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AustralianZircon
NL ABN 60 063 389 079

ANNUAL REPORT – 2016

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

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

DIRECTORS' REPORT

Directors' Report

The Directors of Australian Zircon NL ('the Company') submit their report for the year ended 30 June 2016.

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

JEREMY D SHERVINGTON

B.Juris.LLB – Appointed 16 February 1998, Non-executive Chairman from 23 December 2008.
Mr Shervington is a solicitor specialising in laws regulating companies and the securities industry in Australia.
He is also a director of various unlisted public and private companies.

THOMAS STYBLO

Executive Master of Laws (LL.M.), Masters Degree in Economic and Social Sciences – Non-executive Director. Appointed 22 February 2012. Resigned 3 June 2016.
Mr Styblo was an executive of Australian Zircon's largest shareholder, DECOmetal GmbH in Liqui (DCM) and was responsible for the legal and commercial aspects of DCM's mining investments as well as management of DCM's Australian mining operations.
Prior to joining DCM, Mr Styblo was Managing Director and CFO of Schweighofer & Styblo GmbH and was responsible for finance, legal and accounting, tax optimisation, human resources and strategic planning for that company.

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, DECOmetal GmbH in Liqui
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.

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

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 and Legend Corporation Limited.

DIRECTORS' REPORT

Principal Activities

Up until 26 February 2016, the Company continued to undertake work in relation to an Environmental Effects Statement for the WIM150 Mineral Sands project.

However, on 26 February 2016, shareholders were advised that the company had entered into a Terms Sheet with a Hong Kong incorporated entity which would purchase the 80% Joint Venture Interest that AZC had in WIM150 from AZC free of encumbrances.

The formal Sale & Purchase Agreement was approved by shareholders on 13 April 2016 and the completion of the sale of the 80% Joint Venture interest in WIM150 occurred effective from 26 May 2016.

As a condition within the Cooperation Agreement between DCM and the Company, at the time of the formal approval of the Sale & Purchase Agreement, DCM acknowledged and confirmed that it unconditionally and irrevocably forgave all debt, including all accrued and unpaid interest, currently owed to it by Australian Zircon NL The debt forgiveness is included in the Financial Statements and Notes to the Accounts as part of this Annual Report.

Results and Dividends

The Company made a profit after tax of $88,391,080 (2015: loss $12,058,910), primarily due to the sale of the 80% interest in the WIM150 Joint Venture and the forgiveness of debt by AZC's largest shareholder DCM. Previously the loss was primarily in relation to work on the Optimisation Study pertaining to the WIM150 project. As AZC's interest in the WIM150 project has since been sold it is therefore a discontinued operation for AZC.

Corporate Performance

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

Year	Net (loss)/profit for the year	(Loss)/profit per share – cents	Shareholders' Equity	Share price at the beginning of the year – cents	Share price at the end of the year - cents
2012	(3,928,823)	(0.3)	(60,059,063)	N/A	N/A
2013	(9,498,618)	(0.6)	(69,557,681)	N/A	N/A
2014	(6,497,996)	(0.4)	(76,055,677)	N/A	N/A
2015	(12,058,910)	(0.8)	(88,114,587)	N/A	N/A
2016	88,391,080	0.6	276,493	N/A	N/A

No dividends were paid in any of the above years, nor were there any capital reductions or share cancellations. Directors have not recommended the payment of any dividend for the year ended 30 June 2016.

Tenements Held

Details of all Tenements held or which AZC has rights to as at 30 June 2016:

AUSTRALIAN ZIRCON NL							
Tenement Schedule - Victoria - 16 August 2016							
EL Number	**Tenement Name**	**Registered Holder**	**Area (sq km)**	**Grant Date**	**Expiry Date**	**Annual Tech Report Due Date**	**Australian Zircon Interest**
EL5446	Horsham	Australian Zircon NL	211	11/01/2013	10/01/2018	30/09/2016	100%
EL5460	Laharum	Australian Zircon NL	121	18/04/2013	17/04/2018	30/09/2016	100%

State of Affairs

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

Environmental Regulation

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

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

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

Significant Events after Balance Date

On 7 July 2016, the Company was made aware that a conditional agreement had been reached whereby DECOmetal GmbH in Liqui (DCM) would sell its shareholding in the Company to entities connected with the Company's two Australian Directors. The Directors have now resolved to seek shareholder approval for the sale and for a restructure of the Company and further detail together with a copy of the relevant notice of the meeting seeking approval from shareholders to the proposed transaction has been mailed to shareholders with a date for the shareholders meeting set as 13 October 2016.

On 25 August 2016, the Directors of the Company issued a Call Notice to all of the holders of the Partly Paid shares in the Company in respect of the 7,363,026 partly paid shares in the capital of the Company whereby the sum of $0.40 per share was made payable at least fourteen days after the call was made. The call was payable by 15 September 2016. No holders of partly paid shares contributed to the call which was due. As a consequence, shareholders now have the ability to consider the resolution which will be put to shareholders at the general meeting to be held on 13 October 2016 to cancel the forfeited partly paid shares.

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

Going Concern

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

At 30 June 2016, the net assets of the Company were $276,493.

At the date of signing the financial report, the Directors consider there are reasonable grounds to believe that the Company can meet its debts as and when they fall due.

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.

Director's Meetings

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

	Directors' meetings		**Audit committee meetings**	
	Number of meetings held while in office	Number of meetings attended	Number of meetings held while in office	Number of meetings attended
JD Shervington	10	10	2	2
T Styblo	9	9	2	2
G Kornfeld	10	10	2	2
J Jacobs	10	9	2	2

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

Auditor's Independence Declaration

An independence declaration form has been obtained from the Company's auditors Greenwich & Co, a copy of which is on page 9 of this report.

Non-Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the services disclosed below did no compromise the external auditor's independence for the following reasons:

i) All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

ii) The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 100: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Greenwich & Co (formerly Somes & Cooke) for non-audit services provided during the year to 30 June 2016:

	$
Taxation Services	2,750
Other Services	-
	2,750

Indemnification and Insurance of Officers

During the previous financial year the Company entered into agreements to indemnify all Directors of the Company 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 premia 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, 30 September 2016

Greenwich & Co

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www.greenwichco.com

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 2016, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

Perth

30 September 2016

STATEMENT OF PROFIT OR LOSS AND OTHER INCOME

Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 30 June 2016

	Note	2016 $	2015 $
Other income	3	**96,327,692**	8,395
Employee benefits expense	4	**(113,467)**	12,755
Finance expenses	4	**(6,123,822)**	(5,510,291)
Corporate expenses		**(586,297)**	(682,523)
Other expenses	4	**(1,113,026)**	(5,887,246)
PROFIT/(LOSS) BEFORE INCOME TAX		**88,391,080**	(12,058,910)
Income tax benefit/(expense)	5	**-**	-
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**88,391,080**	(12,058,910)
PROFIT/(LOSS) FOR THE YEAR		**88,391,080**	(12,058,910)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS		**88,391,080**	(12,058,910)
EARNINGS PER SHARE			
Basic profit/(loss) per share (cents)	17	**0.6**	(0.8)
Diluted profit/(loss) per share (cents)	17	**0.6**	(0.8)

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

STATEMENT OF FINANCIAL POSITION

Statement of Financial Position
as at 30 June 2016

	Note	2016 $	2015 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	**386,524**	99,592
Trade and other receivables	7	**5,595**	172,326
TOTAL CURRENT ASSETS		**392,119**	271,918
NON-CURRENT ASSETS			
Property, plant and equipment	9	**4,407**	31,275
Deferred exploration and evaluation expenses	10	**-**	18,705,598
TOTAL NON-CURRENT ASSETS		**4,407**	18,736,873
TOTAL ASSETS		**396,526**	19,008,791
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	**77,672**	246,610
Borrowings	12	**42,361**	106,863,611
Provisions	13	**-**	13,157
TOTAL CURRENT LIABILITIES		**120,033**	107,123,378
TOTAL LIABILITIES		**120,033**	107,123,378
NET ASSETS/(LIABILITIES)		**276,493**	(88,114,587)
SHAREHOLDERS EQUITY/(ACCUMULATED LOSSES)			
Issued capital	14	**110,816,025**	110,816,025
Accumulated Losses		**(110,539,532)**	(198,930,612)
SHAREHOLDERS' EQUITY/(ACCUMULATED LOSSES)		**276,493**	(88,114,587)

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

STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity

for the Year Ended 30 June 2016

	Issued capital	Accumulated losses	Share based payments reserve	Total
	$	$	$	$
Balance at 1 July 2014	**110,816,025**	**(186,871,702)**	**-**	**(76,055,677)**
Comprehensive Income				
Loss for the year	-	(12,058,910)	-	(12,058,910)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	(12,058,910)	-	(12,058,910)
Balance at 30 June 2015	**110,816,025**	**(198,930,612)**	**-**	**(88,114,587)**
Balance at 1 July 2015	**110,816,025**	**(198,930,612)**	**-**	**(88,114,587)**
Comprehensive Income				
Profit for the year	**-**	**88,391,080**	**-**	**8,391,080**
Other comprehensive income for the year	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**88,391,080**	**-**	**88,391,080**
Balance at 30 June 2016	**110,816,025**	**(110,539,532)**	**-**	**276,493**

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

STATEMENT OF CASHFLOWS

Statement of Cash Flows

for the Year Ended 30 June 2016

	Note	2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(868,739)**	(683,405)
Interest paid		**-**	(116)
Interest received		**55,950**	8,395
Sundry revenue from other activities		**166,731**	72,637
Net cash outflow from operating activities	19	**(646,058)**	(602,489)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and evaluation costs paid		**(593,832)**	(1,525,200)
Proceeds from sale of plant and equipment		**12,916**	-
Payments for acquisition of plant and equipment		**(1,970)**	(2,881)
Proceeds from available for sale financial asset		**25,000,000**	-
Net cash (outflow) / inflow from investing activities		**24,417,114**	(1,528,081)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan finance from the Company's controlling entity, DCM DECOmetal GmbH ('DCM')		**954,210**	1,871,888
Loan repayment to the Company's controlling entity, DCM DECOmetal GmbH ('DCM')		**(24,438,334)**	-
Net cash inflow / (outflow) from financing activities		**(23,484,124)**	1,871,888
Net (decrease) in cash and cash equivalents held		**286,932**	(258,682)
Cash and cash equivalents at the beginning of the financial year	6	**99,592**	358,274
Cash and cash equivalents at the end of the financial year	6	**386,524**	99,592

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

Notes To and Forming Part of The Financial Statements
for the Year Ended 30 June 2016

1. CORPORATE INFORMATION

These financial statements of Australian Zircon NL (or "the Company") for the year ended 30 June 2016 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 objects of the company must be mining purposes; 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 52 Ord Street, West Perth, Western Australia 6005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

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

Going concern

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

At the date of signing the financial report, the Directors consider there are reasonable grounds to believe that it can meet its debts as and when they fall due.

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

(b) Significant accounting judgements, estimates and assumptions

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

Impairment of non-financial assets

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

Deferred exploration and evaluation expenses

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

(c) Revenue recognition

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

Interest income

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

(d) Borrowing costs

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

(e) Property, plant and equipment

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

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

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

(f) Exploration and evaluation

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

(g) Impairment

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(h) Cash and cash equivalents

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

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

(i) Interests in joint arrangements

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

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

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

(j) Trade and other receivables

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

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

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

(k) Interest bearing loans and borrowings

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

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

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

(l) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.
Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restoration

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

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

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

(m) Employee leave benefits

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

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

(n) Leases

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

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

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

(o) Trade and other payables

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

(p) Contributed equity

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

(q) Income tax

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

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

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

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

- when the taxable temporary difference is associated with investments in subsidiaries, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

(r) Earnings per share

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

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

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

(s) Other taxes

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

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

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

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

(t) Foreign currency translation

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

(u) Share based payments

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

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

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

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

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

(i) the grant date fair value of the award;

(ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period; and

(iii) the expired portion of the vesting period.

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

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

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

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

(v) Changes to Accounting Policies

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

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

3. OTHER INCOME

	2016	2015
	$	$
Gain on sale of 80% interest in WIM150 Joint Venture (i)	**5,700,570**	-
Interest income	**55,949**	8,395
DCM loans forgiven (refer to Note 12)	**90,571,173**	-
	96,327,692	8,395

(i) Gain on sale calculated as proceeds of $25,000,000 less the cost base of $19,299,430

4. PROFIT/(LOSS) BEFORE TAX FOR THE YEAR INCLUDES THE FOLLOWING EXPENSES:

	2016	2015
Employee benefit expenses:	**$**	$
Wages and salaries	**113,466**	(12,755)
Defined contribution superannuation expense	**-**	-
	113,466	(12,755)
Interest expense on financial liabilities not at fair value through profit and loss:		
Related parties (i)	**6,123,822**	5,510,175
Other persons	**-**	116
	6,123,822	5,510,291

Other expenses		
Foreign exchange loss (ii)	**1,110,224**	5,887,246
Loss on sale of non-current asset	**2,802**	-
	1,113,026	5,887,246

(i) Relates to interest on loan from the Company's controlling entity, DECOmetal GmbH in Liqui ('DCM') (Note 12).

(ii) Relates to exchange loss on the portion of amounts owing to DCM, an entity incorporated in Austria, that are denominated in US dollars (Note 12).

5. INCOME TAX EXPENSE

Recognised in the Statement of Profit or Loss and Other Comprehensive Income	**2016** **$**	2015 $
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 or Loss and Other Comprehensive Income	**-**	-
Numerical reconciliation between tax expense and pre-tax net loss		
Profit/(Loss) before tax	**88,391,080**	(12,058,910)
Income tax expense / (benefit) at 30%	**26,517,324**	(3,617,673)
Tax effect of non-deductible items		
Foreign exchange (gain)/loss	**3,792,056**	1,766,174
Financing expenditure	**1,837,147**	1,653,052
Gain/(Loss) on sale of mineral assets	**5,770,929**	-
Exploration expenditure	**-**	(378,789)
Debt forgiveness and accrual reversal	**(27,171,352)**	-
Other temporary differences	**14,953**	(5,723)
Gains / Losses (recognised) not recognised	**(10,761,057)**	582,959

Income tax (benefit)/expense on pre-tax net loss	**-**	-

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

Tax losses (at 30%)	**28,828,475**	50,125,458
Capital losses	**-**	-
	28,882,475	50,125,458

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. CASH AND CASH EQUIVALENTS

	2016	2015
	$	$
Cash at bank and in hand	**386,524**	99,592

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

7. TRADE AND OTHER RECEIVABLES

	2016	2015
	$	$
Trade receivables	**-**	23,702
Other receivables	**5,595**	148,624
	5,595	172,326

8. INTEREST IN JOINT ARRANGEMENTS

	2016	2015
	$	$
Current Assets		
Cash at bank	-	66,740
Other receivables	-	131,585
TOTAL CURRENT ASSETS	-	198,325
Non-current assets		
Exploration & Evaluation - WIM150	-	3,439,409
TOTAL NON CURRENT ASSETS	-	3,439,409
TOTAL ASSETS	-	3,637,734

Current Liabilities		
Trade and other payables	-	163,088
TOTAL CURRENT LIABILITIES	-	163,088
NET ASSETS	**-**	3,474,646
Loss before income tax	-	(4,780)
Income tax expense	**-**	**-**
Loss after income tax	**-**	4,780

The Company held an 80% interest in the WIM150 Joint Venture until 26 May 2016 at which time it was sold. Based on the contractual conditions governing the arrangement, there was joint control between the partners in WIM150. Given that, the arrangement comes under the scope of AASB 11, joint arrangements. The project has been classified as a joint operation under AASB 11, because the joint operators have rights to the assets and liabilities, in proportion to their interest in the WIM150 Joint Venture, rather than the net assets, of the WIM Joint Venture.

9. PROPERTY, PLANT AND EQUIPMENT

	2016	2015
	$	$
Plant and equipment	**57,674**	228,432
Accumulated depreciation	**(53,267)**	(197,157)
Net carrying amount	**4,407**	31,275
Opening carrying amount	**31,275**	46,026
Additions	**1,970**	2,881
Depreciation	**(13,120)**	(17,632)
Assets disposed	**(15,718)**	-
Closing carrying amount	**4,407**	31,275

10. DEFERRED EXPLORATION AND EVALUATION EXPENSES

	2016	2015
	$	$
Balance at beginning of year	**18,705,598**	**17,442,967**
Deferred expenditure for the year	**-**	**1,262,631**
Sale of WIM150 project	**(18,705,598)**	**-**

Balance at end of year	**-**	**18,705,598**

(i) Deferred expenses as at 30 June 2015 relate to the WIM150 mineral sands deposit. During 2016, the Company's 80% interest in the WIM150 joint Venture was sold.

11. TRADE AND OTHER PAYABLES

Current	**2016** **$**	2015 $
Trade payables	**73,214**	124,253
Accrued expenses	**4,458**	122,357
	77,672	246,610

12. BORROWINGS

Current	**2016** **$**	2015 $
Amounts owing to DCM (i)	**42,361**	106,863,611
	42,361	106,863,611

(i) Amounts owing to the Company's controlling entity, DCM, were secured by a fixed and floating charge over the assets of the Company. Interest was charged on principal borrowings at LIBOR + 6% pa until 23 May 2016 when all loans and interest due were forgiven.

13. PROVISIONS

	2016 **$**	2015 $
Annual leave payable	**-**	13,157

14. CONTRIBUTED EQUITY

Share capital	**2016** **$**	2015 $
Fully paid ordinary shares	**110,779,210**	110,779,210
Partly paid ordinary shares paid to 0.5 cents each with 40 cents uncalled	**36,815**	36,815
	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

The call outstanding on the partly paid shares is 40.0 cents which was payable on 15 September 2016. If a call remains unpaid on 29 September 2016, the relevant partly paid share will be forfeited.

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.

15. AUDITORS' REMUNERATION

	2016	2015
	$	$
Audit and review of financial reports (Greenwich & Co)	**20,680**	27,500
Taxation services	**2,750**	7,720
Other services	**-**	1,200
	23,430	36,420

16. EVENTS SUBSEQUENT TO BALANCE DATE

On 1 July 2016 the Company made an offer to settle the claim for $92,550 for management services (Note 24). This matter was settled on 6 July 2016.

On 7 July 2016, the Company was made aware that a conditional agreement had been reached whereby DECOmetal GmbH in Liqui (DCM) would sell its shareholding in the Company to entities connected with the Company's two Australian Directors. The Directors have now resolved to seek shareholder approval for the sale and for a restructure of the Company and further detail together with a copy of the relevant notice of the meeting seeking approval from shareholders to the proposed transaction has been mailed to shareholders with a date for the shareholders' meeting set as 13 October 2016.

On 28 July 2016 the final loan repayment was made to DCM. This was the last payment of the $42,361 outstanding at 30 June 2016. This resulted in all loans from DCM being fully repaid by AZC by the end of July 2016.

On 25 August 2016, the Directors of the Company issued a Call Notice to all of the holders of the Partly Paid shares in the Company in respect of the 7,363,026 partly paid shares in the capital of the Company whereby the sum of $0.40 per share was made payable at least fourteen days after the call was made. The call was payable by 15 September 2016. No holders of partly paid shares contributed to the call which was due. As a consequence, shareholders now have the ability to consider the resolution which will be put to shareholders at the general meeting to be held on 13 October 2016 to cancel the forfeited partly paid shares.

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

17. EARNINGS PER SHARE

	2016	2015
	$	$
Earnings used to calculate basic and diluted earnings per share	**88,391,080**	(12,058,910)
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.

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

It is, and has been throughout the years ended 30 June 2014, 2015 and 2016, the Company's policy that no speculative trading in derivatives shall be undertaken.

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

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

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable. The sensitivity analysis has been prepared for the period ended 30 June 2016 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 had amounts owing to DCM that are denominated in US dollars (Note 12). All other financial liabilities and financial assets are denominated in AUS dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Company's profit before tax due to changes in the carrying value of monetary assets and liabilities. There were no foreign currency loans outstanding at 30 June 2016.

Increase / decrease in foreign exchange rate from USD to AUD	**Effect on profit before tax for the year ended 30 June 2016 $**	Effect on profit before tax for the year ended 30 June 2015 $
Increase 10%	-	(2,627,562)
Decrease 10%	-	2,627,562

Fair values

The fair values and carrying amounts for all of the financial assets of the Company as at 30 June 2015 and Company as at 30 June 2016 are the same.

Interest rate risk

The Company's Borrowings were subject to fixed interest rates and LIBOR (Note 12). This however changed on 23 May 2016 when DECOmetal GmbH in Liqui unconditionally forgave all loans and interest then payable to DCM. From that date, the Company was no longer subject to any interest rate risk.

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 able, 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. As a result of the Company selling its 80% interest in its main undertaking (WIM150 Joint Venture), the board is currently reviewing its strategy for the future of the Company which will maximise return for shareholders. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

19. RECONCILIATION OF LOSS AFTER TAX TO CASH FLOWS FROM OPERATIONS

a) Reconciliation to the Cash Flow Statement	**2016**	2015
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:	**$**	$
Cash at bank and in hand	**386,524**	99,592
	386,524	99,592

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

	2016	2015
	$	$
Operating gain/(loss) after income tax	**88,391,080**	(12,058,910)
Adjustment for non-cash items:		
Depreciation - Plant & equipment	**13,120**	17,632
Foreign exchange (gain)/loss	**1,110,224**	5,887,246
(Gain)/Loss on sale of WIM150	**(5,700,570)**	-
(Gain)/Loss on sale of Plant and Equipment	**2,802**	-
Interest accrued to DCM	**5,511,440**	4,959,157
Withholding tax	**612,382**	551,018
Loans forgiven	**(90,571,172)**	-
Changes in operating assets and liabilities relating to operating activities		
Decrease/(Increase) in trade and other receivables	**166,731**	72,637
(Decrease)/Increase in trade and other payables	**(168,938)**	(12,193)
(Decrease)/Increase in provisions	**(13,157)**	(19,076)
Net cash outflow from operating activities	**(646,058)**	(602,489)

20. SHARE-BASED PAYMENTS

There are no options outstanding at 30 June 2015 and 30 June 2016.

Share based performance rights

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

Performance rights have no issue price and no exercise price.

There were no Performance Rights issued during the year ended 30 June 2016. The Performance Rights issued during the year ended 30 June 2015 lapsed because vesting conditions were not met.

	Balance at 1 July 2015	Issued during the year	Lapsed during the year	Balance at 30 June 2016
Key management personnel	7,000,000	-	7,000,000	-
Other personnel	2,500,000	-	2,500,000	-
	9,500,000		**9,500,000**	**-**

21. RELATED PARTY TRANSACTIONS

As outlined in the Statement of Cash Flows, during the year the Company's controlling entity, DECOmetal GmbH in Liqui advanced loan finance of $954,210 (2015: $1,871,888) to the Company and the Company repaid $24,438,334 (2015: $nil) to DCM. As outlined at Note 12, as at 30 June 2016, $nil (2015: $106,863,611) was owing to DCM.

Professional fees were paid to Drumgaghan Pty Ltd, a business associated with Mr Jeremy Shervington for legal services in the ordinary course of business during the year to 30 June 2016 in the amount of $109,991 (2015: $46,445).

Directors fees were paid to FinMin Pty Ltd, as a business associated with Mr Johann Jacobs for director services in the ordinary course of business during the year to 30 June 2016 in the amount of $36,000 (2015: $36,000).

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

22. 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.

23. COMMITMENTS

a) Exploration commitments

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

	2016	2015
	$	$
Not later than 12 months	**69,840**	1,150,721

Between 12 months and five years	**73,470**	154,860
	143,310	1,305,581

Having sold its 80% interest in the WIM150 Joint Venture, the company no longer has commitments for that tenement. The remaining tenements are the 100% responsibility of the company.

b) Lease commitments

Non-cancellable property leases contracted but not recognised in the financial statements. Minimum lease payments as follows:

	2016	2015
	$	$
Not later than 12 months	**4,823**	14,470
Between 12 months and five years	**-**	4,823
	4,823	19,293

The property lease is a non-cancellable lease with a two-year term, with rent payable monthly in advance. The lease expires at the end of October 2016 and will not be renewed.

c) Contractor commitments

The Company has certain commitments in relation to contractor agreements that are not recognised in the financial statements. Minimum contractor payments as follows:

	2016	2015
	$	$
Not later than 12 months	**7,985**	127,754
Between 12 months and five years	**-**	7,985
	7,985	135,739

24. CONTINGENT LIABILITIES

At 30 June 2016 the company was defending a claim for $92,550 for management services, and which the Company refuted. This matter is was settled in July 2016.

DIRECTOR'S DECLARATION

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

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 2016 and of the Company's performance for the year ended on that date;

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

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

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

On behalf of the Board.

J D Shervington
Chairman
Perth, 30 September 2016

Greenwich & Co

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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 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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.

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 2016 and of its performance for the year ended on that date; and

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

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

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

30 September 2016

Perth

CORPORATE DIRECTORY

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