AustralianZircon
NL ABN 60 063 389 079

2009 Full Financial Report

Contents

DIRECTORS' REPORT

The Directors of Australian Zircon NL submit their report for the year ended 30 June 2009.

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, Chairman from 23 December 2008)

Mr Shervington was appointed a Director of Australian Zircon on 16 February 1998. He is a solicitor specializing in laws regulating companies and the securities industry in Australia. Currently Mr Shervington is the Chairman of the Board. 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, Non executive director Horseshoe Metals Limited from 14 December 2006, and Ridge Resources Limited since 11 November 2010

Former Directorships in the last 3 years: Papillon Resources Appointed 11 May 2006 , Resigned 27 May 2011, North Manganese Limited Appointed 11 May 2006, Resigned 22 March 2010, Prairie Downs Limited Appointed 11 October 2002, Resigned 25 August 2011, Stirling Resources Limited Appointed 13 July 2009, Resigned 18 June 2010, Cokal Limited Appointed 8 August 2006 Resigned 24 December 2010, Industrial Minerals Corporation Limited Appointed 17 January 2004, Resigned 10 March 2011

Age: 54

Dennis R Mutton

B Sc. (Hons), Grad Dip Mgt, FAIM MAICD – (Chairman appointed 7 May 2008, Resigned 23 December 2008)

Mr Mutton was Chairman of Australian Zircon from 7 May 2008 until his retirement on 23 December 2008.

Other current Directorships: Western Plains Resources Ltd (Director since 19 August 2007).

Former Directorships in the last 3 years: Elders Limited.

Age: 64

Johannes S van Zyl

MSc. MBL - (Managing Director appointed 7 May 2009, Resigned 30 October 2009)

Mr van Zyl is a qualified Mining and Metallurgical Engineer with 30 years experience in the resource industries in South Africa and Australia. After various technica positions in metallurgy and mining in coal, Mr van Zyl held management positions in coal and manganese and commercial and marketing management responsibilities in manganese.

Other current Directorships: Nil

Former Directorships in the last 3 years: Nil

Age: 56

David B Clarke

BSc - (Non-Executive Director appointed 2 March 2001, Resigned 9 October 2009)

Mr Clarke is a graduate of the University of Adelaide in geology and physics and he has acted as principal sponsor and financier of several industrial and resource developments in Australia. He is also a Director of Stuart Petroleum Limited.

Other current Directorships: Non-executive Director of Stuart Petroleum Limited (Director since 12 December 2001).

Former Directorships in the last 3 years: Nil

Age: 63

Johann C Jooste-Jacobs

FCA. MBL. FAICD - (Non-Executive Director appointed 15 February 2005 Resigned 15 October 2009)

Mr Jacobs is a Chartered Accountant and a mining professional with experience in project development, project expansions and operational start-ups. Mr Jacobs filled senior positions in acquisition, expansion of and development of mining operations in New South Wales, South Africa and Indonesia.

Other current Directorships: IMX Resources NL from 12 August 2007, Sphere Resources Inc. from August 2007.

Former Directorships in the last 3 years: Nil

Age: 57

Michael LJ Kiernan

B Bus. FAICD - (Non-executive Director Appointed 4 February 2009, Resigned 12 March 2010)

Mr Kiernan has more than 35 years experience in transport, mining, contracting and resources industries, including the development and operation of mining projects in iron ore, manganese, chromite, nickel, copper, coal, gold and mineral sands. He has a track record in management and leadership of resources based projects having held executive positions with Australia's major mining and transport contractors.

Other current Directorships: Stirling Resources Limited - December 2008 to current (Managing Director), Monarch Gold Mining Company Limited - 2002 to current (Chairman of Directors), Redbank Copper Limited - December 2008 to current (Director), Matilda Zircon Limited - July 2009 to current (Non-executive Director), Crawley Investments Pty Limited - from 2002 to current (Chairman).

Former Directorships in the last 3 years: Mineral Resources Limited - July 2006 to 12 May 2008 (Non-executive Chairman), Windimurra Vanadium Limited - from August 2006 to February 2008 (Non-executive Chairman), India Resources Limited - from August 2006 to June 2008 (Deputy Chairman), Matilda Minerals Limited - from December 2006 to June 2008 (Non-executive Chairman), Territory Resources Limited - from February 2007 to June 2008 (Executive Chairman), Peel Exploration Limited - from March 2007 to February 2008 (Non-executive Chairman), Australian Zircon NL - from May 2006 to April 2007 (Director), Consolidated Minerals Limited - from April 1998 to June 2006 (Director), Uran Limited - from May 2006 to June 2007 (Chairman).

Age: 62

Giga Bedineishvili

B.Phys, MBA - (Non-executive Director appointed 18 May 2009, Resigned 4 January 2012)

Mr Bedineishvili is Director of Business Development for global commodity trader, and Australian Zircon major shareholder, DCM DECOmetal. He has strong business and global finance background, having previously worked with US bank Salomon Brothers, Salford Capital Partners and as Chief Economic Advisor to the President of Georgia.

Other current Directorships: Stirling Resources Limited from 19 February 2009

Former Directorships in the last 3 years: Nil

Age: 49

DIRECTORS - *(continued)*

Max McGarvie

Non-executive Director - appointed 4 February 2009, Resigned 17 April 2009

Mr McGarvie is a highly experienced minerals processing senior manager with over 30 years experience in mineral sands. He played a pivotal role in the development of the major mineral sands deposit at Eneabba, Western Australia. His career in the mining/processing sector has been diverse, with experience in Australia, Africa, Saudi Arabia and USA. Max has a Masters of Business and Technology from UNSW and is a graduate from Deakin University and WAIT. He is a Fellow of the Australian Institute of Management and a Member of the Australian Institute of Company Directors.

Age: 60

Steve McEwen

B A (Accounting), CA

Director: Appointed 10 August 2010, Resigned 5 December 2011

Alternate Director: Appointed 22 January 2009, Resigned 27 January 2009

Mr McEwen has been in the financial services sector and a Chartered Accountant for over 20 years. He has held the position of Finance Director, Chief Financial Officer and Company Secretary in the mining, manufacturing and financial services industries. He is principally experienced in areas of finance, system policies and control, financial reporting, risk management and compliance.

Age: 52

Other current Directorships: Nil

Former Directorships in the last 3 years: Nil

Bo Xue

B Bus – (Non-Executive Director appointed 4 March 2008, resigned 4 February 2009)

Mr Xue has 15 years experience of metals trading in China and is a Director of the China office of the Austrian based ore and mineral trading group DCM DECOmetal GmbH.

Other current Directorships: Nil

Former Directorships in the last 3 years: Nil

Age: 40

Martin Adams

B Eng, MBA - Executive Director appointed 24 June 2011

Mr Adams has thirty years' experience in the Australasian mining industry having held a range of operational senior management positions in open pit and underground mining operations and has extensive 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 (July 2010 to 31 December 2010), Redbank Copper (22 July 2007 to 14 September 2010), Matilda Zircon (20 July 2010 to 31 December 2010), Swan Gold Mining (22 July 2010 to 11 September 2010).

Age: 56

Thomas Styblo

Executive Master of Laws (LL.M.), Masters Degree in Economic and Social Sciences

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: Murray Zircon Pty Ltd

Former Directorships in the last 3 years: Nil

Age: 44

Laurie Shervington - Alternate Director appointed 31 March 2011, Resigned 22 March 2012

LLB, SF Fin, MAICD (Lawyer)

Mr Shervington is a Special Counsel in Minter Ellison's Perth corporate advisory group. He has over 35 years specialist commercial and corporate law experience.

Other current Directorships: Cooper Energy Limited Appointed 1 October 2003

Former Directorships in the last 3 years: Nil

Age: 68

EXECUTIVES

Johannes S van Zyl

MSc. MBL - (Managing Director from 15 April 2009 to 30 October 2009)

Mr van Zyl is a qualified Mining and Metallurgical Engineer with 30 years experience in the resource industries in South Africa and Australia. After various technical positions in metallurgy and mining in coal, Mr van Zyl held management positions in coal and manganese and commercial and marketing management responsibilities in manganese. Mr van Zyl was named professional manager of the year for Queensland in 2006 by the Australian Institute of Management.

Age: 56

Richard Fagan

MDip UJ, MDP Durban-W, NDip UJ – (General Manager Operations from 18 May 2009 to 28 February 2010)

Mr Fagan is a metallurgist with 32 years in mineral processing and 20 years in mineral sands. Most of the operational mineral sands experience was with Richard's Bay Mineral - the world's largest mineral sands producer. This was followed by a variety of challenges with Downer EDI Mining Mineral Technologies, one of which was the commissioning of a mineral sands pilot plant in Kenya. More recently, Richard was the Process Commissioning Manager for the Iluka Douglas wet plant.

Age: 56

Gerard L Bosch

BSc(Hons). FAuslMM - (Manager Geology from 1 June 2006 to 23 October 2009)

Mr Bosch is a Geologist with 27 years experience in Australian mineral exploration and discovery. He has particular experience in the pre-development phase of mining operations, including statutory approvals and land access.

Age: 53

Steve McEwen

B A (Accounting), CA – (Chief Financial Officer from 15 October 2008 to 31 January 2012)

Steve McEwen has been in the financial services sector and a Chartered Accountant for over 20 years. He has held the position of Finance Director, Chief Financial Officer and Company Secretary in the mining, manufacturing and financial services industries. He is principally experienced in areas of finance, system policies and control, financial reporting, risk management and compliance.

Age: 50

Ilona Schultz

BMus, Grad Dip (Ed) – (Company Secretary from 1 June 2009 to 16 October 2009)

Ms Schultz has served the Company since 2002 and has worked closely with members of the Board for several years. Prior to joining Australian Zircon Ms Schultz worked in the arts, education, banking and natural resources in Queensland. Ms Schultz holds degrees from the University of Adelaide and the University of Queensland and is presently completing a Bachelor of Laws degree from the University of Adelaide and a Graduate Diploma of Applied Corporate Governance from Chartered Secretaries Australia.

Age: 45

Ken J Donaldson

MBA(TechMgt), BEng(MetEng), MAusIMM, MIEAust - (General Manager Operations)

Mr Donaldson retired from his position on 22 April 2009. Mr Donaldson is a metallurgist with 18 years experience in the mining industry, working in gold, copper and iron ore operations.

Date of Appointment: 26 November 2007

Date of resignation: 22 April 2009

James R (Jim) Wilton

BSc, BBus, MAusIMM - (Chief Executive Officer)

Mr Wilton retired as Chief Executive Officer on 19 December 2008. Mr Wilton has 30 years experience in the resources and energy sectors in Queensland and South Australia, initially as a Geologist, and later in commercial and business development roles. He has professional and management experience with major Australian resource houses and he has been involved successively in exploration, development, production, business planning and business implementation.

Date of Appointment: 14 November 2006

Date of resignation: 19 December 2008

Andrew N White

BBus, CPA - (Company Secretary and Chief Financial Officer)

Mr White retired from the positions on 15 October 2008. Mr White is a Certified Practicing Accountant with 14 years experience in the mining industry in South Australia, New South Wales, Queensland, Western Australia and the Northern Territory. His experience includes gold, copper and limestone operations.

Date of Appointment: 28 August 2006

Date of resignation: 15 October 2008

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 held	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.

PRINCIPAL ACTIVITIES

The principal activity of Australian Zircon NL and its consolidated entities (the "Group") has been the commissioning and ramp up of its Mindarie Zircon mine in the South Australian sector of the Murray Basin. In addition the Group has continued exploration for zircon and titanium minerals on its tenements in South Australia. The Group also has exploration tenements in New South Wales and can earn an 80% interest from its WIM 150 (Victoria) heavy mineral sands project.

RESULTS AND DIVIDENDS

The Group made a loss after tax of $139,505,543 (2008: $15,827,064), primarily due to an impairment write down on the production and development assets of the company of $80,727,503 (2008: $nil). In 2009 the Group booked an unrealized loss of $9,289,332 (2008: gain $3,848,810) representing the fair value of forward currency contracts. 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 for the year	Loss per share – cents	Shareholders' Equity	Share price at the beginning of the year – cents	Share price at the end of the year - cents
2005	10,490,172	7.39	9,110,310	11	15
2006	1,959,010	1.1	22,973,933	15	18
2007	2,609,448	1.09	34,868,113	18	33.5
2008	15,827,064	5.5	19,444,643	33.5	12
2009	139,505,543	18.2	(64,987,502)	12	5

Losses for the years 2002 to 2004 have been accounted for under AGAAP. In 2005 the loss was increased by $21,797 due to AIFRS adjustment. In 2005 and 2006 significant write-offs $8,668,518 and $4,542.455 of Exploration and Evaluation were made and in 2006 recognition of deferred tax assets and deferred tax liabilities of net $4,967,302 increased shareholders' equity. In 2007 Australian Zircon's net assets increased by $11,894,180 primarily because of equity raisings of $14,100,665 offset by the loss for the year of $2,609,448. In 2008 the loss of $15,827,064 resulted from commissioning the Mindarie Zircon mine and ramp up to nameplate capacity. In 2009 the loss for the year of $139,505,543 included large impairment provisioning of $80,727,503, operating losses, and the write-back of deferred tax assets and liabilities amounting to $10,211,998 because it is considered unlikely to be realised in the current environment.

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

Details of the Groups' operation are set out in the Mindarie Zircon Mine, Exploration and WIM 150 Horsham sections of the annual report.

STATE OF AFFAIRS

During the year the Group issued a total of 1,186,871,002 fully paid ordinary shares raising a total of $55,101,796.

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

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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.
On 3 October 2009 the company placed the Mindarie mining operation on care and maintenance while the review of operational matters including cost structure reserve estimates and financing options was being completed.

At 5.30pm (WST) on Friday 9 October 2009, the Board of Directors of Australian Zircon NL ("AZC") and subsidiary companies appointed Bryan Hughes of Pitcher Partners as Voluntary Administrator pursuant to Section 436A of the Corporations Act.

The Administrator continued processing stockpiles of ore until the end of February 2010 when the Mindarie processing plant was placed on full care and maintenance.

On Thursday 18 February 2010 at the reconvened second meeting of creditors, the creditors resolved that the company execute the Deed of Company Arrangement ("DOCA") proposed by AZC's largest shareholder DCM DECOmetal GmbH ("DCM"). The DOCA was executed on 10 March 2010, the administrator Bryan Hughes was appointed Deed Administrator and as such he retains control of AZC until the DOCA is fully effectuated.

On 30 March 2010 Austpac Resources N.L. ("Austpac") announced that it had agreed to sell Exploration Licence 4521 ("EL4521") in Victoria to Astron Limited ("Astron") for $5 million. The sale is subject to Ministerial approval of the transfer. AZC entered into a Farm-in agreement with Austpac in respect of the WIM 150 Zircon project located on EL4521 on 29 January 2004. On 5 May 2010 AZC instituted a Supreme Court of Western Australia action against Austpac and Astron seeking orders to protect its interests under the Farm-in Agreement.

On 2 June 2010 DCM advised they had entered into a Deed of Assignment of Debt with the Commonwealth Bank of Australia ("CBA") to purchase the CBA's secured debt. Pursuant to the Deed of Assignment of Debt, DCM was required to make payment of the agreed consideration to CBA in a number of instalments. The final instalment was required to be paid by 30 April 2010 and was subsequently extended to 31 May 2010. The final instalment was paid to the CBA on 28 May 2010.

At a meeting of creditors of the Company held on Friday 30 July 2010 creditors approved a variation of terms of the DOCA requested by DCM and a payment of $8 million was paid by DCM to AZC to meet the requirements of all of the Administration trading liabilities and the payment of a dividend to all admitted unsecured creditors. Subsequently, the DOCA was effectuated on the same day and AZC was placed back in the control of the Director's.
On 10 November 2010 AZC entered into arrangements with Orient Zirconic Guangdong ("OZC"), a Company listed on the Shenzhen Stock Exchange in the Peoples Republic of China. Pursuant to the arrangements, within 6 months OZC may require AZC to assign to a corporate joint venture company ("the Joint Venture Company") (which will be owned 65% by OZC and 35% by the Company) the assets of AZC other than WIM 150 assets. If OZC makes this election the consideration payable will be $16,250,000 plus a 35% interest in the Joint Venture Company. OZC has 18 months within which to require AZC assigns to the Joint Venture Company the WIM 150 assets subject to the right of AZC described below. The consideration payable for the transfer of the WIM 150 asset is $23,750,000 plus a 35% interest in the Joint Venture Company. AZC can give notice OZC that the litigation that AZC is involved in regarding its WIM 150 asset has been resolved to its satisfaction in which case OZC has 3 months within which to elect whether it wishes AZC to assign the WIM 150 assets to the Joint Venture Company. The conditions for any assignment the Joint Venture Company pursuant to these arrangements include all regulatory and FIRB approvals, shareholder approvals and all third party consents required. In advance of any assignment occurring OZC has advanced to AZC $20 million which has been utilized to reduce AZC's debt to its major creditor and shareholder DCM. OZC will take first ranking security over AZC's assets to secure the repayment of the loan subject to all necessary approvals. The balance of funds owing to DCM will be secured by second ranking securities over AZC's assets. In the event the OZC requires AZC to sell either all of its assets or the WIM150 asset to the Joint Venture Company, DCM will transfer to OZC share in AZC that currently represent 4.35% of AZC's issued capital. On 31 January 2011 AZC was advised by OZC it had been notified by the Foreign Investment Review Board that any assignment to the Joint Venture Company which would be owned 65% by OZC and 35% by AZC of the assets of AZC in the terms contemplated by the 10 November arrangements will be unobjectionable. On 29 June 2011 all AZC's assets excluding the WIM 150 assets were transferred to a Joint Venture Company (Murray Zircon Pty Limited, "MZL"). MZL is to undertake feasibility study into recommissioning the Mindarie mine.

On 4 August 2011, Justice Corby of the Supreme Court of Western Australia ruled that the Farm-in Agreement with AZC and Austpac was not assignable, and that therefore the Sale Agreement with Astron Limited had ended.

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".

REMUNERATION REPORT (audited)

This report outlines the remuneration arrangements in place for Directors and Executives of Australian Zircon NL and its subsidiaries. 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 Group depends on the quality of its Directors and Executives. To prosper, the Group must attract, motivate and retain highly skilled staff, Directors and Executives.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives
- Link executive rewards to shareholder value
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration

The key management personnel of Australian Zircon NL during the year included the directors as previously identified and the following executives.

Executives of the entity during the year ended 30 June 2009:

JS van Zyl - Managing Director
SW McEwen – Chief Financial Officer, Company Secretary
MIA Schultz – Company Secretary
GL Bosch – Exploration Manager
RG Fagan – General Manager Operations
JR Wilton – Chief Executive Officer
AN White – Chief Financial Officer
KJ Donaldson – General Manager Operations

All executives are employed under a rolling service contract. The appointment and resignation dates, where applicable are set out in the directors report. The major provisions relating to remuneration are set out below:

Name	Commencement date of Agreement	Base Salary plus superannuation guarantee contributions, reviewed annually	Salary payable on termination in lieu of notice (months)
JS van Zyl	15-Apr-09	436,000	6
SW McEwen	15-Oct-08	163,500	1
MIA Schultz	01-Jun-09	54,936	1
GL Bosch	01-Jun-06	190,750	1
RG Fagan	18-May-09	247,975	3
JR Wilton	14-Nov-06	327,000	3
AN White	28-Aug-06	174,400	1
KJ Donaldson	14-Apr-08	228,900	1

Remuneration committee

Due to the relatively small size of the Group the Board have decided not to form a separate Remuneration Committee, and instead the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, Chief Executive Officer (CEO) and the senior management team.

The Board of Directors assesses the appropriateness of the nature and amount of remuneration of Directors and senior managers 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 non-executive Director and senior manager remuneration is separate and distinct.

Non-executive Director remuneration

Objective

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

REMUNERATION REPORT (audited) - *(continued)*

Non-executive Director remuneration - *(continued)*

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. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was at the Annual General Meeting held in 2006 when shareholders approved an aggregate remuneration of $400,000 per year.

The Board considers fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Of the non-executive Directors the Chairman and Mr Clarke received Directors fees. Mr Shervington received Directors fees and contract payments for services rendered at commercial rates. Mr Jooste-Jacobs received contract payments for services rendered at commercial rates and no additional Directors fees were paid.

Non-executive Directors' fees are not linked to the performance of the Group. However, Directors are issued options 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.

Executives and senior management remuneration

Objective

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

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

Structure

It is Board policy that employment contracts are entered into with the Chief Executive Officer and other senior executives.

Remuneration consists of the following key elements:

- Fixed remuneration
- Variable remuneration

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established by the Board of Directors.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed in accordance with contract terms by the Board of Directors and the process consists of a review of companywide and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices.

Variable remuneration

Objective

The level of variable remuneration is not connected to performance parameters, it is at the discretion of the Board. The Board in exercising its discretion will undertake a process which consists of a review of companywide and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices.

Employment contracts

Employees are employed under terms which include annual reviews as to their personal performances and assessment as to general employment market conditions Employment agreements are not period specific and can generally be terminated on periods ranging from four weeks' to three months' notice. Termination benefits have not been included in contracts.

REMUNERATION REPORT (audited) - *(continued)*

Compensation of Directors' and Key Management Personnel

	Short term		Post employment		Total	Total performance related
30 June 2009	Salary and fees	Contract payments and professional fees	Superannuation	Super Salary Sacrifice		
	$	$	$	$	$	%
Directors						
JD Shervington	76,085	30,000	6,848	-	112,933	-
JS van Zyl	46,667	-	4,200	36,666	87,533	-
JC Jooste-Jacobs	54,500	-	-	-	54,500	-
DB Clarke	50,000	125,000	4,500	-	179,500	-
DR Mutton	40,014	-	3,601	20,000	63,615	-
M Kiernan	20,448	-	1,840	-	22,288	-
M McGarvie	9,863	57,031	888	-	67,782	-
B Xue	-	-	-	-	-	-
G Bedineishvili	-	-	-	-	-	-
	297,577	212,031	21,877	56,666	588,151	-
Executives						
K Donaldson	252,584	-	18,012	-	270,596	-
AN White	61,197	-	5,508	-	66,705	-
JR Wilton	177,611	-	15,985	-	193,596	-
GL Bosch	120,175	-	10,816	53,992	184,983	-
S McEwen	102,329	-	9,210	-	111,539	-
R Fagan	28,273	-	2,545	-	30,818	-
I Schultz	4,200	-	378	-	4,578	-
	746,369	-	62,454	53,992	862,815	-

During the 2009 financial year share based payment expense in relation to executives totalled $52,602 pertaining to JR Wilton $47,966 and AN White $4,636 (2008: total $156,854 - JR Wilton $127,970, AN White $28,884) respectively.

	Short term		Post employment		Total	Total performance related
30 June 2008	Salary and fees	Contract payments and professional fees	Superannuation	Super Salary Sacrifice		
	$	$	$	$	$	%
Directors						
JG Branson (resigned 7 May 2008)	85,256	-	7,673	-	92,929	-
JC Jooste-Jacobs	85,787	-	-	-	85,787	-
JD Shervington	50,000	2,593	4,500	-	57,093	-
DB Clarke	50,000	-	4,500	-	54,500	-
DR Mutton (from 7 May 2008)	15,125	-	5,445	-	20,570	-
B Xue (from 4 March 2008)	-	-	-	-	-	
	286,168	2,593	22,118	-	310,879	-
Executives						
JR Wilton	360,000	-	32,400	-	392,400	-
GL Bosch	129,230	-	64,881	-	194,111	-
AN White	182,000	-	16,380	-	198,380	-
PB Baillie (resigned 21 January 2008)	141,167	-	12,705	-	153,872	-
K Donaldson (resigned 14 April 2008)	40,625	-	3,656	-	44,281	-
	853,022	-	130,022	-	983,044	-

During the 2008 financial year share based payment expense in relation to executives totalled $156,854 pertaining to JR Wilton ($127,970) and AN White ($28,884) respectively.

Compensation options

There were no compensation options granted during the year and 600,000 at an exercise price of 15 cents lapsed during the year.
No shares were issued on exercise of compensation options during 2009.
Key Management Personnel share and option holdings are disclosed in Note 27 of the financial report.

END OF AUDITED SECTION

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 Group during the financial year were:

	Directors' meetings		Audit 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	20	16	1	1
JC Jooste-Jacobs	20	15	1	1
DB Clarke	20	20	-	-
B Xue	15	0	-	-
D R Mutton	12	11	-	-
MLJ Kiernan	5	5	1	1
JS van Zyl	3	3	-	-
G Bedineishvili	2	2	-	-
M McGarvie	2	2	-	-

Committee membership

Members acting on the audit committee of the Board during the financial year were:
- JC Jooste-Jacobs (Chairman)
- JD Shervington
- MLJ Kiernan

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the independence declaration from our auditors SomesCooke, a copy of which is on page 11 of this report.

NON-AUDIT SERVICES

During the year Ernst & Young provided assistance in relation to taxation services. SomesCooke have not provided any services other than for the audit for the year ended 30 June 2009.

INDEMNIFICATION AND INSURANCE OF OFFICERS

During the previous financial year the Consolidated Entity entered into agreements to indemnify all Directors of the Consolidated Entity, 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 Consolidated Entity 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 Consolidated Entity 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 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, 3 April 2012

SOMES COOKE

1304 Hay St
West Perth
WA 6005

PO Box 709,
West Perth
WA 6872

T 08 9426 4500 F 08 9481 5645
W somescooke.com.au
E info@somescooke.com.au

Chartered Accountants
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 2009, 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

Somes Cooke

Kevin Somes
Perth
3 April 2012

INCOME STATEMENT
for the year ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Revenue	3	**25,096,375**	8,268,820	**25,096,375**	8,268,820
Other income	3	**257,934**	69,880	**258,113**	69,297
Employee benefits expense	3	**(9,816,740)**	(6,833,476)	**(9,816,740)**	(6,833,476)
Finance costs	3	**(8,459,998)**	(4,839,068)	**(8,459,998)**	(4,839,068)
Other expenses	3	**(9,764,051)**	-	**(9,764,051)**	-
Mine costs		**(31,853,384)**	(12,045,810)	**(31,853,384)**	(12,045,810)
Exploration and evaluation expenditure written off		**(281,861)**	(35,624)	**(281,861)**	(35,624)
Depreciation and amortisation of non-current assets		**(9,997,681)**	(4,900,009)	**(9,997,681)**	(4,900,009)
Corporate expenses	3	**(3,746,636)**	(1,442,277)	**(3,746,636)**	(1,442,277)
Impairment loss	4	**(80,727,503)**	-	**(80,727,503)**	-
LOSS BEFORE INCOME TAX		**(129,293,545)**	(21,757,564)	**(129,293,366)**	(21,758,147)
Income tax (expense) / benefit	5	**(10,211,998)**	5,930,500	**(10,211,998)**	5,930,500
NET LOSS FOR THE YEAR		**(139,505,543)**	(15,827,064)	**(139,505,364)**	(15,827,647)
LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT		**(139,505,543)**	(15,827,064)	**(139,505,364)**	(15,827,647)
Basic (loss) per share (cents)	23	**(18.2)**	(5.5)		
Diluted (loss) per share (cents)	23	**(18.2)**	(5.5)		

The above income statement should be read in conjunction with the accompanying notes.

BALANCE SHEET
as at 30 June 2009

	Note	**Consolidated 2009 $**	Consolidated 2008 $	**Parent entity 2009 $**	Parent entity 2008 $
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	6	**3,838,864**	1,238,643	**3,833,544**	1,233,145
Trade and other receivables	7	**1,077,461**	458,625	**1,136,520**	517,684
Current tax receivable		**-**	289,268	**-**	289,268
Inventories	8	**2,564,226**	1,595,228	**2,564,226**	1,595,228
Non Current assets classified as held for sale	9	**2,513,896**	-	**2,513,896**	-
Derivative financial instruments	16	**321,291**	6,304,518	**321,291**	6,304,518
Prepayments		**300,404**	137,721	**300,404**	137,720
TOTAL CURRENT ASSETS		**10,616,142**	10,024,003	**10,669,881**	10,077,563
NON-CURRENT ASSETS					
Property, plant and equipment	9	**1,752,492**	74,453,913	**1,698,560**	74,399,981
Development	10	**-**	10,202,072	**-**	10,202,072
Exploration and evaluation	11	**3,238,849**	2,558,169	**3,238,849**	2,558,169
Deferred tax assets	12	**-**	17,821,341	**-**	17,821,341
Derivative financial instruments	16	**-**	2,123,653	**-**	2,123,653
TOTAL NON-CURRENT ASSETS		**4,991,341**	107,159,148	**4,937,409**	107,105,216
TOTAL ASSETS		**15,607,483**	117,183,151	**15,607,290**	117,182,779
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	13	**20,505,102**	10,588,619	**20,505,102**	10,588,619
Interest bearing loans and borrowings	14	**45,770,101**	5,530,714	**45,770,101**	5,530,714
Provisions	15	**1,980,482**	841,990	**1,980,482**	841,990
TOTAL CURRENT LIABILITIES		**68,255,685**	16,961,323	**68,255,685**	16,961,323
NON-CURRENT LIABILITIES					
Interest bearing loans and borrowings	14	**10,375,624**	72,375,566	**10,375,624**	72,375,566
Provisions	15	**1,963,676**	792,276	**1,963,676**	792,276
Deferred tax liabilities	12	**-**	7,609,343	**-**	7,609,343
TOTAL NON-CURRENT LIABILITIES		**12,339,300**	80,777,185	**12,339,300**	80,777,185
TOTAL LIABILITIES		**80,594,985**	97,738,508	**80,594,985**	97,738,508
NET ASSETS / (LIABILITIES)		**(64,987,502)**	19,444,643	**(64,987,695)**	19,444,271
EQUITY / (DEFICIT)					
Contributed equity	17	**110,816,025**	55,805,229	**110,816,025**	55,805,229
Reserves	18	**899,095**	836,493	**899,095**	836,493
Accumulated Losses		**(176,702,622)**	(37,197,079)	**(176,702,815)**	(37,197,451)
TOTAL EQUITY / (DEFICIT)		**(64,987,502)**	19,444,643	**(64,987,695)**	19,444,271

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2009

Consolidated

	Contributed equity	Accumulated losses	Share based payments reserve	Total
At 1 July 2007	55,560,229	(21,370,015)	677,899	34,868,113
Loss for the year	-	(15,827,064)	-	(15,827,064)
Total income and expense for the period	-	(15,827,064)	-	(15,827,064)
Equity Transactions				
Share issues	245,000	-	-	245,000
Share issue expenses	-	-	-	-
Tax adjustments to equity	-	-	-	-
Options expense	-	-	158,594	158,594
At 30 June 2008	55,805,229	(37,197,079)	836,493	19,444,643
At 1 July 2008	**55,805,229**	**(37,197,079)**	**836,493**	**19,444,643**
Loss for the year	**-**	**(139,505,543)**	**-**	**(139,505,543)**
Total income and expense for the period	**-**	**(139,505,543)**	**-**	**(139,505,543)**
Equity Transactions				
Share issues	**53,939,810**	**-**	**-**	**53,939,810**
Share issue expenses	**(683,734)**			**(683,734)**
Rights issues	**1,754,720**	**-**	**-**	**1,754,720**
Options expense	**-**	**-**	**62,602**	**62,602**
At 30 June 2009	**110,816,025**	**(176,702,622)**	**899,095**	**(64,987,502)**

Parent Company

	Contributed equity	Accumulated losses	Share based payments reserve	Total
At 1 July 2007	55,560,229	(21,369,804)	677,899	34,868,324
Loss for the year	-	(15,827,647)	-	(15,827,647)
Total income and expense for the period	-	(15,827,647)	-	(15,827,647)
Equity Transactions				
Share issues	245,000	-	-	245,000
Share issue expenses	-	-	-	-
Tax adjustments to equity	-	-	-	-
Options expense	-	-	158,594	158,594
At 30 June 2008	55,805,229	(37,197,451)	836,493	19,444,271
At 1 July 2008	**55,805,229**	**(37,197,451)**	**836,493**	**19,444,271**
Loss for the year	**-**	**(139,505,364)**	**-**	**(139,505,364)**
Total income and expense for the period		**(139,505,364)**		**(139,505,364)**
Equity Transactions				
Share issues	**53,939,810**	**-**	**-**	**53,939,810**
Share issue expenses	**(683,734)**			**(683,734)**
Rights issues	**1,754,720**	**-**	**-**	**1,754,720**
Options expense	**-**	**-**	**62,602**	**62,602**
At 30 June 2009	**110,816,025**	**(176,702,815)**	**899,095**	**(64,987,695)**

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

CASH FLOW STATEMENT
for the Year Ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
CASH FLOWS FROM OPERATING ACTIVITIES					
(Payments) / Receipts from forward contract	3	**(474,719)**	1,660,174	**(474,719)**	1,660,174
Receipts from customers		**19,631,836**	2,644,184	**19,631,836**	2,644,186
Payments to suppliers and employees		**(48,328,744)**	(27,855,612)	**(48,328,745)**	(27,855,612)
Borrowing costs		**(8,459,998)**	(1,461,572)	**(8,459,998)**	(1,461,572)
Interest received		**91,121**	310,164	**91,121**	310,164
Income other		**177,417**	69,297	**177,595**	68,713
Net cash outflow from operating activities	6	**(37,363,087)**	(24,633,365)	**(37,362,910)**	(24,633,947)
CASH FLOWS FROM INVESTING ACTIVITIES					
Development expenditure		**(1,243,512)**	-	**(1,243,512)**	-
Exploration expenditure		**(962,541)**	(1,524,560)	**(962,541)**	(1,524,560)
Receipts from R & D offset		**-**	296,787	**-**	296,787
Acquisition of property, plant and equipment		**(6,111,200)**	(25,735,191)	**(6,111,200)**	(25,735,191)
Net cash inflow/(outflow) from investing activities		**(8,317,253)**	(26,962,964)	**(8,317,253)**	(26,962,964)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from equity raising		**55,010,796**	245,000	**55,010,796**	245,000
Proceeds from loan facilities		**7,057,075**	36,617,540	**7,057,075**	36,617,540
Proceeds from trade advances		**18,521,990**	-	**18,521,991**	-
Repayments of loan facilities		**(27,313,045)**	-	**(27,313,045)**	-
Finance lease principal repayments		**(8,611)**	(16,202)	**(8,611)**	(16,202)
Net cash inflow/(outflow) from financing activities		**53,268,205**	36,846,338	**53,268,206**	36,846,338
Net increase / (decrease) in cash and cash equivalents held		**7,587,865**	(14,749,991)	**7,588,043**	(14,750,573)
Cash and cash equivalents at the beginning of the reporting period	6	**(3,749,001)**	11,000,990	**(3,754,499)**	10,996,074
Cash and cash equivalents at the end of the reporting period	6	**3,838,864**	(3,749,001)	**3,833,544**	(3,754,499)

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

1. CORPORATE INFORMATION

The financial report of Australian Zircon NL for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 19 October 2011.

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. Australian Zircon's shares are traded on the Australian Stock Exchange. Australian Zircon NL is the parent of the consolidated group (the "Group").

The registered office of the Group is located at Suite 2, Level 2, 52 Hindley Street, Adelaide SA 5000.

The principal activity of the Group has been the exploration, development and mining of the assets in order to recover zircon and titanium minerals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis except for derivative financial instruments, which have been measured at fair value.

This financial report has been based on a 12 month annual operating cycle with comparative year values included and prepared on the same basis.

The financial report is presented in Australian dollars.

Going Concern

The financial statements have been prepared on the basis that the Group and 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.

Note 22 'Events Subsequent to Balance Date' outlines significant matters and circumstances that have effected the Group subsequent to year end, including:
• The Group entered administration on 9 October 2009 and exited administration on 30 July 2010 upon execution of the Deed of Company Arrangement;
• Bank loans owing by the Group (Note 14) were paid out by the Group's controlling shareholder DCM. As a result DCM became, and continues to be at date of signing the financial report, the Group's largest creditor; and
• In June 2011, the Group completed the sale of all of its assets, except its interest in the WIM 150 project and its Pine Valley tenements, to Murray Zircon Pty Ltd, a joint venture entity owned and controlled by the Group and Orient Zirconic Resources (Australia) Pty Limited.

As a result of the above subsequent events, at the date of signing the financial report the Group is dependent upon continuing financial support from it's controlling shareholder, DCM, to pays its debts as and when they fall due. As at 30 June 2011, the Group had net liabilities of $56,130,240 and $64,833,088 was owing to DCM. As at 31 December 2011, the Group had net liabilities of $62,484,404 and $70,381,331 was owing to DCM. DCM have approved an internal resolution to finance the Group's Bankable feasibility Study relating to it's WIM 150 project, amounting to $5.5 million.

At the date of signing the financial report, the directors are confident that DCM will continue to financially support the Group 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 and Group 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 and Group not be able to continue as a going concern.

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

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 2009 and have not been applied in preparing the financial report:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	The Group has yet to determine the effect, if any, on the financial report.	1 July 2009
AASB Int. 18	Transfers of Assets from Customers	This Interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. The Interpretation provides guidance on when and how an entity should recognise such assets and discusses the timing of revenue recognition for such arrangements and requires that once the asset meets the condition to be recognised at fair value, it is accounted for as an 'exchange transaction'. Once an exchange transaction occurs the entity is considered to have delivered a service in exchange for receiving the asset. Entities must identify each identifiable service within the agreement and recognise revenue as each service is delivered.	Applies prospectively to transfer of assets from customers received on or after 1 July 2009	The Group has yet to determine the effect, if any, on the financial report.	1 July 2009
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	The Standard may have an impact on the Group's segment disclosures the extent of which is yet to be determined.	1 July 2009
AASB 1039 (revised)	Concise Reporting	AASB 1039 was revised in August 2008 to achieve consistency with AASB 8 *Operating Segments*. The revisions include changes to terminology and descriptions to ensure consistency with the revised AASB 101 *Presentation of Financial Statements*.	1 January 2009	The Group will adopt the Standard to ensure disclosures align with the Concise report; impact is yet to be determined.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The Group does not anticipate any impact on the financial report as the policy is currently applied.	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	The Group has yet to determine whether it will present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of "vesting conditions", introducing the term "non-vesting conditions" for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share based payments that may be affected by the amendments. The Group has yet to determine the extent of the impact, if any.	1 July 2009

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

(b) Statement of compliance - *(continued)*

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	The Group does not issues puttable financial instruments and as such the Standard is considered to have no impact on disclosures.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group has not yet assessed the impact of adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	The Group has yet to determine the effect, if any, on the financial report.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending Standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	The Group has yet to determine the effect, if any, on the financial report.	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].	1 January 2009	The Group has yet to determine the effect, if any, on the financial report.	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 July 2009	The Group has yet to determine the effect, if any, on the financial report.	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the "cost method" and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	The Group considers there will be no impact on the financial report from adoption.	1 July 2009

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

(b) Statement of compliance - *(continued)*

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment. These amendments arise from the issuance of the IASB's *Improvements to IFRSs*. The amendments pertaining to IFRS 5, 8, IAS 1,7, 17, 36 and 39 have been issued in Australia as AASB 2009-5 (refer below).	1 July 2009	The Group has yet to determine the effect, if any, on the financial report.	1 July 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible v property, plant and equipment) needs to be determined. These amendments arise from the issuance of the IASB's *Improvements to IFRSs*. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above).	1 January 2010	The Group has yet to determine the effect, if any, on the financial report.	1 July 2010
AASB 2009-Y	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	The Group has yet to determine the effect, if any, on the financial report.	1 July 2009
Amendments to International Financial Reporting Standards**	Amendments to IFRS 2	The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular: ► the scope of AASB 2; and ► the interaction between IFRS 2 and other standards. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. A "group" has the same meaning as in IAS 27 *Consolidated and Separate Financial Statements*, that is, it includes only a parent and its subsidiaries. The amendments also incorporate guidance previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2—Group and Treasury Share Transactions*. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.	1 January 2010	The Group has yet to determine the effect, if any, on the financial report.	1 July 2010

* designates the beginning of the applicable annual reporting period unless otherwise stated

i) ** pronouncements that have been issued by the IASB and IFRIC but have not yet been issued by the AASB. Entities must disclose the impact of these pronouncements in order to make the statement of compliance with IFRS under AASB 101.14. For-profit public sector entities may not be required to disclose the impact of IASB and IFRIC pronouncements if they have applied an Australian Accounting Standard, which is inconsistent with IFRS requirements under AASB 101.Aus14.2. Not-for-profit entities need not comply with AASB 101.14 and are not required to disclose the impact of IASB and IFRIC pronouncements under AASB 101.Aus14.3.

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

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Australian Zircon NL and its subsidiaries ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. The acquisition o subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

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 Australian Zircon NL has control.

(d) 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:-

Long Service Leave

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for decommissioning and restoration. Australian Zircon estimates its mineral resources and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the 'JORC code'). The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determinec under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead tc impairment. These conditions include estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction, future production levels, future commodity prices and future cash costs of production and capital expenditure. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (foi leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

Restoration liabilities

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determinin an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

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

(d) Significant accounting judgements, estimates and assumptions -*(continued)*

Share Based Payment Transactions

The Group measures the cost of equity-settled transactions with employees 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 a binomial model, with the assumptions detailed in Note 26.The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(e) 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:

Sale of goods
Revenue from the sale of goods is recognized when there is persuasive evidence, usually when the significant risks and rewards of ownership have been transferred to the buyer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed (for shipped goods this is the bill of lading date).

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).

(f) 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.

(g) 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
Computer equipment	3 – 5 years
Mobile plant	3 – 10 years
Furniture and fittings	5 – 10 years

Depreciation is calculated using the units of production method based over the life of the economically recoverable reserves on assets as follows:
- Production and Processing Plant and facilities
- 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 income statement in the period the item is derecognised.

(h) 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 balance sheet 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.

(i) Development

Development expenditure in relation to the Mindarie zircon project includes exploration and evaluation expenditure on tenement areas which are proceeding to mining together with intangible expenditure on areas to be mined prior to commencement of mining. Development expenditure carried forward as an asset in the balance sheet is expected to be recovered by the successful mining of the project area. When mining commences, development expenditure previously incurred will be amortised over the mining period on a units of production basis. Development expenditure carried forward is assessed for impairment on a continuing basis.

(j) 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. Refer Note 4.

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

(k) Cash and cash equivalents

Cash and cash equivalents in the balance sheet 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 Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) 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.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of raw material and consumables inventories is based on the average cost basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Cost includes variable costs and where applicable direct fixed costs of production including an appropriate share of overheads based on normal operating activity.

(n) 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 balance sheet date.

(o) 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 income statement 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 balance sheet 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.

(p) 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.

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

(q) 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 income statement over the lease term.

(r) 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.

(s) Derivative financial instruments

The Group enters into forward exchange contracts whereby it agrees to buy or sell specified amounts of foreign currencies in the future at predetermined exchange rates. The objective is to match the contract with expected future cash flows from sales and purchases in foreign currencies to protect the Group against the possibility of loss from future foreign exchange rate fluctuations. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss for the year.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

(t) 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.

(u) 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 balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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 balance sheet 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 balance sheet 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 balance sheet 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.

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

(v) Earnings per share

Basic earnings per share is calculated as net profit / (loss) attributable to members of the Parent 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 Parent 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.

(w) 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 balance sheet.

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.

(x) Foreign currency translation

Both the functional and presentation currency of Australian Zircon NL and its subsidiaries is Australian dollars ($). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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 balance sheet date.

(y) Share-based payments

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, further details of which are given in Note 26.

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 income statement 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 income statement 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.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (Note 23).

3. REVENUE, EXPENSES and other income

		Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Revenue					
	Sales	**25,005,254**	2,644,187	**25,005,254**	2,644,187
	Finance revenue – interest	**91,121**	115,649	**91,121**	115,649
	Finance revenue gain on realisation of forward currency contract	-	1,660,174	-	1,660,174
	Fair value adjustment to forward currency contracts	-	3,848,810	-	3,848,810
		25,096,375	8,268,820	**25,096,375**	8,268,820
Other income		**257,934**	69,880	**258,113**	69,297
		25,354,309	8,338,700	**25,354,488**	8,338,117

For the year ended 30 June 2009 the amount of $nil (2008: $162,961) finance revenue interest has been capitalised in respect of development and plant and equipment acquisitions. The three main components of Other income $257,934 (2008: $69,880) are the receipt of a bond refund of $125,583, receipt of Work cover claims of $33,154 and traineeship income of $26,695.

Expenses

		Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Finance costs					
	Finance costs	**8,459,998**	4,839,068	**8,459,998**	4,839,068
Other expenses					
	Finance loss on realisation of forward currency contract	**474,719**	-	**474,719**	-
	Fair value adjustment to forward currency contracts	**9,289,332**	-	**9,289,332**	-
		9,764,051	-	**9,764,051**	-
Corporate expenses					
	Corporate administration costs	**3,746,636**	1,442,277	**3,746,636**	1,442,277
		3,746,636	1,442,277	**3,746,636**	1,442,277
Employee benefit expenses					
	Wages and salaries	**8,938,981**	6,189,996	**8,938,981**	6,189,996
	Defined contribution superannuation expense	**815,157**	484,886	**815,157**	484,886
	Share-based payments expense	**62,602**	158,594	**62,602**	158,594
		9,816,740	6,833,476	**9,816,740**	6,833,476

Superannuation

The consolidated entity makes contributions to several defined contribution plans. The amount recognised as an expense for the year was $815,157 (2008: $484,886)

4. IMPAIRMENT LOSSES

	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Impairment - Mine and equipment	**70,838,333**	-	**70,838,333**	-
Impairment - Development	**9,889,170**	-	**9,889,170**	-
	80,727,503	-	**80,727,503**	-

Impairment losses in respect of the mine and equipment have been brought to account following an appraisal of the mines economic life by Snowden Consultants which effectively reduced mine life to 3 years and 6 months. The net revenue generated from the adjusted life of mine is not sufficient to produce a value which supports the carrying amount under a value in use methodology. Accordingly, management have determined fair value less cost to sell as the most appropriate basis to assess the recoverable amount. The Directors believe this is a conservative view as there is substantial recoverable value expected in the market value of the plant less selling costs, which has not been determined at this stage.

5. INCOME TAX EXPENSE

Recognised in the Income Statement	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Current tax expense				
Current year	**(11,641,904)**	(7,662,560)	**(11,641,904)**	(7,662,560)
Losses not recognised – adjustment to prior years	-	-	-	-
	(11,641,904)	(7,662,560)	**(11,641,904)**	(7,662,560)
Deferred tax expense				
Origination and reversal of temporary differences	**(5,119,615)**	1,789,860	**(5,119,615)**	1,789,860
Write back deferred tax losses previously recorded	**26,973,517**	(57,800)	**26,973,517**	(57,800)
	21,853,902	1,732,060	**21,853,902**	1,732,060
Total income tax expense / (benefit) in Income Statement	**10,211,998**	(5,930,500)	**10,211,998**	(5,930,500)

Numerical reconciliation between tax expense and pre-tax net loss

Loss before tax	**(129,293,545)**	(21,757,564)	**(129,293,366)**	(21,758,147)
Income tax (benefit)/expense at 30%	**(38,788,063)**	(6,527,269)	**(38,788,010)**	(6,527,444)
Non-deductible expenses	**805,351**	654,569	**805,351**	654,744
Losses not recognised	**26,973,517**	-	**26,973,454**	-
Deferred tax asset temporary difference written off	**21,433,561**	-	**21,433,561**	-
Under/(over) provided in prior years	**(212,368)**	(57,800)	**(212,368)**	(57,800)
Income tax expense / (benefit) on pre-tax net loss	**10,211,998**	(5,930,500)	**10,211,988**	(5,930,500)

Deferred tax assets and liabilities are set out at Note 12.

6. CASH AND CASH EQUIVALENTS

	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Cash at bank and in hand	**3,838,864**	1,238,643	**3,833,544**	1,233,145

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

The Group holds, in a dedicated account, a total of $1,806,000 (2008: $686,000) as collateral for Bank guarantees.

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

Cash at bank and in hand		**3,838,864**	1,238,643	**3,833,544**	1,233,145
Overdrafts	Note 14	**-**	(4,987,644)	**-**	(4,987,644)
		3,838,864	(3,749,001)	**3,833,544**	(3,754,499)

RECONCILIATION OF LOSS AFTER TAX TO NET CASH FLOWS FROM OPERATIONS

	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Operating (loss) after income tax	**(139,505,543)**	(15,827,064)	**(139,505,364)**	(15,827,647)
Adjustment for non-cash items:				
Depreciation - Property, plant & equipment	**5,460,392**	4,373,082	**5,460,392**	4,373,082
Fair value adjustment of forward contracts	**9,289,332**	(3,848,810)	**9,289,332**	(3,848,810)
Exploration expenditure written off	**281,861**	35,624	**281,861**	35,624
Amortisation of capitalised borrowing costs	**3,258,934**	357,226	**3,258,933**	357,226
Amortisation of development capitalised	**1,534,798**	494,466	**1,534,798**	494,466
Impairment losses	**80,727,503**	-	**80,727,503**	-
Amortisation of restoration costs	**21,616**	32,424	**21,616**	32,424
Accretion of restoration obligations	**47,294**	114,786	**47,294**	114,786
Provision for restoration	**1,153,080**	-	**1,153,080**	-
Provision for employee entitlements	**171,748**	353,125	**171,748**	353,125
Provision for arbitration	**750,000**	-	**750,000**	-
Provision for royalty payment	**187,770**	-	**187,770**	-
Share based payments expense	**62,602**	158,594	**62,602**	158,594
Tax expense	**(10,211,998)**	-	**(10,211,998)**	-
Changes in operating assets and liabilities				
Decrease/(Increase) in receivables	**(329,568)**	887,750	**(329,568)**	887,750
Decrease /(Increase) in inventories	**(968,998)**	(1,595,010)	**(968,998)**	(1,595,010)
Decrease/(Increase) in other financial assets	**5,983,227**	-	**5,983,227**	-
Decrease/(Increase) in other current assets	**(2,676,579)**	(80,425)	**(2,676,579)**	(80,425)
Decrease/(Increase) in deferred tax assets	**17,821,341**	(7,972,977)	**17,821,341**	(7,972,977)
(Decrease)/Increase in creditors and accruals	**(5,122,449)**	(4,915,815)	**(5,122,449)**	(4,915,815)
(Decrease)/Increase in deferred tax liabilities	**(7,609,343)**	2,331,748	**(7,609,343)**	2,331,748
(Decrease)/Increase in provisions	**2,309,892**	467,911	**2,309,892**	467,911
Net cash (outflow) from operating activities	**(37,363,087)**	(24,633,365)	**(37,362,910)**	(24,633,948)

7. TRADE AND OTHER RECEIVABLES

Interest receivable	**-**	6,950	**-**	6,950
Bonds, deposits and other receivables	**1,062,104**	447,627	**1,062,104**	447,627
Other receivables	**15,357**	4,048	**15,357**	4,048
Owing from subsidiary companies	**-**	-	**59,059**	59,059
	1,077,461	458,625	**1,136,520**	517,684

No receivables are interest bearing, and with the exception of bonds and deposits, are receivable within 90 days. No amounts outstanding are past due or impaired. Bonds and deposits are held with large reputable financial institutions. Amounts owing by subsidiary companies are interest free and payable on demand.

8. INVENTORIES

	Consolidated 2009 $	Consolidated 2008 $	**Parent entity 2009 $**	Parent entity 2008 $
Consumables at cost	**646,058**	663,398	**646,058**	663,398
Work-in-progress at net realisable value	**1,392,071**	709,380	**1,392,071**	709,380
Finished goods at net realisable value	**526,097**	222,450	**526,097**	222,450
Carrying value of inventories	**2,564,226**	1,595,228	**2,564,226**	1,595,228

9. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2009 $	Consolidated 2008 $	**Parent entity 2009 $**	Parent entity 2008 $
Freehold land, at cost	**73,834**	73,834	**19,902**	19,902
Plant and equipment				
At cost	**85,750,442**	79,639,242	**85,750,442**	79,639,242
Equipment held for resale	**(2,513,896)**	-	**(2,513,896)**	-
Impairment	**(70,838,333)**	-	**(70,838,333)**	-
Accumulated depreciation	**(10,719,555)**	(5,259,163)	**(10,719,555)**	(5,259,163)
Closing net book amount	**1,678,658**	74,380,079	**1,678,658**	74,380,079
Opening net book amount	**74,380,079**	49,070,294	**74,380,079**	49,070,294
Additions	**6,111,200**	25,735,191	**6,111,200**	25,735,191
Net borrowing costs capitalised	-	3,947,714	-	3,947,714
Impairment	**(70,838,333)**	-	**(70,838,333)**	-
Depreciation / amortisation charge	**(5,460,392)**	(4,373,120)	**(5,460,392)**	(4,373,120)
Equipment held for resale	**(2,513,896)**	-	**(2,513,896)**	-
Closing net book amount	**1,678,658**	74,380,079	**1,678,658**	74,380,079
Total property, plant and equipment	**1,752,492**	74,453,913	**1,698,560**	74,399,981

During the 2008 financial year, whilst the Mindarie mine was in development, borrowing costs of funds, net of interest earned on temporary surpluses, directly attributable to the acquisition of plant and equipment have been capitalised and included in the carrying values of such plant and equipment.

Plant and equipment with a carrying amount for both the Group and the Parent Company of $118,093 (2008: $65,134) are pledged as security for related lease and equipment loan facilities as disclosed in Notes 14 and 21.

The Commonwealth Bank of Australia has a deed of charge over the assets of the company in respect of borrowings advanced under the term debt facility.

Plant and Equipment has been classified as "Non current asset held for resale" being various items of Mobile Plant which have been disposed of on 18 August 2009 for $2,887,500 (GST inclusive value).

Impairment of Plant and Equipment - as a result of a review of the life of mine plan the carrying value of the production assets has been impaired to the extent the fair value from net operating revenues has been determined to be nil, resulting in an impairment provision of $70,838,333 (2008: $nil) refer Note 4.

10. DEVELOPMENT

	Consolidated	Parent Company
	$	$
Balance 30 June 2007	10,728,962	10,728,962
Less - Amortisation development cost	(494,466)	(494,466)
Less - Amortisation restoration cost	(32,424)	(32,424)
Balance at 30 June 2008	10,202,072	10,202,072
Expenditure development	1,243,512	1,243,512
Less - Amortisation development cost	(1,534,798)	(1,534,798)
Less - Amortisation restoration cost	(21,616)	(21,616)
Less - Impairment	(9,889,170)	(9,889,170)
Balance at 30 June 2009	-	-

Borrowing costs of funds, net of interest earned on temporary surpluses, directly attributable to the acquisition of development have been capitalised and included in the carrying values of such development.

Impairment of Development - as a result of a review of the life of the Mindarie mine the carrying value of the related Development has been impaired to the extent the fair value from net operating revenues has been determined to be nil, resulting in an impairment provision of $9,889,170 (2008: $nil), refer Note 4.

11. EXPLORATION AND EVALUATION

	Consolidated	Parent Company
	$	$
Balance 30 June 2007	1,069,233	1,069,233
Expenditure for the year ended 30 June 2008	1,524,560	1,524,560
Less – expenditure written off	(35,624)	(35,624)
Balance at 30 June 2008	2,558,169	2,558,169
Expenditure for the year ended 30 June 2009	962,541	962,541
Less – expenditure written off	(281,861)	(281,861)
Balance at 30 June 2009	3,238,849	3,238,849

12. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated – 2009	Assets	Liabilities	Net
	$	$	$
Property, plant and equipment	21,765,287	(1,143,548)	20,621,739
Provisions	392,343	-	392,343
Employee benefits	642,210	-	642,210
Other items	1,122,888	(1,345,619)	(222,731)
Tax value of carried forward losses	26,973,517	-	26,973,517
Tax losses not recognised	(26,973,517)	-	(26,973,517)
Temporary differences not brought to account	(21,433,561)	-	(21,433,561)
Tax assets/(liabilities)	2,489,167	(2,489,167)	-

Parent – 2009			
Property, plant and equipment	21,765,287	(1,143,548)	20,621,739
Provisions	392,343	-	392,343
Employee benefits	642,210	-	642,210
Other items	1,122,888	(1,345,619)	(222,731)
Tax value of carried forward losses	26,973,517	-	26,973,517
Tax losses not recognised	(26,973,517)	-	(26,973,517)
Temporary differences not brought to account	(21,433,561)	-	(21,433,561)
Tax assets/(liabilities)	2,489,167	(2,489,167)	-

Consolidated – 2008	Assets	Liabilities	Net
	$	$	$
Property, plant and equipment	358,947	(4,056,655)	(3,697,708)
Provisions	256,954	-	256,954
Employee benefits	141,139	-	141,139
Other items	333,055	(3,552,688)	(3,219,633)
Tax value of carry forward losses	16,731,246	-	16,731,246
Tax assets/(liabilities)	17,821,341	(7,609,343)	10,211,998

Parent – 2008	Assets	Liabilities	Net
	$	$	$
Property, plant and equipment	358,947	(4,056,655)	(3,697,708)
Provisions	256,954	-	256,954
Employee benefits	141,139	-	141,139
Other items	333,055	(3,552,688)	(3,219,633)
Tax value of carry forward losses	16,731,246	-	16,731,246
Tax assets/(liabilities)	17,821,341	(7,609,343)	10,211,998

Carried forward tax losses previously recorded have been written off as management no longer believe there is enough certainty as to their recoverability.

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

	Consolidated 2009	Consolidated 2008	**Parent entity 2009**	Parent entity 2008
	$	$	**$**	$
Tax losses	**26,973,517**	16,731,246	**26,973,517**	16,731,246
Deductible temporary differences	**-**	-	**-**	1,362,737
Capital losses	**30,000**	30,000	**30,000**	30,000
	27,003,517	16,761,246	**27,003,517**	18,123,983

The deductible temporary differences and tax losses do not expire under current tax legislation. 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 consolidated entity can utilise such benefits.

Movements in temporary differences during the year

	Balance 1 July 2008	**Recognised in income**	**Recognised in equity**	**Balance 30 June 2009**
Consolidated	**$**	**$**	**$**	**$**
Property, plant and equipment	**(3,697,708)**	**3,697,708**	**-**	**-**
Provisions	**256,953**	**(256,953)**	**-**	**-**
Employee benefits	**141,139**	**(141,139)**	**-**	**-**
Other items	**(3,219,632)**	**3,219,632**	**-**	**-**
Tax value of loss carry-forwards	**16,731,246**	**(16,731,246)**	**-**	**-**
	10,211,998	**(10,211,998)**	**-**	**-**

12. DEFERRED TAX ASSETS AND LIABILITIES -*(continued)*

Movements in temporary differences during the year

	Balance 1 July 2008	Recognised in income	Recognised in equity	Balance 30 June 2009
Parent Company				
Property, plant and equipment	**(3,697,708)**	**3,697,708**	**-**	**-**
Provisions	**256,953**	**(256,953)**	**-**	**-**
Employee benefits	**141,139**	**(141,139)**	**-**	**-**
Other items	**(3,219,632)**	**3,219,632**	**-**	**-**
Tax value of loss carry-forwards	**16,731,246**	**(16,731,246)**	**-**	**-**
	10,211,998	**(10,211,998)**	**-**	**-**

	Balance 1 July 2007	Recognised in income	Recognised in equity	Balance 30 June 2008
Consolidated	$	$	$	$
Property, plant and equipment	(3,830,108)	132,400	-	(3,697,708)
Provisions	63,786	193,167	-	256,953
Employee benefits	35,201	105,938	-	141,139
Other items	(912,764)	(2,306,868)	-	(3,219,632)
Tax value of loss carry-forwards	9,214,651	7,516,595	-	16,731,246
	4,570,766	5,641,232	-	10,211,998

	Balance 1 July 2007	Recognised in income	Recognised in equity	Balance 30 June 2008
Parent Company				
Property, plant and equipment	(3,830,108)	132,400	-	(3,697,708)
Provisions	63,786	193,167	-	256,953
Employee benefits	35,201	105,938	-	141,139
Other items	(912,764)	(2,306,868)	-	(3,219,632)
Tax value of loss carry-forwards	9,214,651	7,516,595	-	16,731,246
	4,570,766	5,641,232	-	10,211,998

13. TRADE AND OTHER PAYABLES

	Consolidated 2009	Consolidated 2008	Parent entity 2009	Parent entity 2008
Current	**$**	$	**$**	$
Trade payables	**6,490,704**	6,265,894	**6,490,704**	6,265,894
Accrued expenses	**788,636**	411,495	**788,636**	411,495
Trade advances – unsecured	**13,148,573**	3,483,059	**13,148,573**	3,483,059
Interest payable	**77,189**	428,171	**77,189**	428,171
Total current trade and other payables	**20,505,102**	10,588,619	**20,505,102**	10,588,619

Trade payables are non-interest bearing and normally settled on 30 day terms. Trade payables, accrued expenses and interest payable are stated at cost.

The trade advance has been made to the Company by its largest shareholder, with whom the company has an off take agreement. The prepayment is denominated in USD dollars and at balance date amount to USD 9,334,038 and attracts interest based on the one month USD LIBOR rate plus 6%.

14. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated 2009	Consolidated 2008	Parent entity 2009	Parent entity 2008
	$	$	**$**	$
Current				
Bank overdrafts – secured	**-**	4,987,644	**-**	4,987,644
Related party – unsecured	**-**	500,000	**-**	500,000
Obligations under finance leases and hire purchase contracts	**22,602**	43,070	**22,602**	43,070
Bank loans – secured	**45,747,499**	-	**45,747,499**	-
	45,770,101	5,530,714	**45,770,101**	5,530,714
Non-current				
Obligations under finance leases and hire purchase contracts	**115,357**	40,994	**115,357**	40,994
Convertible notes	**5,000,000**	23,000,000	**5,000,000**	23,000,000
Loans – unsecured	**5,260,267**	3,944,932	**5,260,267**	3,944,932
Bank loans – secured	**-**	45,389,640	**-**	45,389,640
	10,375,624	72,375,566	**10,375,624**	72,375,566

(a) Terms and conditions

Current interest-bearing loans and borrowings

Bank Overdraft - secured

The overdraft facility of $5 million was extinguished and the facility cancelled at year end. During the year interest was reviewed monthly and charged at an average 13.03%.

14. INTEREST BEARING LOANS AND BORROWINGS - *(continued)*

(a) Terms and conditions - *(continued)*

Current interest-bearing loans and borrowings - (continued)

Finance lease

Finance lease and hire purchase liabilities are effectively secured as the rights to the financed assets revert to the financier in the event of default.

Related Party - unsecured

An entity associated to a director made short term finance available with interest at normal commercial rates. The loan and all interest obligations was subsequently repaid on 4 July 2008.

$45,747,499 bank loan - secured

The floating rate interest loan was secured by a first charge over the Group's land and buildings and mining tenements and a floating charge over the Group's plant and equipment. At 30 June 2009, the facility had a remaining term of four years and nine months with repayments to start after the commencement of commercial production. The average rate during the year was 8.12%. During and subsequent to the financial year ended 30 June 2009 the company breached a selection of debt covenants in relation to the facility and therefore the loan has been classified as current at 30 June 2009 in accordance with Australian Accounting Standards. During the year ended 30 June 2010, the Group's controlling entity, DCM, entered into a Deed of Assignment of Debt with the Commonwealth Bank of Australia ('CBA') to purchase this debt. The final instalment was paid by DCM on 28 May 2010.

Non-current interest-bearing loans and borrowings

Finance lease

Finance lease and hire purchase liabilities are effectively secured as the rights to the financed assets revert to the financier in the event of default.

$5,000,000 convertible notes

Convertible notes totalling $23,000,000 were allotted in April 2006 for a term of 5 years, carrying interest at one year LIBOR + 3%, calculated annually. Australian Zircon NL had the right to repay the outstanding principal at any time prior to maturity. During the year ended 30 June 2010 the Group exercised this right and settled the remaining $5 million by cash.

$5,260,627 loans - unsecured

On 19 September 2008, the company entered into a working capital loan facility offered by Crescent Gold Limited for $4 million dollars. The facility was for a period of four years until 19 September 2012. Interest was accrued on a monthly basis using the one month Bank Bill Swap Reference Rate, payable six monthly in arrears. The principal balance owing under this facility at balance date was $4,137,069 (2008: $nil). Interest was capitalised annually and was not payable until after the commencement of commercial production and the repayment of the secured bank loan facility. The amount of capitalised interest on the convertible notes at balance date was $1,123,198 (2008: $3,994,932). The loan was fully repaid by the Group during the year ended 30 June 2010.

(b) Finance facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	Consolidated 2009	Consolidated 2008	**Parent entity 2009**	Parent entity 2008
	$	$	**$**	$
Total facilities: bank loan – secured	**65,521,991**	55,983,059	**65,521,991**	55,983,059
Facilities used at reporting date	**65,521,991**	55,970,703	**65,521,991**	55,970,703
Facilities unused at reporting date	**-**	12,356	**-**	12,356

(c) Fair values

The carrying amounts and fair values of borrowings for both Group and Parent Company at balance date are:

	Carrying amount 2009	**Fair value 2009**	Carrying amount 2008	Fair value 2008
	$	**$**	$	$
Bank overdraft – secured	**-**	**-**	4,987,644	4,987,644
Obligations under finance leases and hire purchase contracts	**137,959**	**137,959**	84,064	84,064
Trade advances – unsecured	**13,148,573**	**13,148,573**	3,483,059	3,483,059
Related party - unsecured	**-**	**-**	500,000	500,000
Convertible notes	**5,000,000**	**5,000,000**	23,000,000	23,000,000
Loans – unsecured	**5,260,267**	**5,260,267**	3,944,932	3,944,932
Bank loans - secured	**45,747,499**	**45,747,499**	45,389,640	45,389,640

None of the classes above is readily traded on organised markets in standardised form. The cost of the convertible notes over the period to maturity has been discounted to present time at market rate for a similar debt instrument. The notes have been negotiated on the basis of arms length borrowings at commercial rates for loans of this type.

15. PROVISIONS

	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Current				
Stamp duty provision	**400,502**	400,502	**400,502**	400,502
Provision for RJR Robbins Arbitration	**750,000**	-	**750,000**	-
Provision for Royalty payment	**187,770**	-	**187,770**	-
Annual leave payable	**642,210**	441,488	**642,210**	441,488
Total Current	**1,980,482**	841,990	**1,980,482**	841,990
Non-current				
Long service leave	-	28,974	-	28,974
At beginning of the year	**28,974**	24,950	**28,974**	24,950
Provision made during the year	-	4,024	-	4,024
De-recognition of unused leave lost	**(28,974)**	-	**(28,974)**	-
At the end of the year	-	28,974	-	28,974
Restoration	**1,963,676**	763,302	**1,963,676**	763,302
At beginning of the year	**763,302**	648,516	**763,302**	648,516
Provision made during the year	**1,153,080**	-	**1,153,080**	-
Amount accreted during the year	**47,294**	114,786	**47,294**	114,786
At the end of the year	**1,963,676**	763,302	**1,963,676**	763,302
Total Non-current	**1,963,676**	792,276	**1,963,676**	792,276

Restoration

Provisions for future removal and restoration costs 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 future obligations include the costs of removing facilities, abandoning mined strands and restoring the affected areas.

Stamp duty provision

In June 2003 the Company received an enquiry from Revenue SA as to whether appropriate stamp duty had been paid on the instruments transferring ownership of all of the issued capital of Steiner Holdings Pty Ltd to Australian Zircon NL in January 2002. The Company subsequently received an assessment on 11 January 2005 for the amount of $246,302 plus penalties and interest of $154,200. The Company has lodged an objection against the assessment and as at the date of this report no determination has been made in respect of that objection.

Provision for royalty payment

The royalty obligation exists for the period 1 July 2008 to 30 June 2009 and is calculated using Australian Zircon methodology. The provision amounts to $187,770. The methodology values heavy mineral content using the dollar per tonne rate of $110. This value is the 11 year average (2008-2018) of a tonne of heavy minera content calculated from the Base Case Model and is therefore in line with expectations of Royalty obligations for the project.

The company has commenced arbitration proceedings, in accordance with the provisions within the EPCM contract relating to principal plant construction supplier RJR Robbins & Associates. The Directors have conducted a review of the potential liability to the Group from which the directors have reasonable certainty that future costs will be incurred in relation to the contract. The Directors have made a determination as to the likely costs which may be incurred in relation to the settlement which includes legal costs and have provided for this accordingly. The outcome of the arbitration will be disclosed subsequent to February 2010.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Current assets				
Forward currency contracts	**321,291**	6,304,518	**321,291**	6,304,518
Non-current assets				
Forward currency contracts	**-**	2,123,653	**-**	2,123,653

Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to reduce exposure to fluctuations in interest and in foreign exchange rates. In order to protect against exchange rate movements the Group has entered into forward exchange contracts to sell US$. These contracts are matched to highly probable forecasted sales and they are timed to mature when receipts are scheduled to be received. At balance date, the details of outstanding contracts are:

	2009	2008	Average Exchange Rate 2009	Average Exchange Rate 2008
Sell US$ Maturity 0-12 months - Consolidated	**4,419,330**	31,264,340	**0.7346**	0.7509
Sell US$ Maturity 0-12 months – Parent	**4,419,330**	31,264,340	**0.7346**	0.7509
Sell US$ Maturity 13 - 36 months – Consolidated	-	16,241,846	-	0.7633
months – Parent	-	16,241,846	-	0.7633

17. CONTRIBUTED EQUITY

	Consolidated 2009 $	Consolidated 2008 $	**Parent entity 2009 $**	Parent entity 2008 $
(a) Share capital				
Fully paid ordinary shares	**110,779,210**	55,768,414	**110,779,210**	55,768,414
Partly paid ordinary shares paid to 0.5 cents each	**36,815**	36,815	**36,815**	36,815
	110,816,025	55,805,229	**110,816,025**	55,805,229

Movements in share capital during the year	Number	$
Fully paid ordinary shares		
Balance at 30 June 2007	286,544,119	55,523,414
Exercise of 20 cent options	1,000,000	200,000
Exercise of 15 cent options	300,000	45,000
Less, share issue expenses	-	-
Add tax adjustments to equity	-	-
Balance at 30 June 2008	287,844,119	55,768,414
Placement of shares at 12 cents per share	100,000,000	12,000,000
Share Purchase Plan at 12 cents per share	2,746,120	329,534
Issued on Recapitalisation at 4 cents per share	1,040,256,892	41,610,276
Rights Issue at 4 cents per share	43,867,990	1,754,720
Less share issue expenses	-	(683,734)
Balance at 30 June 2009	1,474,715,121	110,779,210
Partly paid ordinary shares		
Balance at beginning and end of each year	7,363,026	36,815

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.

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 Group has not been in a tax paying position since inception and therefore has carried forward tax losses as outlined in Note 12. For this reason the franking account has a nil balance at 30 June 2009 (2008: $nil). There has been no movement through the franking account during the financial year.

(b) Options

The following options granted to Directors, senior staff and consultants were outstanding as at 30 June 2009:

Outstanding options 1 July 2008	**Options lapsed / options cancelled**	**Options exercised**	**Options granted**	**Outstanding options 30 June 2009**	**Expiry Date**	**Exercise Price**
2,250,000	(2,250,000)	-	-	-		
1,000,000	(1,000,000)	-	-	-		
650,000	(650,000)	-	-	-		
2,000,000	-	-	-	2,000,000	20-Feb-11	17 cents
1,000,000	-	-	-	1,000,000	20-Feb-11	15.5 cents
500,000	-	-	-	500,000	22-May-11	20 cents
500,000	-	-	-	500,000	28-Aug-11	20 cents
2,000,000	-	-	-	2,000,000	14-Nov-11	25 cents
-	39,000,000			39,000,000	19-Sep-13	9.47 cents
9,900,000	**35,100,000**	**-**	**-**	**45,000,000**		

18. RESERVES

	Consolidated 2009 $	Consolidated 2008 $	**Parent entity 2009 $**	Parent entity 2008 $
Share-based payments reserve				
Balance at beginning of the year	**836,493**	677,899	**836,493**	677,899
Option expense	**62,602**	158,594	**62,602**	158,594
Balance at the end of the year	**899,095**	836,493	**899,095**	836,493

18. RESERVES - *(continued)*

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 management personnel, as part of their remuneration.

19. AUDITORS' REMUNERATION

	Consolidated 2009 $	Consolidated 2008 $	**Parent entity 2009 $**	Parent entity 2008 $
Audit and review of financial reports and other audit work under the *Corporations Act 2001 (EY)*	**65,000**	65,000	**65,000**	65,000
Audit and review of financial reports and other audit work under the *Corporations Act 2001 (SC)*	**30,000**	-	**30,000**	-
Other services - taxation services	**7,500**	-	**7,500**	-
	102,500	65,000	**102,500**	65,000

20. RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Australian Zircon NL and the subsidiaries listed in the following table.

Name	Country of incorporation	**% equity interest 2009**	% equity interest 2008	**Investment 2009**	Investment 2008
Steiner Holdings Pty Ltd	Australia	**100**	100	**-**	-
Mallee Mineral Separations Pty Ltd	Australia	**100**	100	**-**	-

The investment by the parent company in Steiner Holdings Pty Ltd was written off in 2006 because exploration licences which were held by Steiner Holdings Pty Ltd, and to which the underlying value of the company attached, were renewed by the parent company upon their expiry.

Australian Zircon NL is the ultimate Australian parent entity.

Loans to/from related parties

	Consolidated 2009 $	Consolidated 2008 $	**Parent entity 2009 $**	Parent entity 2008 $
Loans to subsidiaries				
Balance at beginning of the year	**-**	-	**-**	59,058
Loans advanced	**-**	-	**-**	-
Balance at end of the year	-	-	-	59,058
Loans from other related parties				
Balance at beginning of the year	**-**	-	**-**	-
Loan repayments made	**-**	500,000	**-**	500,000
Interest payable included in Note 13 accrued expenses	**-**	28,999	**-**	28,999
Balance at end of the year	**-**	528,999	**-**	528,999

Loans to and from related parties are made on normal commercial terms are interest bearing and repayable on demand. The loan and all interest obligations were repaid on 4 July 2008.

A Director of Australian Zircon NL had facilitated a $5 million overdraft by issuing a personal guarantee. This facility was assessed by the Commonwealth Bank on a monthly basis for renewal. It was repaid in full and cancelled at 30 June 2009.

21. COMMITMENTS AND CONTINGENCIES

Finance lease and equipment loan commitments

The Group has finance lease and equipment loan contracts for two vehicles.

Future minimum payments under finance lease and equipment loan contracts together with the present value of the net minimum payments are as follows:

	Consolidated 2009 $	Consolidated 2008 $	**Parent entity 2009 $**	Parent entity 2008 $
Within one year	**268,641**	48,693	**268,641**	48,693
After one year but not more than five years	**548,505**	47,180	**548,505**	47,180
After five years	**-**	-	**-**	-
Minimum payments	**817,146**	95,873	**817,146**	95,873
Less, amounts representing finance charges	**(24,648)**	(11,809)	**(24,648)**	(11,809)
Recognised as a liability	**792,498**	84,064	**792,498**	84,064
Current	**259,052**	43,070	**259,052**	43,070
Non-current	**533,446**	40,994	**533,446**	40,994
	792,498	84,064	**792,498**	84,064

21. COMMITMENTS AND CONTINGENCIES - *(continued)*

Commitments regarding exploration licences

The Consolidated Entity's exploration related tenements are renewable on an annual basis at various renewal dates throughout the year and the amount of each expenditure covenant is set by the Minister at the time of each renewal grant. On the basis of the current level of such expenditure required for each tenement the total expenditure required to maintain tenure of all of the exploration licences over the next twelve months is $1,908,000 (2008: $1,918,000).

Capital commitments

At 30 June 2009 the Group had commitments for expenditure within one year, which have not been recognised as liabilities, to further enhance the capability of the Mindarie zircon mine's production:

	Consolidated 2009 $	Consolidated 2008 $	**Parent entity 2009 $**	Parent entity 2008 $
Commitments for which contracts have been entered into:				
Property, plant and equipment *	**292,000**	-	**292,000**	-
Development	**-**	-	**-**	-
Total contractual commitments	**292,000**	**-**	**292,000**	**-**
Planned expenditure for which contracts have not yet been entered into:				
Property, plant and equipment	**-**	-	**-**	-
Development	**-**	-	**-**	-
Total planned	**-**	**-**	**-**	**-**

* Commitments for capital expenditure are expected to fall within one year.

Operating lease commitments – Group as lessee

The Group has entered into a commercial property lease for the use of the corporate office. The outstanding balance of the lease is $47,636 (2008: $104,619). The lease is due to expire on 25 March 2010.

22. 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 3 October 2009 the company placed the Mindarie mining operation on care and maintenance while the review of operational matters including cost structure reserve estimates and financing options was being completed.

At 5.30pm (WST) on Friday 9 October 2009, the Board of Directors of Australian Zircon NL ("AZC") and subsidiary companies appointed Bryan Hughes of Pitcher Partners as Voluntary Administrator pursuant to Section 436A of the Corporations Act.
The Administrator continued processing stockpiles of ore until the end of February 2010 when the Mindarie processing plant was placed on full care and maintenance.

On Thursday 18 February 2010 at the reconvened second meeting of creditors, the creditors resolved that the company execute the Deed of Company Arrangement ("DOCA") proposed by AZC's largest shareholder DCM DECOmetal GmbH ("DCM"). The DOCA was executed on 10 March 2010, the administrator Bryan Hughes was appointed Deed Administrator and as such he retains control of AZC until the DOCA is fully effectuated.

On 30 March 2010 Austpac Resources N.L. ("Austpac") announced that it had agreed to sell Exploration Licence 4521 ("EL4521") in Victoria to Astron Limited ("Astron") for $5 million. The sale is subject to Ministerial approval of the transfer. AZC entered into a Farm-in agreement with Austpac in respect of the WIM 150 Zircon project located on EL4521 on 29 January 2004. On 5 May 2010 AZC instituted a Supreme Court of Western Australia action against Austpac and Astron seeking orders to protect its interests under the Farm-in Agreement.

On 2 June 2010 DCM advised they had entered into a Deed of Assignment of Debt with the Commonwealth Bank of Australia ("CBA") to purchase the CBA's secured debt. Pursuant to the Deed of Assignment of Debt, DCM was required to make payment of the agreed consideration to CBA in a number of instalments. The final instalment was required to be paid by 30 April 2010 and was subsequently extended to 31 May 2010. The final instalment was paid to the CBA on 28 May 2010.

At a meeting of creditors of the Company held on Friday 30 July 2010 creditors approved a variation of terms of the DOCA requested by DCM and a payment of $8 million was paid by DCM to AZC to meet the requirements of all of the Administration trading liabilities and the payment of a dividend to all admitted unsecured creditors. Subsequently, the DOCA was effectuated on the same day and AZC was placed back in the control of the Director's.

On 10 November 2010 AZC entered into arrangements with Orient Zirconic Guangdong ("OZC"), a Company listed on the Shenzhen Stock Exchange in the Peoples Republic of China. Pursuant to the arrangements, within 6 months OZC may require AZC to assign to a corporate joint venture company ("the Joint Venture Company") (which will be owned 65% by OZC and 35% by the Company) the assets of AZC other than WIM 150 assets. If OZC makes this election the consideration payable will be $16,250,000 plus a 35% interest in the Joint Venture Company. OZC has 18 months within which to require AZC assigns to the Joint Venture Company the WIM 150 assets subject to the right of AZC described below. The consideration payable for the transfer of the WIM 150 asset is $23,750,000 plus a 35% interest in the Joint Venture Company. AZC can give notice OZC that the litigation that AZC is involved in regarding its WIM 150 asset has been resolved to its satisfaction in which case OZC has 3 months within which to elect whether it wishes AZC to assign the WIM 150 assets to the Joint Venture Company. The conditions for any assignment the Joint Venture Company pursuant to these arrangements include all regulatory and FIRB approvals, shareholder approvals and all third party consents required. In advance of any assignment occurring OZC has advanced to AZC $20 million which has been utilized to reduce AZC's debt to its major creditor and shareholder DCM. OZC will take first ranking security over AZC's assets to secure the repayment of the loan subject to all necessary approvals. The balance of funds owing to DCM will be secured by second ranking securities over AZC's assets. In the event the OZC requires AZC to sell either all of its assets or the WIM150 asset to the Joint Venture Company, DCM will transfer to OZC share in AZC that currently represent 4.35% of AZC's issued capital. On 31 January 2011 AZC was advised by OZC it had been notified by the Foreign Investment Review Board that any assignment to the Joint Venture Company which would be owned 65% by OZC and 35% by AZC of the assets of AZC in the terms contemplated by the 10 November arrangements will be unobjectionable. On 29 June 2011 all AZC's assets excluding the WIM 150 assets were transferred to a Joint Venture Company (Murray Zircon Pty Limited, "MZL"). MZL is to undertake feasibility study into recommissioning the Mindarie mine.

On 4 August 2011, Justice Corby of the Supreme Court of Western Australia ruled that the Farm-in Agreement with AZC and Austpac was not assignable, and that therefore the Sale Agreement with Astron Limited had ended.

23. EARNINGS PER SHARE

	Consolidated 2009	Consolidated 2008
	$	$
Earnings used to calculate basic and diluted earnings per share	**(139,505,543)**	(15,827,064)
Basic earnings (loss) per share (cents)	**(18.2)**	(5.5)
Diluted earnings (loss) per share (cents)	**(18.2)**	(5.5)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**766,778,462**	287,534,530
Weighted potential ordinary shares on issue	**17,263,026**	18,575,321
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in the weighted diluted potential ordinary shares on issue	**-**	987,705

The calculation of diluted earnings per share does not include weighted potential ordinary shares on issue as to do so would have the effect of reducing the amount c the loss per share.

24. FINANCIAL INSTRUMENTS and FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise accounts payable, bank loans and overdrafts, and convertible notes. The main purpose of these financial instruments is to manage short term cash flow and raise finance for the Group's capital expenditure program. The Group has various financial assets such as accounts receivable and cash and short term deposits, which arise directly from its operations.

It is, and has been throughout the year ended 30 June 2009 and 2008, the Group'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 asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are commodity risk, cash flow interest rate risk, foreign currency risk, liquidity risk and credit 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 Group's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable. Financial instruments affected by market risk include bank loans and overdrafts, accounts receivable, accounts payable and accrued liabilities and derivative financial instruments. The sensitivity for the parent and the consolidated Group are the same.

24. FINANCIAL INSTRUMENTS and FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - *(continued)*

The sensitivity has been prepared for period ended 30 June 2009 using the amounts of debt and other financial assets and liabilities held as at the balance sheet date.

Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of mineral sand products it produces denominated in US dollars. All sales made are based on sales agreements in which mineral prices are based on market prices in accordance with industry known mineral publications. The Group's policy is to manage these risks through the use of contract based prices with customers and derivative commodity contracts.

The table below summarises the impact on profit before tax changes in commodity prices on the fair value of derivative financial instruments. The impact on equity is the same as the impact on income as these derivative financial instruments have not been designated as hedges and are classified as held-for-trading. The analysis is for each of the Consolidated and Parent entities.

The analysis is based on the assumption that the mineral prices move 10% resulting in a change of with all other variables held constant.

Increase/ decrease in mineral product prices	**Effect on profit before tax for the year ended 30 June 2009**	Effect on profit before tax for the year ended 30 June 2008
Increase 10%	1,963,000	260,000
Decrease 10%	(1,963,000)	(260,000)

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from sales of mineral products denominated in United States Dollars (USD). The Group manages this risk by entering into various derivatives to manage the economic risk in respect of future sales.

The Group has taken out forward currency contracts for the sale of a total of USD$4,419,329 (2008: USD$35,873,452) over the period July 2009 to June 2010, at exchange rates between USD$0.7325 and USD$0.7370. Contracts totalling USD$43,086,857 were realised during the year delivering a loss of AUD$ (474,719) (2008: AUD$1,660,174). At 30 June 2009 an assessment of the fair value of these contracts created an unrealised loss to the Group of AUD$(9,289,332) (2008: gain AUD$3,848,810) which has been recognised as an expense in the Income Statement for the year ended 30 June 2009.

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 2009**	Effect on profit before tax for the year ended 30 June 2008
Increase 10%	(4,489,000)	805,000
Decrease 10%	4,489,000	(805,000)

Credit risk

Credit risk represents the potential loss if counterparties fail to perform as contracted. Australian Zircon has entered into sales agreements in which a significant portion of minerals mined from the Mindarie Zircon Mine will be sold to one buyer. Australian Zircon is exposed to the extent that the receipt of a significant portion sales revenue will be reliant on the performance of one counterparty. The counterparty is also Australian Zircon's largest shareholder at balance date and continues to provide trade finance.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash, short term investments and derivative financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Fair values

The fair values and carrying amounts for all of the financial assets of the Group as at 2008 and 2009 balance dates are the same.
The fair values of liabilities are set out in Note 14.

24. FINANCIAL INSTRUMENTS and FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - *(continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group does not have any borrowings at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings and cash and cash equivalents.

Increase / decrease in interest rate	**Effect on profit before tax for the year ended 30 June 2009**	Effect on profit before tax for the year ended 30 June 2008
Increase 1%	(582,000)	(60,000)
Decrease 1%	582,000	60,000

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors its risk to a shortage of funds by monitoring the maturity dates of existing debt. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans and equity raisings.

The following tables set out the contractual cash flows amounts, by maturity, of the financial instruments exposed to interest rate risk:

Consolidated – 2009	Carrying amount	Contractual cash flows	1 year or less	1 to 5 years	More than 5 years
	$	$	$	$	$
Financial Liabilities					
Fixed rate					
Obligations under finance leases and equipment loan contracts	137,959	190,341	74,984	115,357	-
Floating rate					
Trade advances – unsecured	13,148,573	13,148,573	13,148,573	-	-
Related Party – unsecured	-	-	-	-	-
Convertible notes	5,000,000	5,000,000	-	5,000,000	-
Loans – unsecured	5,260,267	5,522,493	296,175	5,226,318	-
Bank loan – secured	45,747,499	66,976,643	10,984,356	55,992,288	-
Weighted average effective interest rate		8.00%	8.00%	8.00%	

Parent – 2009	Carrying amount	Contractual cash flows	1 year or less	1 to 5 years	More than 5 years
	$	$	$	$	$
Financial Liabilities					
Fixed rate					
Obligations under finance leases and equipment loan contracts	137,959	190,341	74,984	115,357	-
Floating rate					
Trade advances – unsecured	13,148,573	13,148,573	13,148,573	-	-
Related Party – unsecured			-	-	-
Convertible notes	5,000,000	5,000,000	-	5,000,000	-
Loans – unsecured	5,260,267	5,522,493	296,175	5,226,318	-
Bank loan – secured	45,747,499	66,976,643	10,984,356	55,992,288	-
Weighted average effective interest rate		8.00%	8.00%	8.00%	

24. FINANCIAL INSTRUMENTS and FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - *(continued)*

Consolidated - 2008	Carrying amount	Contractual cash flows	1 year or less	1 to 5 years	More than 5 years
	$	$	$	$	$
Financial Liabilities					
Fixed rate					
Obligations under finance leases and equipment loan contracts	84,064	95,873	48,693	47,180	-
Floating rate					
Bank overdraft – secured	4,987,644	4,987,644	4,987,644	-	-
Trade advances – unsecured	3,483,059	3,718,165	3,718,165	-	-
Related Party – unsecured	500,000	528,999	528,999	-	-
Convertible notes	23,000,000	23,000,000	-	-	-
Loans – unsecured	3,994,932	22,273,333	-	-	-
Bank loan – secured	45,389,640	67,667,150	4,230,000	7,565,000	55,872,150
Weighted average effective interest rate			9.51%	9.00%	9.00%

Parent – 2008	Carrying amount	Contractual cash flows	1 year or less	1 to 5 years	More than 5 years
	$	$	$	$	$
Financial Liabilities					
Fixed rate					
Obligations under finance leases and equipment loan contracts	84,064	95,873	48,693	47,180	-
Floating rate					
Bank overdraft – secured	4,987,644	4,987,644	4,987,644	-	-
Trade advances – unsecured	3,483,059	3,483,059	3,483,059	-	-
Related Party – unsecured	500,000	528,999	528,999	-	-
Convertible notes	23,000,000	23,000,000	-	-	23,000,000
Loans – unsecured	3,994,932	22,273,333	-	-	22,273,203
Bank loan – secured	45,389,640	67,667,150	4,230,000	7,565,000	55,872,150
Weighted average effective interest rate			9.51%	9.00%	9.00%

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 Group. Currently the strategy is to reinvest in the Group as the Board is of the opinion this will lead to maximise return for shareholders over the medium to long term. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

Given the Mindarie mine only began producing in 2008, and the loss making position of the Group, no dividends were issued to shareholders in the current financial year. In order to commission the mine the Group drew down on the remainder of its borrowing facilities. As a result gearing ratios at 30 June 2009 were 87% (2008: 82%). In August 2008, the Group undertook equity raisings to the value of $12.3 million before costs, in order to assist with the general development of the Mindarie Mine and for working capital. In February 2009, a recapitalisation was undertaken resulting in debt for equity swap of $32,242,720 and new capital of $11,121,276 as a means of directly focusing on improving the Groups gearing as mine production ramps up.

25. INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	Country of incorporation	Class of shares	Equity interest	Investment
				$
Steiner Holdings Pty Ltd				
2009	Australia	Ordinary	100%	-
2008	Australia	Ordinary	100%	-
Mallee Mineral Separations Pty Ltd				
2009	Australia	Ordinary	100%	-
2008	Australia	Ordinary	100%	-

26. 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, Australian Zircon 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.

26. SHARE-BASED PAYMENTS - *(continued)*

Share-based payment options movements during the year:

Outstanding options 1 July 2008	Options lapsed	Options exercised	Options granted	Outstanding options 30 June 2009	Expiry Date	Exercise Price (cents)	Fair value at Grant Date (cents)	Grant Date	Date Fully Vested
2,250,000	(2,250,000)	-	-	-					
650,000	(650,000)	-	-	-					
1,000,000	(1,000,000)	-	-	-					
2,000,000	-	-	-	2,000,000	20-Feb-11	17.00	16.38	09-Feb-06	09-Feb-06
1,000,000	-	-	-	1,000,000	20-Feb-11	15.50	16.88	09-Feb-06	09-Feb-06
500,000	-	-	-	500,000	22-May-11	20.00	9.70	01-Jul-06	01-Jul-07
500,000	-	-	-	500,000	28-Aug-11	20.00	11.50	28-Aug-06	28-Aug-08
2,000,000	-	-	-	2,000,000	14-Nov-11	25.00	12.80	14-Nov-06	14-Nov-08
-	-	-	39,000,000	39,000,000	19-Sep-13	9.47	0.000256	19-Sep-08	19-Sep-08
9,900,000	(3,900,000)	-	39,000,000	45,000,000					

Weighted average exercise price of share-based payments options:

Outstanding at the beginning of the year	18.31 cents each
Lapsed/cancelled during the year	15.00 cents each
Exercised during the year	-
Outstanding at the end of the year	10.86 cents each
Weighted average – fair value of share based options	1.93 cents each
Weighted average – remaining life of share based options	3 years 11 months

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.

27. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

Directors

DR Mutton	Chairman - resigned 23 December 2008
JD Shervington	Chairman from 23 December 2008
JS van Zyl	Managing Director - appointed 15 April 2009
JC Jooste-Jacobs	Director (non-executive)
MJL Kiernan	Director (non-executive) - appointed 4 February 2009
DB Clarke	Director (non-executive)
M McGarvie	Director (non-executive) - appointed 4 February 2009, resigned 17 April 2009
G Bedineishvili	Director (non-executive) - appointed 18 May 2009
B Xue	Director (non-executive) - resigned 4 February 2009

Executives

JR Wilton	Chief Executive Officer - resigned 19 December 2008
GL Bosch	Manager Geology
AN White	Company Secretary and Chief Financial Officer - resigned 15 October 2008
KJ Donaldson	General Manager - resigned 22 April 2009
R Fagan	General Manager Operations - appointed 18 May 2009
S McEwen	Chief Financial Officer - appointed 15 October 2008
	Company Secretary - appointed 15 June 2009 resigned 1 June 2009
I Shultz	Company Secretary - appointed 1 June 2009

Compensation by category: Key Management Personnel	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Short term	**1,255,977**	1,141,810	**1,255,977**	1,141,810
Post employment	**194,989**	152,140	**194,989**	152,140
Share based payment	**52602**	156,854	**52602**	156,854
	1,503,568	1,450,804	**1,503,568**	1,450,804

27. KEY MANAGEMENT PERSONNEL - *(continued)*

Compensation options

There were no compensation options granted during the year.
No shares were issued on exercise of compensation options during 2009.

(b) Option holdings of Key Management Personnel

30 June 2009 Directors	Balance at beginning of period	Number of options Granted as remuneration	Number of options Lapsed	Balance at end of period or date of resignation	First exercise date	Last exercise date
JG Branson (resigned 7 May 2008)	1,000,000	-	(1,000,000)	-		
JC Jooste-Jacobs	3,000,000	-	-	3,000,000	09-Feb-06	20-Feb-11
JD Shervington	1,000,000	-	(1,000,000)	-		
Executives						
JR Wilton (resigned 19 December 2008)	2,000,000	-	-	2,000,000	14-Nov-08	14-Nov-11
GL Bosch	800,000	-	-	800,000	28-Aug-08	28-Aug-11
AN White (resigned 15 October 2008)	500,000	-	-	500,000	01-Jul-07	22-May-11
	8,300,000	-	(2,000,000)	6,300,000		

30 June 2008 Directors	Balance at beginning of period	Granted as remuneration	Number of options Lapsed	Balance at end of period or date of	First exercise date	Last exercise date
JG Branson (resigned 7 May 2008)	1,000,000	-	-	1,000,000	29-Sep-03	28-Sep-08
JC Jooste-Jacobs	3,000,000	-	-	3,000,000	09-Feb-06	20-Feb-11
JD Shervington	1,000,000	-	-	1,000,000	29-Sep-03	28-Sep-08
Executives						
JR Wilton	2,000,000	-	-	2,000,000	14-Nov-08	14-Nov-11
GL Bosch	800,000	-	-	800,000	28-Aug-08	28-Aug-11
AN White	500,000	-	-	500,000	01-Jul-07	22-May-11
KE Anthony	600,000	-	(600,000)	-	-	-
	8,900,000	-	(600,000)	8,300,000		

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

30 June 2009 Directors	Balance at beginning of period	Received during the year on the exercise of options	Other changes during the year	Balance at end of period or date of resignation
JD Shervington	1,216,230	-	-	1,216,230
DB Clarke	47,976,451	-	-	47,976,451
M Kiernan	-	-	2,000,000	2,000,000
Executives				
JR Wilton (resigned 19 Dec 2008)	219,230	-	-	219,230

30 June 2008 Directors	Balance at beginning of period	Received during the year on the exercise of options	Other changes during the year	of period or date of
JD Shervington	1,216,230	-	-	1,216,230
DB Clarke	47,976,451	-	-	47,976,451
Executives				
JR Wilton	119,230	-	100,000	219,230

In addition, Mr JD Shervington held 900,000 partly paid shares throughout 2008 and 2009.
No shares were granted in either 2008 or 2009 as compensation.
During the financial year there were no loans or other transactions between the consolidated group and key management personnel.

28. SEGMENT INFORMATION

The Group operates in the mineral sands exploration and mining industry in Australia. The Group 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 as all sales are to international customers.

29. CONTINGENCIES

No contingent assets or liabilities exist as at 30 June 2009.

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, of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their 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 and the consolidated entity 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 2009.

On behalf of the Board.

J D Shervington
Chairman
Perth, 3 April 2012

SOMES COOKE

1304 Hay St
West Perth
WA 6005

PO Box 709,
West Perth
WA 6872

T 08 9426 4500 F 08 9481 5645
W somescooke.com.au
E info@somescooke.com.au

Chartered Accountants
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 and its controlled entities, which comprises the consolidated balance sheet as at 30 June 2009, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Zircon NL, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

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

(i) giving a true and fair view of the company and group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

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

(b) the 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 22 'Events Subsequent to Balance Date', which outlines significant matters and circumstances that have effected the group subsequent to year end, including:

- The group entered administration on 9 October 2009 and exited administration on 30 July 2010 upon execution of the Deeds of Company Arrangements;
- Bank loans owed by the group (Note 14) were paid out by the group's controlling shareholder DCM. As a result DCM became, and continues to be, the group's largest creditor; and
- In June 2011, the group completed the sale of all of its assets, except its interest in the WIM 150 project and its Pine Valley tenements, to Murray Zircon Pty Ltd, a joint venture entity owned and jointly controlled by the group and Orient Zirconic Resources (Australia) Pty Limited.

We also draw attention to Note 2, which outlines that the group is dependent upon continuing financial support from it's controlling shareholder, DCM, to pays its debts as and when they fall due. As at 31 December 2011, the Group had net liabilities of $62,484,404 and $70,381,331 was owing to DCM. DCM have approved an internal resolution to finance the group's Bankable feasibility Study relating to it's WIM 150 project, amounting to $5.5 million, but have not confirmed that they will provide any other financial support to the group.

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 9 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Australian Zircon NL for the year ended 30 June 2009, complies with s300A of the *Corporations Act 2001*.

Somes Cooke

Somes Cooke

Kevin Somes

Kevin Somes
Western Australia
3 April 2012

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. The Group's principles and practices are detailed in the Corporate Governance Statement posted on the Company's web-site (www.australianzircon.com.au).

The Managing Director and Chief Financial Officer have assured the Board 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.

Management has also reported to the Board that the Group's management of material business risks is effective.

Australian Zircon has adopted the revised Corporate Governance Principles and Recommendations as issued by the ASX Corporate Governance Council in August 2007. The Group's compliance with those Principles and Recommendations for the year ending 30 June 2009 is detailed in the Corporate Governance Scorecard which follows.

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.	√
1.2	Companies should disclose the process for evaluating the performance of senior executives.	√
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	√
Principle 2	Structure the board to add value	
2.1	A majority of the Board should be independent directors.	√
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.	√
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	√
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	√
	• the practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders	√
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	√
3.2	Companies should establish a policy concerning trading in Company securities by Directors, senior executives and employees and disclose the policy or a summary of that policy.	√
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	√
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	√
	• 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.	√
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	√
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.	√
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	√
Principle 6	Make timely and balanced disclosure	
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.	√
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	√

Corporate Governance Scorecard - *(continued)*

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.	√
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.	√
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.	√
Principle 8	**Remunerate fairly and responsibly**	
8.1	The Board should establish a remuneration committee.	X
8.2	Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.	√
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	√

Reasons for non-adoption of Corporate Governance Principles

Principle 2.4

The Group 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. The Company considers that its current size does not warrant the establishment of a nomination committee.

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 8.1

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.

The full Board reviews recommendations from management in respect of the Company's remuneration, recruitment, retention and termination policies and procedures for all staff, including long and short term incentives and superannuation arrangements. Appropriate external advice is sought where necessary.

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 2009.

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	11.5 years
MP Adams	Independent	0.8 years
T Styblo	Independent	0.1 years

Audit committee

All members of the audit committee are non-executive Directors. Members of the audit committee during the year were:

- JC Jooste-Jacobs (Chairman)
- JD Shervington
- M Kiernan

For details of the number of meetings of the audit committee held during the year and the attendees at those meetings, together with the qualifications and experience of the audit committee members, refer the Directors' Report.

SHAREHOLDERS' INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 28 March 2012.

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	489	63	-
5,001 - 10,000	387	5	-
10,001 - 100,000	1,559	33	-
100,001 - 999,999,999	436	16	11
1,000,000,000 - 9,999,999,999	1	0	
	3,134	285	11

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
88.02%	82.59%	100%

2. Substantial Shareholders

Ordinary fully paid shareholders	Number	%
DCM DECOmetal International Trading GmbH	1,068,240,297	72.44

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 Stock Exchange Limited. Application for quotation of fully paid ordinary shares will be made to Australian Stock 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	National Nominees Limited	33,399,649	2.26
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	Perpetual Custodians Limited	13,063,885	0.89
7	Barossa Vintage Pty Limited (Milton Park A/C)	12,500,000	0.85
8	JP Morgan Nominees Australia Limited	11,124,118	0.75
9	Citicorp Nominees Pty Limited (Cwlth Bank Off Super)	4,440,665	0.30
10	Taycol Nominees Pty Limited (211 A/C)	4,413,770	0.30
11	HSBC Custody Nominees (Australia) Limited – A/C 2	4,166,667	0.28
12	ANZ Nominees Limited (Cash Income A/C)	3,301,620	0.22
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	Professor Alan Jonathan Berrick	2,000,000	0.14
16	Crawley Investments Pty Limited (Crawley A/C)	2,000,000	0.14
17	Taycol Nominees Pty Limited	1,997,399	0.14
18	Loquela Pty Limited	1,840,000	0.12
19	E & P Services Pty Limited (Ikin King Super Fund A/C)	1,816,986	0.12
20	Vanez Holdings Pty Limited	1,783,524	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