510,175</b>	6,740,588
Other persons	<b>116</b>	-
	<b>5,510,291</b>	6,740,588
Other expenses		
Foreign exchange loss (i)	<b>5,887,246</b>	-
Loss on sale of non-current asset	-	1,604
	<b>5,887,246</b>	1,604

- (i) Relates to interest on loan from the Company's controlling entity, DCM DECOmetal GmbH ('DCM') (Note 12).  
(ii) Relates to exchange loss on the portion of amounts owing to DCM, an entity incorporated in Austria, that are denominated in US dollars (Note 12).

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 5. INCOME TAX EXPENSE

	<u>2015</u>	<u>2014</u>
Recognised in the Statement of Profit or Loss and Other Comprehensive Income		
<u>Current tax expense</u>		
Current year	-	-
<u>Deferred tax expense</u>		
Origination and reversal of temporary differences	-	-
Write back deferred tax losses previously recorded	-	-
	-	-
	-	-
Total income tax expense/(benefit) in Statement of Profit or Loss and Other Comprehensive Income	-	-
Numerical reconciliation between tax expense and pre-tax net loss		
Loss before tax	<b>(12,058,910)</b>	(6,497,996)
Income tax benefit at 30%	<b>(3,617,673)</b>	(1,949,399)
Tax effect of non-deductible items		
Foreign exchange (gain)/loss not subject to income tax	<b>1,766,174</b>	(245,985)
Financing expenditure	<b>1,653,052</b>	2,022,176
Exploration expenditure	<b>(378,789)</b>	(963,263)
Other temporary differences	<b>(5,723)</b>	(125,656)
Losses not recognised	<b>582,959</b>	1,262,127
Income tax (benefit)/expense on pre-tax net loss	-	-
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses (at 30%)	<b>50,125,458</b>	49,542,499
Capital losses	-	-
	<b>50,125,458</b>	49,542,499

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise such benefits.



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 6. CASH AND CASH EQUIVALENTS

	<u>2015</u>	<u>2014</u>
	\$	\$
Cash at bank and in hand	<b>99,592</b>	358,274

Cash at bank earns interest at floating rates based on daily bank deposit rates.

## 7. TRADE AND OTHER RECEIVABLES

	<u>2015</u>	<u>2014</u>
	\$	\$
Trade receivables	<b>23,702</b>	-
Other receivables	<b>148,624</b>	179,269
	<b>172,326</b>	179,269

## 8. INTEREST IN JOINT ARRANGEMENTS

	<u>2015</u>	<u>2014</u>
	\$	\$
<b>Current Assets</b>		
Cash at bank	66,740	1,245
Other receivables	131,585	66,824
<b>TOTAL CURRENT ASSETS</b>	<b>198,325</b>	68,069
<b>Non-current assets</b>		
Exploration & Evaluation - WIM150	3,439,409	2,092,537
<b>TOTAL NON CURRENT ASSETS</b>	<b>3,439,409</b>	2,092,537
<b>TOTAL ASSETS</b>	<b>3,637,734</b>	2,160,606
<b>Current Liabilities</b>		
Trade and other payables	163,088	302,526
<b>TOTAL CURRENT LIABILITIES</b>	<b>163,088</b>	302,526
<b>NET ASSETS</b>	<b>3,474,646</b>	1,858,080
Loss before income tax	(4,780)	(1,103)
Income tax expense	-	-
Loss after income tax	<b>4,780</b>	1,103

During the year to 30 June 2014, the Company acquired an 80% interest in the WIM150 Joint Venture. Based on the contractual conditions governing the arrangement, there is joint control between the partners in WIM150. Given that, the arrangement comes under the scope of AASB 11, joint arrangements. The project has been classified as a joint operation under AASB 11, because the joint operators have rights to the assets and liabilities, in proportion to their interest in the WIM150 Joint Venture, rather than the net assets, of the WIM Joint Venture.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 9. PROPERTY, PLANT AND EQUIPMENT

	<u>2015</u>	<u>2014</u>
	\$	\$
<b>Plant and equipment</b>	<b>228,432</b>	240,551
Accumulated depreciation	(197,157)	(194,525)
Net carrying amount	<u>31,275</u>	46,026
Opening carrying amount	46,026	68,075
Additions	2,881	-
Depreciation	(17,632)	(20,444)
Assets disposed	-	(1,605)
Closing carrying amount	<u>31,275</u>	46,026

## 10. DEFERRED EXPLORATION AND EVALUATION EXPENSES

	<u>2015</u>	<u>2014</u>
	\$	\$
Balance at beginning of year	17,442,967	14,232,088
Deferred expenditure for the year	1,262,631	3,210,879
Balance at end of year (i)	<u>18,705,598</u>	17,442,967

(i) Deferred expenses as at 30 June 2014 and 2015 relate to the WIM 150 mineral sands deposit. Recoverability of the carrying amount is dependent upon the successful development and commercial exploitation, or alternatively, sale of the area of interest.

During the year ended 30 June 2014 the Company earned an 80% interest in the WIM150 Joint Venture, thus the majority of expenditure in the current year relates to that activity. Expenditure incurred in years prior to 2014 relate to activities, such as completion of a bankable feasibility study, which allowed the Company to earn the 80% interest in the WIM150 project.

## 11. TRADE AND OTHER PAYABLES

	<u>2015</u>	<u>2014</u>
<u>Current</u>	\$	\$
Trade payables	124,253	368,930
Accrued expenses	122,357	86,748
	<u>246,610</u>	455,678

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 12. BORROWINGS

	<u>2015</u>	<u>2014</u>
<u>Current</u>	\$	\$
Amounts owing to DCM (i)	106,863,611	93,594,302
	<u>106,863,611</u>	<u>93,594,302</u>

- (i) Amounts owing to the Company's controlling entity, DCM, are secured by a fixed and floating charge over the assets of the Company. Interest is charged on principal borrowings at LIBOR + 6% pa.

Amounts owing at 30 June 2015 comprise of US\$24,766,709 and AUD\$74,701,166 (2014: US\$24,766,709 and AUD\$65,159,082).

## 13. PROVISIONS

	<u>2015</u>	<u>2014</u>
	\$	\$
Annual leave payable	<u>13,157</u>	<u>32,233</u>

## 14. CONTRIBUTED EQUITY

	<u>2015</u>	<u>2014</u>
	\$	\$
<u>Share capital</u>		
Fully paid ordinary shares	110,779,210	110,779,210
Partly paid ordinary shares paid to 0.5 cents each with 40 cents uncalled	36,815	36,815
	<u>110,816,025</u>	<u>110,816,025</u>
	<u>Number</u>	<u>Number</u>
<u>Fully paid ordinary shares</u>		
Balance at beginning and end of year	1,474,715,121	1,474,715,121
<u>Partly paid ordinary shares</u>		
Balance at beginning and end of year	7,363,026	7,363,026

The call outstanding on the partly paid shares is 40.0 cents.

Fully paid and partly paid ordinary shares have the right to receive dividends as declared in proportion to the number of shares held.

Fully paid and partly paid ordinary shares have the right, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held. However, partly paid shareholders may only participate in a distribution on winding up if there are no calls outstanding.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Fully paid and partly paid ordinary shares entitle their holders to vote, either in person or by proxy, at a meeting of the Company. On a poll, each fully paid ordinary share is entitled to one vote, and each partly paid share is entitled to the fraction of a vote that the paid up amount of the share bears to the total amount which would be payable on each share to make the share fully paid.

## 15. RESERVES

	<u>2015</u>	<u>2014</u>
	\$	\$
<u>Share-based payments reserve</u>		
Balance at beginning of the year	-	899,095
Movement	-	(899,095)
Balance at end of the year	<u>-</u>	<u>-</u>

Nature and purpose of the reserve:

The employee share option and share plan reserve is used to record the value of share-based payments provided to employees, including key management personnel, and consultants.

## 16. AUDITORS' REMUNERATION

	<u>2015</u>	<u>2014</u>
	\$	\$
Audit and review of financial reports (Somes Cooke)	<b>27,500</b>	27,500
Taxation services	<b>7,720</b>	5,000
Other services	<b>1,200</b>	-
	<u><b>36,420</b></u>	<u>32,500</u>

## 17. EVENTS SUBSEQUENT TO BALANCE DATE

### Potential Sale of Shareholding by Majority Shareholder

On 12 August 2015 the Company was informed by its largest shareholder, DCM DECOMetal GmbH (DCM), that it has entered into a Terms Sheet which, if it was to proceed to completion, would result in, amongst other things, the sale of DCM's 72.39% shareholding in the Company.

The Company is informed that the Terms Sheet is subject to a number of conditions being fulfilled, including formal documentation, due diligence, approvals of each party's investment committee, approval of the Company's shareholders and various requirements with respect to progress of the WIM150 Project having been met.

The Company is also informed that the entry into the Terms Sheet does not give rise to any restrictions on DCM (or the Company) in continuing to negotiate and if appropriate, entering into any alternative, preferred transaction with any other parties and that DCM is, in consultation with the Company, continuing with

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

alternative negotiations to procure financing for the development of the WIM 150 Project. The Company is informed by DCM that if any such alternative negotiations were to result in agreement being arrived at, the Terms Sheet would be terminated.

DCM has noted to the Company that it will keep the Company informed on the progress with the conditions of the Terms Sheet and if it wants the Company to seek necessary shareholder approval.

Other than the above, in the opinion of the Directors there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

## 18. EARNINGS PER SHARE

	<u>2015</u>	<u>2014</u>
	\$	\$
Earnings used to calculate basic and diluted earnings per share	<b>(12,058,910)</b>	(6,497,996)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<b>1,474,715,121</b>	1,474,715,121
Weighted potential ordinary shares on issue	<b>46,363,026</b>	46,363,026

The calculation of diluted earnings per share does not include weighted potential ordinary shares on issue as they were not in the money at any time during the financial period.

## 19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise of loans from DCM (Note 12).

The main purpose of these financial instruments is to manage short term cash flow and finance the Company's planned exploration and evaluation expenditure.

It is, and has been throughout the years ended 30 June 2014 and 2015, been the Company's policy that no speculative trading in derivatives shall be undertaken.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial liability and equity instrument are disclosed in Note 2 to the financial statements.

The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are cash flow risk, interest rate risk, foreign currency risk, and liquidity risk. Management reviews and agrees policies for managing each of these risks which are summarized below.

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable. The sensitivity analysis has been prepared for period ended 30 June

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2014 using the amounts of debt and other financial assets and liabilities held as at the Statement of Financial Position date.

## Foreign currency risk

The Company has amounts owing to DCM that are denominated in US dollars (Note 12). All other financial liabilities and financial assets are denominated in AUS dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Company's profit before tax due to changes in the carrying value of monetary assets and liabilities.

<b>Increase / decrease in foreign exchange rate from USD to AUD</b>	<b>Effect on profit before tax for the year ended 30 June 2015 \$</b>	<b>Effect on profit before tax for the year ended 30 June 2014 \$</b>
Increase 10%	(2,627,562)	(2,381,958)
Decrease 10%	2,627,562	2,381,958

## Fair values

The fair values and carrying amounts for all of the financial assets of the Company as at 30 June 2014 and Company as at 30 June 2015 are the same.

## Interest rate risk

The Company's Borrowings are subject to fixed interest rates and LIBOR (Note 12).

## 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 is currently reliant on the continual financial support of its controlling entity, DCM, to pay its debts as and when they fall due.

## Capital Management

In order to maintain a solid capital base it is the Board's policy to maintain market, creditor, and investor confidence and meet growth demands of the Company. Currently the strategy is to reinvest in the Company as the Board is of the opinion this will lead to maximise return for shareholders over the medium to long term. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

## 20. RECONCILIATION OF LOSS AFTER TAX TO CASH FLOWS FROM OPERATIONS

### **a) Reconciliation to the Cash Flow Statement**

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

	<b><u>2015</u></b>	<b><u>2014</u></b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	<b>99,592</b>	358,274
	<b>99,592</b>	358,274

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## b) Reconciliation of loss after tax to cash flows from operations

	<u>2015</u>	<u>2014</u>
	\$	\$
<b>Operating loss after income tax</b>	<b>(12,058,910)</b>	<b>(6,497,996)</b>
<i>Adjustment for non-cash items:</i>		
Depreciation - Plant & equipment	17,632	20,444
Foreign exchange (gain)/loss	5,887,246	(819,951)
Loss on sale of Plant and Equipment	-	1,604
Interest accrued to DCM	4,959,157	4,580,989
Withholding tax	551,018	2,159,600
<i>Changes in operating assets and liabilities relating to operating activities</i>		
Decrease in trade and other receivables	72,637	93,166
(Decrease)/Increase in trade and other payables	(12,193)	27,523
(Decrease)/Increase in provisions	(19,076)	8,122
<b>Net cash outflow from operating activities</b>	<b>(602,489)</b>	<b>(426,499)</b>

## 21. SHARE-BASED PAYMENTS

There are no options outstanding at 30 June 2014 and 30 June 2015.

### Share based performance rights

Performance rights are granted to directors, senior executives and contractors on a discretionary basis in accordance with approval by the Board of Directors.

Performance rights issued may vary in terms and conditions with current vesting occurring if:

- The ordinary securities of the Company have been reinstated to quotation on ASX on or before the 1<sup>st</sup> day of January 2016; and
- The holder of the performance right must not have ceased to be a director, employee or contractor of the Company more than 6 months prior to the date on which the ordinary securities of the Company are reinstated to quotation on ASX.

Performance rights have no issue price and no exercise price.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

During the year, Performance Rights were issued to directors, staff and contractors as follows:

	Balance at 1 July 2014	Issued during the year	Exercised during the year	Balance at 30 June 2015
Key management personnel	-	7,000,000	-	7,000,000
Other personnel	-	2,500,000	-	2,500,000
	-	9,500,000	-	9,500,000

## 22. KEY MANAGEMENT PERSONNEL

### Details of Key Management Personnel

#### Compensation by category: Key Management Personnel

	<u>2015</u>	<u>2014</u>
	\$	\$
Short term	258,096	305,997
Post - employment	-	-
	<u>258,096</u>	<u>305,997</u>

#### Short term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits and cash bonuses awarded to executive directors and other Key Management Personnel.

#### Post employment benefits

These amounts are the current year's cost of providing for the Company's defined benefits scheme post retirement superannuation contributions made during the year and post employment life insurance benefits.

Further information relating to Key Management Personnel can be found in the Directors' Report.

## 23. RELATED PARTY TRANSACTIONS

As outlined in the Statement of Cash Flows, during the year the Company's controlling entity, DCM DECOMetal GmbH ('DCM') advanced loan finance of \$1,871,888 (2014: \$4,472,000) to the Company and the Company repaid \$nil (2014: \$nil) to DCM. As outlined at Note 12, as at 30 June 2015, \$106,863,611 (2014: \$93,594,302) was owing to DCM.

Professional fees were paid to Drumgaghan Pty Ltd, a business associated with Mr Jeremy Shervington for legal services in the ordinary course of business during the year to 30 June 2015 in the amount of \$46,445 (2014: \$59,663).



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Aside from the above transactions and transactions disclosed in the Remuneration Report there were no other related party transactions during the year.

## 24. SEGMENT INFORMATION

The Company operates in the mineral sands exploration and mining industry in Australia.

The Company operates predominantly in one geographical area. On this basis, the entire operations are considered to be those of only one segment for financial reporting purposes.

## 25. COMMITMENTS

### Exploration commitments

The Company has certain (contingent) commitments to meet minimum expenditure requirements on the mining exploration assets it has an interest in. Outstanding exploration commitments are as follows:

	<u>2015</u>	<u>2014</u>
	\$	\$
Not later than 12 months	1,150,721	1,585,000
Between 12 months and five years	154,860	3,872,000
	<u>1,305,581</u>	<u>5,457,000</u>

The company has commitments of 80% of the total minimum expenditure requirements for WIM150 in line with its interest in the mining exploration assets. The remaining tenements are the 100% responsibility of the company.

# DIRECTORS DECLARATION

In accordance with a resolution of the Directors of Australian Zircon NL, I state that:

1. In the opinion of the Directors:

(a) The financial statements, notes and the additional disclosures included in the Directors' report designated as audited are 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 2015 and of the Company's performance for the year ended on that date;

(ii) Complying with Accounting Standards and *Corporations Regulations 2001*,

which as stated in Note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards.

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable. At the date of the signing of the financial statements, the directors consider there are reasonable grounds to believe that funding by its major shareholder will continue or that funds will become available from an equity raising or sale of part of the WIM 150 mineral sands project.

2. This declaration has been made after receiving the declarations required to be made by the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2015.

On behalf of the Board.



**J D Shervington**

Chairman

Perth, 22 October 2015

## Independent Auditor's Report

To the members of Australian Zircon NL

### Report on the Financial Report

We have audited the accompanying financial report of Australian Zircon NL, which comprises the consolidated statement of financial position as at 30 June 2015, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Australian Zircon NL comprising the entity and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

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

In Note 2, 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.

#### *Independence*

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

#### *Opinion*

In our opinion:

- (a) the financial report of Australian Zircon NL is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and the consolidated entity's financial positions as at 30 June 2015 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 2.

*Emphasis of Matter – Inherent uncertainty regarding continuation as a going concern*

Without modifying our opinion, we draw attention to Note 2 to the financial statements which outlines that the ability of the Group to continue as a going concern is dependent on continuing financial support from its controlling shareholder, DCM DECOMetal GmbH.

As a result there is a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Our opinion is not qualified in respect of this matter.

*Report on the Remuneration Report*

We have audited the Remuneration Report included in pages 13 to 16 of the directors' report for the year ended 30 June 2015. 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 in accordance with Australian Auditing Standards.

*Opinion*

In our opinion, the Remuneration Report of Australian Zircon NL for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.



**Simes Cooke**



**Nicholas Hollens**

Partner

22 October 2015

Perth

# SHAREHOLDERS' INFORMATION

## Shareholders Information as at 4 September 2015

	Number of Holders - Fully paid shares	Number of Holders - Partly paid shares
0 - 1,000	265	172
1,001 - 5,000	491	63
5,001 - 10,000	381	5
10,001 - 100,000	1,556	33
100,001 - 999,999,999	432	15
1,000,000,000 - 9,999,999,999	1	0
	3,126	288

Shareholders holding less than a marketable parcel

Fully Paid Shares	Partly paid Shares
2,666	269

The percentage held by the 20 largest shareholders

Fully Paid Shares	Partly Paid Shares
88.15%	84.27%

## 2. Substantial Shareholders

Ordinary fully paid shareholders	Number	%
DCM DECOmetal International Trading GmbH	1,067,479,114	72.39

# SHAREHOLDERS' INFORMATION

## 3. Statement of Quoted Securities

All of the 1,474,715,121 ordinary fully paid shares and 7,363,026 shares partly paid to 0.5 cents each (40 cents to pay) are listed on the Australian Securities Exchange Limited. Application for quotation of fully paid ordinary shares will be made to Australian Securities Exchange Limited when unlisted options are exercised or when partly paid shares have become fully paid.

## 4. Twenty Largest Holders of Quoted Equity Securities

Rank	Ordinary fully paid shareholders	Number	%
1	DCM DECOmetal International Trading GmbH	1,067,479,114	72.39%
2	HSBC Custody Nominees (Australia) Limited	82,427,819	5.59%
3	Kabininge Nominees Pty Ltd (Kabininge Superannuation Fund)	48,191,451	3.27%
4	Mr. Christopher Michael Williamson	36,558,048	2.48%
5	HSBC Custody Nominees (Australia) Limited – A/C 3	23,587,895	1.60%
6	JP Morgan Nominees Australia Limited	7,135,444	0.48%
7	National Nominees Limited	5,408,560	0.37%
8	Taycol Nominees Pty Limited (211 A/C)	4,413,770	0.30%
9	CD Private Equity Natural Resources Fund	4,166,667	0.28%
10	Spy Glass Nominees Pty Ltd (The Bale Family A/C)	2,839,420	0.19%
11	Mr. Robert Hastings Smythe (Super Fund A/C)	2,380,000	0.16%
12	Leet Investments Pty Limited	2,300,000	0.16%
13	Professor Alan Jonathan Berrick	2,000,000	0.14%
14	Crawley Investments Pty Limited (Crawley A/C)	2,000,000	0.14%
15	Taycol Nominees Pty Limited	1,997,399	0.14%
16	Dr. Peter Frederick Isaac	1,905,362	0.13%
17	Mr Ian Meredith Johnson	1,840,000	0.12%
18	E & P Services Pty Ltd	1,816,986	0.12%
19	Mr Craig Peter Ball & Mrs Suzanne Katherine Ball	1,679,827	0.11%
20	Commonwealth Bank of Australia	1,489,772	0.10%

# SHAREHOLDERS' INFORMATION

## 5. Twenty largest holders of partly paid shares

Rank	Ordinary partly paid shareholders	Partly paid	
		Number	%
1	Panga Pty Limited	900,000	12.22%
2	Mr. Ronald Stanley Punch and Mrs. Beverley Punch (Westralia Trading A/C)	775,000	10.53%
3	Mr. Murray James McGill and Mrs. Suzanne Appel McGill (Saint Moritz A/C)	592,041	8.04%
4	Grange Consulting Group Pty Limited	575,000	7.81%
5	Bayonet Investments Pty Limited (South Point A/C)	524,821	7.13%
6	Mr. David John Newman	500,091	6.79%
7	Wilhaja Pty Limited (Riekie Family A/C)	287,500	3.90%
8	Miss. Marnie Jane Eddington	252,000	3.42%
9	Surfboard Pty Limited (ARW Super Fund No 1 A/C)	250,000	3.40%
10	Mr. Greg Hancock	200,000	2.72%
11	Mr. William Irvin	200,000	2.72%
12	Mr. Brian Thomas Ryan	196,830	2.67%
13	Hadley Park Pty Limited	163,320	2.22%
14	Mrs. Beverley Ruth Deamer	153,371	2.08%
15	Vern Investments Pty Limited	134,324	1.82%
16	Dawngold Investments Pty Limited	100,000	1.36%
17	Jalina Nominees Pty Limited	98,415	1.34%
18	Mrs. Kay Irvin	90,000	1.22%
19	Cornerstone Capital Pty Limited (Investment A/C)	88,760	1.21%
20	Noel Robert Constantine & Sheila Stewart Constantine <Constantine Family A/C>	75,000	1.04%



# CORPORATE DIRECTORY

## Registered and Head Office

Suite H4.6, Level 4  
172 North Terrace  
Adelaide  
South Australia 5000  
**Telephone:** +61 8 7325 6500  
**Facsimile:** +61 8 8212 6818  
**Email** [info@auzircon.com](mailto:info@auzircon.com).

## Auditors

**Somes Cooke**  
Level 2, 35 Outram Street  
West Perth  
Western Australia 6005

## Solicitor

**Jeremy Shervington**  
**Barrister & Solicitor**  
52 Ord Street  
West Perth  
Western Australia 6005

## Share Registry

**Australian Zircon NL**  
PO Box 8242 Station Arcade  
Adelaide  
South Australia 5000

## Home Securities Exchange

**ASX Limited**  
Level 40, Central Park,  
152 – 158 St Georges Terrace  
Perth  
Western Australia 6000  
ASX Code: AZC

## Website

[www.auzircon.com.au](http://www.auzircon.com.au)