Australian Zircon
NL ABN 60 063 389 079

2013 Annual Report

Contents

DIRECTORS' REPORT

The Directors of Australian Zircon NL ('the Company') submit their report for the year ended 30 June 2013.

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.

DIRECTORS

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 ASX and unlisted public and private companies.

Other current Directorships: Emerald Oil & Gas - Non executive Chairman from 23 January 2006, Horseshoe Metals Limited - Non executive Chairman from 14 December 2006.
Former Directorships in the last 3 years: Papillon Resources Appointed 11 May 2006 Resigned 27 May 2011, Prairie Downs Limited Appointed 11 October 2002 Resigned 25 August 2011, Cokal Limited Appointed 8 August 2006 Resigned 24 December 2010, Industrial Minerals Corporation Limited Appointed 17 January 2004 Resigned 10 March 2011, Ridge Resources Appointed 11 November 2010 Resigned 27 December 2012.
Age: 56

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 the 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: 46

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: 45

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. His more recent roles have included Chairman of IMX Resources Limited. In addition, he holds various directorships in private resource-focused companies active in Australia and internationally.

Other current Directorships: King Island Scheelite Limited - Independent Non-executive Chairman from 30 November 2012, Uranex Limited - Non executive Chairman from 9 September 2010 , TW Holdings Pty Ltd - Non executive director from 14 December 2012.

Former Directorships in the last 3 years: IMX Resources Limited Appointed 12 August 2007 Resigned 10 February 2012.

Age: 59

Martin Adams

B Eng (Mining), MBA, MAusIMM, GAICD - Executive Director. Appointed 24 June 2011, resigned 17 September 2012.

Mr Adams has extensive experience in the Australasian mining industry, having held a range of operational senior management and corporate positions in open pit and underground mining companies. He has broad experience in gold, copper, iron ore, lead/zinc and mineral sands projects.

Other current Directorships: Nil

Former Directorships in the last 3 years: Stirling Resources Limited (July 2010 to 31 December 2010), Redbank Copper Limited (22 July 2010 to 14 September 2010), Matilda Zircon (20 July 2010 to 31 December 2010), Swan Gold Mining Limited (22 July 2010 to 11 September 2010).
Age: 58

EXECUTIVES

Martin Adams

B Eng (Mining), MBA, MAusIMM, GAICD - Chief Executive Officer from 21 January 2010.

Mr Adams has extensive experience in the Australasian mining industry, having held a range of operational senior management and corporate positions in open pit and underground mining companies. He has broad experience in gold, copper, iron ore, lead/zinc and mineral sands projects.
Age: 58

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.

Age: 70

DIRECTORS' 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	Options held
JD Shervington	1,216,230	900,000	-

No other current Directors hold shares in Australian Zircon NL as at the date of this report other than those stated above. 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.

PRINCIPAL ACTIVITIES

The Company has worked on, and recently completed, a Bankable Feasibility Study pertaining to the WIM 150 mineral sands project in western Victoria.

RESULTS AND DIVIDENDS

The Group made a loss after tax of $9,498,618 (2012: $3,928,823), primarily due to its investment in the continuing work on the Bankable Feasibility Study pertaining to the WIM150 project. No dividends were paid and the Directors have not recommended the payment of a dividend.

CORPORATE PERFORMANCE

The performance of the Consolidated Entity 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
2009	(139,505,543)	(18.2)	(64,987,502)	12	5
2010	(20,103,123)	(1.4)	(85,090,625)	5	N/A
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

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

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

The Company has focused on developing the WIM150 mineral sands project in western Victoria by progressing work on a Bankable Feasibility Study. After completing the Bankable Feasibility Study, under a farm-In agreement with Orient Zirconic Resources (Australia) Pty Ltd, Australian Zircon NL has earned an 80% interest in the WIM150 project.

On 27 September 2012, the Company completed the sale of its 35% shareholding of Murray Zircon Pty Ltd, the owner and operator of the Mindarie mineral sands project, to a Hong Kong based company, for a net $11.04 million.

STATE OF AFFAIRS

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

ENVIRONMENTAL REGULATION

The Group 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 Group's operations. No notices of any such breaches have been received from any authority.

OPTIONS

Particulars regarding options of Australian Zircon NL (all options are unlisted and currently exercisable) as at the date of this report:

Category	Expiry date	Exercise price	Exercised during the year	Outstanding
Non-related party - Crescent Gold	19-Sep-13	9.47 cents each	-	39,000,000

Between the end of the year and the date of this report no options have been exercised.

None of the above options entitle the holders to participate, by virtue of the options, in any share issue of any other corporation.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Except as mentioned below, 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 Group, the results of those operations or the state of affairs of the Group in future financial years.

On 6th September 2013 the Company announced that it had, by successfully completing a Bankable Feasibility Study for the WIM150 mineral sands project, acquired an 80% interest in the project pursuant to the provisions of a farm-in agreement between the Company and Orient Zirconic Resources (Australia) Pty Ltd.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support and have adhered to the principles of good corporate governance. The Group's corporate governance statement is contained in the section titled "Corporate Governance Statement". Where the Company has not followed the Corporate Governance guidelines, the reasons have been explained within the Corporate Governance Statement within this Annual Report.

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 include:

• 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 the borrowings from the Company's major shareholder, DCM DECOmetal GmbH ("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 next twelve months.

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 consist of the directors as previously listed above in the Directors' Report and the Chief Executive Officer.
No key management personnel are employed under a service contract, except for the Chief Executive Officer. Their appointment dates are set out above in the Directors' report. The major provisions relating to remuneration are set out below:

Remuneration committee

Due to the relatively 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 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. However, Directors may be issued options from time to time to provide the necessary incentive to work and grow long-term shareholder value. Issues of options to Directors require approval by shareholders in general meeting.

Executive director remuneration

Objective

The Company aims to reward executive directors with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executive directors for Company and individual performance;
- Align the interests of executive directors with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

No share based payments were made to key management personnel during the year.

Structure

It is Board policy that an employment contract is entered into with the Chief Executive Officer, who is paid on a daily rate basis.

Remuneration consultants

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

REMUNERATION REPORT (audited) - *(continued)*

Compensation of Key Management Personnel

30 June 2013	Short term		Post employment		Total	Total performance related
	Salary and fees	Professional fees	Superannuation	Super Salary Sacrifice		
	$	$	$	$	$	%
JD Shervington	48,000	74,391	-	-	122,391	-
T Styblo	46,286	-	-	-	46,286	-
G Kornfeld	27,623	-	-	-	27,623	-
J Jacobs	18,863	22,799	-	-	41,662	-
M Adams	10,700	261,157	-	-	271,857	-
	151,472	358,346	-	-	509,818	-

30 June 2012	Short term		Post employment		Total	Total performance related
	Salary and fees	Professional fees	Superannuation	Super Salary Sacrifice		
	$	$	$	$	$	%
JD Shervington	48,000	-	-	-	48,000	-
T Styblo	-	-	-	-	-	-
M Adams	17,550	224,650	-	-	242,200	-
S McEwen	109,054	7,500	9,815	-	126,369	-
G Bedineishvili	5,175	-	-	-	5,175	-
	179,779	232,150	9,815	-	421,744	-

END OF AUDITED SECTION

DIRECTORS' REPORT – *(continued)*

DIRECTORS' 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	11	2	-
G Kornfeld	10	9	2	1
J Jacobs	9	9	1	1
M Adams	3	3	N/A	N/A

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 6 of this report.

NON-AUDIT SERVICES

Somes Cooke has not provided any non-audit services during the financial year ended 30 June 2013 (2012: Nil).

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, 13 September 2013

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Business Consultants
Financial Advisors

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 2013, I declare that, to the best of my knowledge and belief, there have been:

a) No contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) No contraventions of any applicable code of professional conduct in relation to the audit.

Somes Cooke

Kevin Somes
Perth
13 September 2013

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the Year Ended 30 June 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
Other income	3	**62,724**	683,668
Employee benefits expense	4	**(44,865)**	(146,793)
Finance expenses	4	**(6,446,351)**	(4,074,958)
Corporate expenses		**(1,172,179)**	(856,566)
Share of net loss of joint venture entity	9	**-**	(542,525)
Other expenses	4	**(3,203,382)**	(91,649)
LOSS BEFORE INCOME TAX		**(10,804,053)**	(5,028,823)
Income tax benefit / (expense)	5	**-**	-
LOSS FROM CONTINUING OPERATIONS		**(10,804,053)**	(5,028,823)
Profit for the year from discontinuing operations after tax	6	**1,305,435**	1,100,000
LOSS FOR THE YEAR		**(9,498,618)**	(3,928,823)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT		**(9,498,618)**	(3,928,823)
EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUING OPERATIONS			
Basic loss per share (cents)	19	**(0.6)**	(0.3)
Diluted loss per share (cents)	19	**(0.6)**	(0.3)
EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
Basic loss per share (cents)	19	**(0.7)**	(0.3)
Diluted loss per share (cents)	19	**(0.7)**	(0.3)
EARNINGS PER SHARE FROM DISCONTINUING OPERATIONS			
Basic earnings per share (cents)	19	**0.1**	0.1
Diluted earnings per share (cents)	19	**0.1**	0.1

The above statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2013

	Note	Company 2013 $	Consolidated 2012 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	406,696	792,775
Trade and other receivables	8	197,073	272,461
TOTAL CURRENT ASSETS		603,769	1,065,236
NON-CURRENT ASSETS			
Interest in joint venture entity	9	-	9,734,565
Property, plant and equipment	10	68,075	102,006
Deferred exploration and evaluation expenses	11	14,232,088	6,501,238
TOTAL NON-CURRENT ASSETS		14,300,163	16,337,809
TOTAL ASSETS		14,903,932	17,403,045
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	1,227,218	416,178
Borrowings	13	83,210,284	77,031,958
Provisions	14	24,111	13,972
TOTAL CURRENT LIABILITIES		84,461,613	77,462,108
TOTAL LIABILITIES		84,461,613	77,462,108
NET LIABILITIES		(69,557,681)	(60,059,063)
ACCUMULATED LOSSES			
Issued capital	15	110,816,025	110,816,025
Reserves	16	899,095	899,095
Accumulated Losses		(181,272,801)	(171,774,183)
ACCUMULATED LOSSES		(69,557,681)	(60,059,063)

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
for the Year Ended 30 June 2013

Consolidated

	Issued capital	Accumulated losses	Share based payments reserve	Total
	$	$	$	$
At 1 July 2011	110,816,025	(167,845,360)	899,095	(56,130,240)
Total comprehensive income for the year	-	(3,928,823)	-	(3,928,823)
At 30 June 2012	110,816,025	(171,774,183)	899,095	(60,059,063)
At 1 July 2012	**110,816,025**	**(171,774,183)**	**899,095**	**(60,059,063)**
Total comprehensive income for the year	**-**	**(9,498,618)**	**-**	**(9,498,618)**
At 30 June 2013	**110,816,025**	**(181,272,801)**	**899,095**	**(69,557,681)**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
for the Year Ended 30 June 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(1,164,190)**	(1,124,501)
Interest received		**32,869**	142,329
Sundry revenue from other activities		**29,855**	563,924
Net cash outflow from operating activities	21	**(1,101,466)**	(418,248)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and evaluation costs paid		**(6,850,378)**	(4,006,205)
Receipts from sale of 35% interest in Murray Zircon	9	**11,040,000**	-
Contribution of equity to joint venture entity		**-**	(597,090)
Payments for acquisition of plant and equipment		**(134)**	(29,718)
Receipts from disposal of plant and equipment		**3,636**	-
Net cash (outflow) / inflow from investing activities		**4,193,125**	(4,633,013)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan finance from the Company's controlling entity, DCM DECOmetal GmbH ('DCM')		**5,540,000**	3,700,379
Repayment of loan from DCM		**(9,010,000)**	-
Finance lease principal repayments		**(7,738)**	(8,675)
Net cash inflow / (outflow) from financing activities		**(3,477,738)**	3,691,704
Net (decrease) in cash and cash equivalents held		**(386,079)**	(1,359,557)
Cash and cash equivalents at the beginning of the financial year	7	**792,775**	2,152,332
Cash and cash equivalents at the end of the financial year	7	**406,696**	792,775

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. CORPORATE INFORMATION

These consolidated financial statements of Australian Zircon NL (or "the Company") and controlled entities ("the Group") for the year ended 30 June 2013 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 2, Level 2, 52 Hindley Street, Adelaide SA 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 their 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.

At the date of signing the financial report the Company is dependent upon continuing financial support from it's controlling shareholder, DCM DECOmetal GmbH ('DCM'), to pays its debts as and when they fall due. As at 30 June 2013, the Company had net liabilities of$69,557,681 and $83,201,665 was owing to DCM. DCM have confirmed that they will continue to support the Company's activities in relation to the WIM 150 mineral sands project.

At the date of signing the financial report, the directors are confident that DCM will continue to financially support the Company to enable it to pay its debts as and when they fall due for the next 12 months, and as such believe the going concern basis is appropriate. Should the financial support of DCM 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) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and subsidiaries it controlled at the end of the reporting period ('the Group'). A controlled entity is an entity over which the Company has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

(c) 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 Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions

Deferred exploration and evaluation expenses

The Group 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *(continued)*

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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).

(e) 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.

(f) 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 use of the asset.

Any gain or loss arising on derecognition 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 derecognised.

(g) 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.

(h) Impairment

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group 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 for the cash-generating unit to which the asset belongs.

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.

(i) 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 bank overdrafts.

(j) Interests in joint venture entities

The Group's interest in joint venture entities are recorded using the equity method of accounting in the consolidated financial statements, whereby the investment is initially measured at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint venture entity. In addition, the Group's share of the profit or loss of the joint venture entity is included in the Group's profit or loss.

Where the Group contributes assets to the joint venture or if the Group purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the Groups share of the joint venture shall be recognised. The Group recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

(k) 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 identified.

(l) 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 measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *(continued)*

(m) Provisions

Provisions are recognised when the Group 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 Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is 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.

(n) 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 recognized 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.

(o) Leases

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

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.

(p) 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 recognized at amortised cost.

(q) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *(continued)*

(r) 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.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

• when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

• when the deductible temporary difference is associated with investments in subsidiaries in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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.

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.

(s) 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.

(t) 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 Position.

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.

(u) Foreign currency translation

Both the functional and presentation currency of the Company and its subsidiaries 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 date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *(continued)*

(v) Share-based payments

From time to time, the Group provides benefits to Senior Executives of the Group 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.

(w) Changes to Accounting Policies

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

(1) simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
(2) simplifying the requirements for embedded derivatives;
(3) removing the tainting rules associated with held-to-maturity assets;
(4) removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
(5) allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
(6) requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
(7) requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes

The Company has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *(continued)*

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012-6: Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. In light of this change to the mandatory effective date, the Company is expected to adopt AASB 9 and AASB 2010-7 for the annual reporting period ending 31 December 2015. Although the directors anticipate that the adoption of AASB 9 and AASB 2010-7 may have an impact on the Company's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. There is not expected to be any impact of this Standard on the Company's financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either “joint operations” (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or “joint ventures” (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Company.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to impact the Company.

AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:
- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards may result in more detailed fair value disclosures but are not expected to significantly impact the amounts recognised in the Company's financial statements.

AASB 2011-4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013).

This Standard makes amendments to AASB 124: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number or purposes, including furthering trans-Tasman convergences, removing differences from IFRSs. and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

This Standard is not expected to significantly impact the Company's financial report as a whole because:
- some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Company: and
- AASB 2011-4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011-4.

AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Company does not have any defined benefit plans and so is not impacted by the amendment.

The Company has not yet been able to reasonably estimate the impact of these changes to AASB 119.

AASB 2012-2: Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 2012-2 principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard is not expected to significantly impact the Company's financial statements.

AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

This Standard is not expected to significantly impact the Company's financial statements.

AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of Annual Improvements to IFRSs 2009-2011 Cycle by the International Accounting Standards Board, including:

- AASB 1: First-time Adoption of Australian Accounting Standards to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
- AASB 101: Presentation of Financial Statements and AASB 134: Interim Financial Reporting to clarify the requirements for presenting comparative information;
- AASB 116: Property, Plant and Equipment to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;
- AASB 132 and Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and
- AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

This Standard is not expected to significantly impact the Company's financial statements.

3. OTHER INCOME

	Consolidated 2013	Consolidated 2012
	$	$
Foreign exchange gain (i)	-	30,038
Other income	62,724	653,630
	62,724	683,668

(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 13).

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

	Consolidated 2013	Consolidated 2012
Employee benefit expenses:	$	$
Wages and salaries	41,730	132,502
Defined contribution superannuation expense	3,135	14,291
	44,865	146,793
Interest expense on financial liabilities not at fair value through profit and loss:		
Related parties (i)	6,445,412	4,073,435
Other persons	939	1,523
	6,446,351	4,074,958
Other expenses		
Foreign exchange loss (ii)	(3,200,652)	-
Loss on sale of non-current asset	(2,730)	-
Other expenses	-	(91,649)
	(3,203,382)	(91,649)

(i) Relates to interest on loan from the Company's controlling entity, DCM DECOmetal GmbH ('DCM') (Note 13).

(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 13).

5. INCOME TAX EXPENSE

	Consolidated 2013	Consolidated 2012
Recognised in the Statement Profit and Loss and Other Comprehensive Income	$	$
Current tax expense		
Current year	-	-
	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Write back deferred tax losses previously recorded	-	-
	-	-
Total income tax expense/(benefit) in Statement of Profit and Loss and Other Comprehensive Income	-	-

Numerical reconciliation between tax expense and pre-tax net loss

	Consolidated 2013	Consolidated 2012
Loss before tax	(9,498,618)	(3,928,823)
Income tax benefit at 30%	(2,849,585)	(1,178,647)
Foreign exchange (gain)/loss not subject to income tax	960,196	(9,011)
Losses not recognised	1,889,390	1,187,658
Income tax (benefit)/expense on pre-tax net loss	-	-

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated 2013	Consolidated 2012
Tax losses (at 30%)	48,280,372	46,390,982
Capital losses	-	-
	48,280,372	46,390,982

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.

6. DISCONTINUED OPERATIONS

In April 2012, the Company completed the sale of its Pine Valley tenements to Murray Zircon Pty Ltd, the owner and operator of the Mindarie mineral sands project.
On 27 September 2012, the Company completed the sale of its 35% shareholding of Murray Zircon Pty Ltd to a Hong Kong based company, for $11.5 million.
The gains from sale of discontinued operations, which are included in the profit from discontinued operations in the statement of profit and loss and other comprehensive income, are as follows:

	Consolidated 2013 $	Consolidated 2012 $
PROFIT ON SALE OF DISCONTINUED OPERATIONS		
Profit from sale of 35% interest in Murray Zircon Pty Ltd (Note 9)	**1,305,435**	-
Profit from sale of Pine Valley tenements to Murray Zircon Pty Ltd	-	1,100,000
Profit on sale of discontinued operations	**1,305,435**	**1,100,000**
TOTAL PROFIT AFTER TAX ATTRIBUTABLE TO THE DISCONTINUED OPERATIONS	**1,305,435**	**1,100,000**

7. CASH AND CASH EQUIVALENTS

	Consolidated 2013 $	Consolidated 2012 $
Cash at bank and in hand	**406,696**	792,775

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

8. TRADE AND OTHER RECEIVABLES

	Consolidated 2013 $	Consolidated 2012 $
Other receivables	**197,073**	272,461

9. INTEREST IN JOINT VENTURE ENTITY

	Consolidated 2013 $	Consolidated 2012 $
Balance at beginning of year	**9,734,565**	8,365,000
Contribution of equity	**-**	1,912,091
Share of net loss of joint venture entity	**-**	(542,526)
Sale of 35% interest (i)	**(9,734,565)**	-
Balance at end of year	**-**	9,734,565

(i) On 27 September 2012, the Company completed the sale of its 35% shareholding of Murray Zircon Pty Ltd to a Hong Kong based company, for $11.5 million.

Sales proceeds	11,500,000
Carrying value of shareholding sold	(9,734,565)
Costs of sale (commission)	(460,000)
Profit on sale of 35% interest in Murray Zircon Pty Ltd	1,305,435

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2013 $	Consolidated 2012 $
Plant and equipment		
At cost	**240,551**	293,132
Accumulated depreciation	**(172,476)**	(191,126)
Net carrying amount	**68,075**	102,006
Opening carrying amount	**102,006**	92,325
Additions	**134**	29,718
Depreciation	**(27,698)**	(20,037)
Assets disposed	**(6,367)**	-
Closing carrying amount	**68,075**	102,006

11. DEFERRED EXPLORATION AND EVALUATION EXPENSES

	Consolidated 2013 $	Consolidated 2012 $
Balance at beginning of year	**6,501,238**	2,495,033
Deferred expenditure for the year	**7,730,850**	4,006,205
Balance at end of year (i)	**14,232,088**	6,501,238

(i) Deferred expenses as at 30 June 2012 and 2013 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.

12. TRADE AND OTHER PAYABLES

	Consolidated 2013 $	Consolidated 2012 $
Trade payables	**1,199,667**	383,652
Accrued expenses	**27,551**	32,526
Total current trade and other payables	**1,227,218**	416,178

13. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated 2013 $	Consolidated 2012 $
Current		
Amounts owing to DCM (i)	**83,201,665**	77,015,602
Obligations under finance leases	**8,619**	16,356
	83,210,284	77,031,958

(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 2013 comprise of US$24,766,709 and AUD$56,106,093 (2012:US$28,608,174 and AUD$49,422,426).

14. PROVISIONS

	Consolidated 2013 $	Consolidated 2012 $
Annual leave payable	**24,111**	13,972

15. CONTRIBUTED EQUITY

	Consolidated 2013 $	Consolidated 2012 $
(a) Share capital		
Fully paid ordinary shares	**110,779,210**	110,779,210
40 cents uncalled	**36,815**	36,815
	110,816,025	110,816,025
	Number	Number
Fully paid ordinary shares		
Balance at beginning and end of year	**1,474,715,121**	1,474,715,121
Partly paid ordinary shares		
Balance at beginning and end of year	**7,363,026**	7,363,026

Effective 1 July 1998, the Corporations legislation abolished concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

The call outstanding on the partly paid shares is 19.5 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.

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.

Franking Account

The Company has not been in a tax paying position since inception and therefore has unrecognised carried forward tax losses as outlined in Note 5. For this reason the franking account has a nil balance at 30 June 2013 (2012: $nil). There has been no movement through the franking account during the financial year.

(b) Options

The following options were outstanding as at 30 June 2013:

1 July 2012	Options lapsed / cancelled	Options exercised	Options granted	30 June 2013	Expiry Date	Exercise Price
39,000,000				39,000,000	19-Sep-13	9.47 cents
39,000,000	**-**	-	-	**39,000,000**		

16. RESERVES

	Consolidated 2013 $	Consolidated 2012 $
Share-based payments reserve		
Balance at beginning and end of the year	**899,095**	899,095

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.

17. AUDITORS' REMUNERATION

	Consolidated 2013 $	Consolidated 2012 $
Audit and review of financial reports (Somes Cooke)	**32,000**	40,000
Other services	**-**	-
	32,000	40,000

18. EVENTS SUBSEQUENT TO BALANCE DATE

Except as mentioned below, 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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

On 6th September 2013 the Company announced that it had, by successfully completing a Bankable Feasibility Study for the WIM150 project, acquired an 80% interest in the project pursuant to the provisions of the farm-in agreement between the Company and Orient Zirconic Resources (Australia) Pty Ltd.

19. EARNINGS PER SHARE

	Consolidated 2013 $	Consolidated 2012 $
Earnings used to calculate basic and diluted earnings per share from continuing and discontinuing operations	**(9,498,618)**	(3,928,823)
Earnings used to calculate basic and diluted earnings per share from continuing operations	**(10,804,053)**	(5,028,823)
Earnings used to calculate basic and diluted earnings per share from discontinuing operations	**1,305,435**	1,100,000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**1,474,715,121**	1,474,715,121
Weighted potential ordinary shares on issue	**46,363,026**	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.

20. FINANCIAL INSTRUMENTS and FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise of loans from DCM (Note 13). 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 year ended 30 June 2013 and 2012, 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 interest rate risk, foreign currency risk, and liquidity risk. The management reviews and agrees policies for managing each of these risks which are summarised 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 2013 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 13). 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 Group's profit before tax due to changes in the carrying value of monetary assets and liabilities.

Increase / decrease in foreign exchange rate	**Effect on profit before tax for the year ended 30 June 2013 $**	Effect on profit before tax for the year ended 30 June 2012 $
Increase 10%	**(2,668,744)**	(2,860,117)
Decrease 10%	**2,668,744**	2,860,117

Fair values

The fair values and carrying amounts for all of the financial assets of the Group as at 30 June 2012 and Company as at 30 June 2013 are the same.

Interest rate risk

The Company's Borrowings are subject to fixed interest rates (Note 13).

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.

21. 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:

	Consolidated 2013 $	Consolidated 2012 $
Cash at bank and in hand	406,696	792,775
	406,696	792,775

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

	Consolidated 2013 $	Consolidated 2012 $
Operating loss after income tax	(9,498,618)	(3,928,823)
Adjustment for non-cash items:		
Depreciation - Plant & equipment	(27,698)	20,037
Foreign exchange (gain)/loss	3,200,652	(30,038)
Gain on sale of discontinued operations	(1,305,435)	(1,100,000)
Loss on sale of Plant and Equipment	2,730	-
HP interest	-	1,523
Share of net loss of joint venture entity	-	542,525
Interest accrued to DCM	6,446,351	4,074,958
Changes in operating assets and liabilities		
Decrease in trade and other receivables	75,388	-
less transfer of bond to MZ	-	(930,000)
Decrease in accruals	(4,975)	-
Increase in provisions	10,139	2,003
Net cash outflow from operating activities	(1,101,466)	(1,347,815)

22. INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	Country of incorporation	Class of shares	Equity interest	Investment $
Steiner Holdings Pty Ltd (i) 2012	Australia	Ordinary	100%	-
Mallee Mineral Separations Pty Ltd (i) 2012	Australia	Ordinary	100%	-

(i) Steiner Holdings Pty Ltd was deregistered in December 2012. Mallee Mineral Separations Pty Ltd was deregistered in November 2012.

23. SHARE-BASED PAYMENTS

The fair value of equity settled options granted is measured at the date of the grant using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Where parties other than employees are issued share based payments, the Company in accordance with Australian Accounting Standards, has valued these options with reference to the fair value of the good or service received where this can be reliably estimated.

Share based payment options outstanding at 30 June 2012 and 2013: (i)	**39,000,000**

(i) The outstanding options as at 30 June 2013 expire on 19 September 2013, have an exercise price of 9.47 cents, and fully vested on their grant date, which was 19 September 2008.

Share options are granted to senior executives and key management personnel on a discretionary basis in accordance with approval by the Board of Directors. Options may also be issued in exchange for a good or service to counter parties that are not employees. Options issued vary in terms and conditions with some vesting immediately on grant date and others over longer periods (usually two years from grant date). The options are designed to align participants' interests with those of shareholders by increasing the value of the Company's shares. The exercise prices of options are set at market prices prevailing at the time of granting the options. When an employee ceases employment prior to vesting their options, the share options are forfeited to the extent stipulated in their employment contract.

24. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

Key Management Personnel during the year ended 30 June 2013

JD Shervington	Chairman
T Styblo	Non-Executive Director
J Jacobs	Non-Executive Director
G Kornfeld	Non-Executive Director
M Adams	Executive Director, CEO

The appointment and retirement dates, where applicable of the above Directors, are set out in the Directors Report.

Compensation by category: Key Management Personnel	Consolidated 2013 $	Consolidated 2012 $
Short term	**509,818**	411,929
Post employment	**-**	9,815
	509,818	421,744

Compensation options

There were no compensation options granted during the years ended 30 June 2012 and 2013.
No shares were issued on exercise of compensation options during the years ended 30 June 2012 and 2013.

(b) Option holdings of Key Management Personnel

30 June 2013
No Key Management Personnel held options in the Company during the year ended 30 June 2013.

30 June 2012
No Key Management Personnel held options in the Company during the year ended 30 June 2012.

(c) Ordinary Fully Paid Share holdings of Key Management Personnel

Directors	Balance at 30 June 2012 and 2013
JD Shervington	1,216,230

No fully paid shares were held by Key Management Personnel during the year ended 30 June 2013 other than those stated above.
Mr JD Shervington held 900,000 partly paid shares throughout 2012 and 2013.
No shares were granted in either the years ended 30 June 2012 or 2013 as compensation.

25. 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 $5,540,000 to the Company and the Company repaid $9,010,000 to DCM. As outlined at Note 13, as at 30 June 2013, $83,201,665 was owing to DCM.

Aside from the above transactions with DCM, and transactions disclosed in the Remuneration Report (which are summarised in Note 24) there were no related party transactions during the year.

26. 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.

27. CONTINGENCIES

No contingent assets or liabilities exist as at 30 June 2013.

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 2013 and of the Group'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 are confident that the financial support of its major shareholder will continue.

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 2013.

On behalf of the Board.

J D Shervington
Chairman
Perth, 13 September 2013

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Chartered Accountants (Aus)
Business Consultants
Financial Advisors

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 statement of financial position as at 30 June 2013, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and 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 the consolidated entity comprising the company and the entities it controlled 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 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 entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

(a) the financial report of Australian Zircon NL is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the entity's financial position as at 30 June 2013 and of the consolidated entity's performance for the year ended on that date; and

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

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

Emphasis of matter - Inherent uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to Note 2, which outlines that the entity is dependent upon continuing financial support from its controlling shareholder, DCM DECOmetal GmbH ('DCM'), to pay its debts as and when they fall due. As at 30 June 2013, the entity had net liabilities of $69,557,681 and $83,201,665 was owing to DCM. DCM have confirmed that they will continue to support the entity's activities in relation to the WIM 150 mineral sands project.

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 5 of the directors' report for the year ended 30 June 2013. The directors of the entity 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 2013 complies with section 300A of the *Corporations Act 2001*.

Somes Cooke

Somes Cooke

K Somes

Kevin Somes
13 September 2013
Perth

CORPORATE GOVERNANCE STATEMENT

Australian Zircon is committed to a high level of corporate governance in accordance with the Corporations Act and the ASX Listing Rules.

This Corporate Governance Statement outlines the Company's system of governance during the Financial Year and the extent of the Company's compliance, as at the end of the Financial Year, by reference to the second edition of the ASX Corporate Governance Principles and Recommendations published in August 2007 by the ASX Corporate Governance Council (as amended in 2010) with 2010 amendments and to the Corporations Act 2001. The Group's compliance with those Principles and Recommendations for the year ending 30 June 2013 is detailed in the Corporate Governance Scorecard which follows.

The Chief Executive Officer has assured the board that the declaration provided in accordance with section 295A of the Corporations Act is founded on internal control that is operating effectively in all material respects in relation to financial reporting risks.

The names and qualifications of the members of the audit committee and the number of audit committee meetings attended are provided in this annual report.

Two of the Company's five employees are women. There are no women in senior executive positions or on the board.

The Group has not adopted all of the recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. These recommendations and the reasons for non-adoption are also detailed below at the foot of the Scorecard.

Corporate Governance Scorecard

Principle 1	*Lay solid foundations for management and oversight*	
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	X
1.2	Companies should disclose the process for evaluating the performance of senior executives.	X
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	X
Principle 2	*Structure the board to add value*	
2.1	A majority of the Board should be independent directors.	X
2.2	The chair should be an independent Director.	√
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	√
2.4	The Board should establish a nomination committee.	X
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	X
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	X
Principle 3	*Promote ethical and responsible decision-making*	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	
	• the practices necessary to maintain confidence in the company's integrity	X
	• the practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders	X
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	X
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	X
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	X
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	√
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	X
Principle 4	*Safeguard integrity in financial reporting*	
4.1	The Board should establish an audit committee.	√
4.2	The audit committee should be structured so that it:	
	• consists only of non-executive Directors	√
	• consists of a majority of independent Directors	X
	• is chaired by an independent chair, who is not chair of the board	√
	• has at least three members	√
4.3	The audit committee should have a formal charter.	X
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	X
Principle 5	*Make timely and balanced disclosure*	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	X
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	X
Principle 6	*Respect the rights of shareholders*	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	X
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	X
Principle 7	*Recognise and manage risk*	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	X
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	X
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	√
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	X

Corporate Governance Scorecard - *(continued)*

Principle 8	*Remunerate fairly and responsibly*	
8.1	The Board should establish a remuneration committee.	*X*
8.2	The remuneration committee should be structured so that it:	
	• consists of a majority of independent directors	*X*
	• is chaired by an independent chair, who is not chair of the board	*X*
	• has at least three members	*X*
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	√
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	*X*

Reasons for non-adoption of Corporate Governance Principles

Principle 1.1

The Company has not established the functions reserved to the Board and those delegated to senior executives nor disclosed those functions. It is the intention of the Company to comply with this principle at a time when the size of the Company and its activities warrant establishment of these functions.

Principle 1.2

The Company has not disclosed the process for evaluating the performance of senior executives. It is the intention of the Company to comply with this principle at a time when the size of the Company and its activities warrant establishment of performance evaluation of its senior executives.

Principle 1.3

A statement of matters reserved for the board, or the board charter or the statement of areas of delegated authority to senior executives have not been made publicly available. It is the intention of the Company to comply with this principle at a time when such statements and charter have been formulated.

Principle 2.1

The Company comprises four directors, only two of whom are considered independent. It is the intention of the Company to comply with this principle at a time when the size of the Company and its activities warrant such a structure.

Principle 2.4

The Company does not have a Nomination Committee. The Board considers the size and level of operations of the Company is not sufficient to warrant a separate Committee. In the event a new or a replacement Director was considered necessary, the full Board of Directors would be canvassed for their views and recommendations.

In the absence of a Nomination Committee, the full Board conducts the functions and considers the issues that would otherwise be considered by a Nomination Committee.

If the Board determines that there is a need to appoint another Director for any reason, they will:

• determine the skills, experience, qualifications appropriate, having regard to those of the existing Directors

• agree the process to seek such a person

• set a timetable to appoint, having regard to the timing of the AGM and requirements of the Constitution

• prepare a short list and meet the candidates.

Principle 2.5

The Company has not disclosed the process for evaluating the performance of the board, its committees and individual directors. It is the intention of the Company to comply with this principle at a time when the size of the Company and its activities warrant establishment of these processes.

Principle 3.1

The Company has not established and disclosed a code of conduct or the summary of a code. It is the intention of the Company to comply with this principle at a time when the size of the Company and its activities warrant establishment of a code.

Principle 3.2

The Company has not established a policy concerning diversity and disclosed the policy or a summary of that policy. It is the intention of the Company to comply with this principle at a time when the size of the Company and its activities warrant establishment of a policy.

Principle 3.3

The Company has not disclosed in this annual report the measurable objectives for achieving gender diversity and progress towards achieving them. It is the intention of the Company to comply with this principle at a time when the size of the Company and the level of operations warrant reporting on diversity objectives.

Principle 3.5

The Company has not made publicly available a code of conduct or a diversity policy. It is the intention of the Company to comply with this principle at a time such a code and policy have been formulated.

Principle 4.2

The audit committee comprises four directors, only two of whom are considered independent. It is the intention of the Company to comply with this principle at a time when the size of the Company and its activities warrant a majority of independent directors.

Principle 4.3

The audit committee does not have a formal charter. It is the intention of the Company to comply with this principle at a time when the size of the Company and its activities warrant a majority of independent directors.

Principle 4.4

The audit committee charter and the information on procedures for selection and appointment of the external auditor, and for the rotation of the external audit engagement partners have not been made publicly available. It is the intention of the Company to comply with this principle at a time when such charter and procedures have been formulated.

Principle 5.1

The Company has not established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance, or disclosed those policies or a summary of those policies. It is the intention of the Company to comply with this principle at a time when the size of the Company and the level of operations warrant formulation of those policies.

Principle 5.2

The Company has not made publicly available the policies or a summary of those policies designed to guide compliance with Listing Rule disclosure compliance. It is the intention o the Company to comply with this principle at a time when such policies have been formulated.

Principle 6.1

The Company has not designed a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings or disclosec such a policy or a summary of that policy. It is the intention of the Company to comply with this principle at a time when the size of the Company and the level of operations warrant formulation of such a policy.

Principle 6.2

The Company has not described how it will communicate with its shareholders publicly. It is the intention of the Company to comply with this principle at a time when a communication policy has been formulated.

Principle 7.1

The Company has not established policies for the oversight and management of material business risks or disclosed a summary of those policies. It is the intention of the Company to comply with this principle at a time when the size of the Company and the level of operations warrant formulation of those policies.

Principle 7.2

The board has not required management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board has not disclosed that management has reported to it as to the effectiveness of the Company's management of its material business risks. It is the intention of the Company to comply with this principle at a time when the size of the Company and the level of operations warrant formalisation of risk management and internal control systems.

Principle 7.4

A summary of the Company's policies on risk oversight and management of material business risks has not been made publicly available. It is the intention of the Company to comply with this principle at a time when such policies have been formulated.

Principle 8.1 & 8.2

The Board has not established a remuneration committee as it is considered its current size does not warrant the establishment of a remuneration committee. Matters that might be considered by a remuneration committee are reviewed by the full board.

Principle 8.4

The Company has not made publicly available the charter of a remuneration committee or a summary of the Company's policy on equity-based remuneration schemes. It is the intention of the Company to comply with this principle at a time when such charter and policy have been formulated.

Subject to the above exceptions, the Group believes it has complied with the ASX Corporate Governance Principles and Recommendations for the year ending 30 June 2013.

DIRECTORS MEETINGS

The status of, and term in office held by, each Director in office at the date of this report is as follows:

Name	**Status**	**Term in Office**
JD Shervington	Independent	14.6 years
J Jacobs	Independent	1.0 years
T Styblo	Non - Independent	1.6 years
Dr G Kornfeld	Non - Independent	1.1 years

SHAREHOLDERS' INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 13 September 2013.

1. Distribution of equity securities

	Number of Holders - Fully paid shares	Number of Holders - Partly paid shares	Number of Holders - Unlisted options
0 - 1,000	262	168	-
1,001 - 5,000	491	63	-
5,001 - 10,000	386	5	-
10,001 - 100,000	1,558	33	-
100,001 - 999,999,999	435	16	1
1,000,000,000 - 9,999,999,999	1	0	-
	3,133	285	1

Shareholders holding less than a marketable parcel

Fully Paid Shares	Partly paid Shares	Unlisted Options
2,904	269	N/A

The percentage held by the 20 largest shareholders

Fully Paid Shares	Partly paid shares	Unlisted Options
87.37%	84.27%	100%

2. Substantial Shareholders

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

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	Fully paid Number	%
1	DCM DECOmetal International Trading GmbH	1,067,479,114	72.39%
2	HSBC Custody Nominees (Australia) Limited	82,442,819	5.59%
3	Mr. Christopher Michael Williamson	36,558,048	2.48%
4	HSBC Custody Nominees (Australia) Limited – A/C 3	23,587,895	1.60%
5	Goddard Development Pty Limited	22,012,566	1.49%
6	Kabininge Nominees Pty Ltd (Kabininge Superannuation Fund)	13,063,885	0.89%
7	Barossa Vintage Pty Limited (Milton Park A/C)	12,500,000	0.85%
8	National Nominees Limited	9,756,179	0.66%
9	Taycol Nominees Pty Limited (211 A/C)	4,413,770	0.30%
10	HSBC Custody Nominees (Australia) Limited – A/C 2	4,166,667	0.28%
11	Spy Glass Nominees Pty Ltd (The Bale Family A/C)	2,839,420	0.19%
12	JP Morgan Nominees Australia Limited	2,640,205	0.18%
13	Mr. Robert Hastings Smythe (Super Fund A/C)	2,380,000	0.16%
14	Leet Investments Pty Limited	2,300,000	0.16%
15	JP Morgan Nominees Australia Limited (Cash Income A/C)	2,161,620	0.15%
16	Professor Alan Jonathan Berrick	2,000,000	0.14%
17	Crawley Investments Pty Limited (Crawley A/C)	2,000,000	0.14%
18	Taycol Nominees Pty Limited	1,997,399	0.14%
19	Dr. Peter Frederick Isaac	1,905,362	0.13%
20	Loquela Pty Limited	1,840,000	0.12%

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	Mr. David John Newman	500,091	6.79%
6	Wilhaja Pty Limited (Riekie Family A/C)	287,500	3.90%
7	Bayonet Investments Pty Limited (South Point A/C)	274,821	3.73%
8	Miss. Kathleen Mary Eddington (Kathie Eddington No 2 S/F A/C)	252,000	3.42%
9	Bayonet Investments Pty Limited (South Point A/C)	250,000	3.40%
10	Surfboard Pty Limited (ARW Super Fund No 1 A/C)	250,000	3.40%
11	Mr. Greg Hancock	200,000	2.72%
12	Mr. William Irvin	200,000	2.72%
13	Mr. Brian Thomas Ryan	196,830	2.67%
14	Hadley Park Pty Limited	163,320	2.22%
15	Mrs. Beverley Ruth Deamer	153,371	2.08%
16	Vern Investments Pty Limited	134,324	1.82%
17	Dawngold Investments Pty Limited	100,000	1.36%
18	Jalina Nominees Pty Limited	98,415	1.34%
19	Mrs. Kay Irvin	90,000	1.22%
20	Cornerstone Capital Pty Limited (Investment A/C)	88,760	1.21%

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