

ZODIAC CAPITAL LIMITED

ACN 126 263 170

AND

CONTROLLED ENTITIES

ANNUAL REPORT

30 JUNE 2009

Zodiac Capital Limited
ACN 126 263 170
And Controlled Entities

Annual Financial Report
For the Financial Year Ended
30 June 2009

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Company Particulars

Directors	Robin Gerald Armstrong (Chairman) Peter Joseph Boonen Allen Ian Bain Donald Joseph Benard
Secretaries	Colin Bloomfield Gulshan Jugroo
Registered Office	C/- Colin Bloomfield & Associates Level 6/50 Clarence Street Sydney NSW 2001
Corporate Office	Level 1, 275 George Street Sydney NSW 2000
Auditors	Pitcher Partners Level 22,19 Martin Place Sydney NSW 2000
Bankers	Westpac Banking Corporation Limited 393-395 New South Head Road Double Bay NSW 2026
Solicitors	Hardy Bowen, Lawyers Level 1, 28 Ord Street West Perth WA 6005
Share Register	Registries Limited Level 7, 207 Kent Street Sydney, NSW 2001 Freecall: 1300 737 760 Facsimile: +61 279 0664

Zodiac Capital Limited
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Corporate Governance

1. Our approach to corporate governance

Framework and approach to corporate governance and responsibility

The Board of Zodiac Capital Limited is committed to maintaining the highest standards of corporate governance.

Corporate governance is about having a set of values that underpin the company's everyday activities – values that ensure fair dealing, transparency of actions, and protect the interests of stakeholders. The Board considers corporate governance forms part of a broader framework of corporate responsibility and regulatory oversight. Corporate integrity is under question globally, a genuine commitment to good governance is fundamental to the sustainability of our business and its performance.

In pursuing its commitment to best practice governance standards, the Board will continue to:

- review and improve its governance practices; and
- monitor global developments in best practice corporate governance.

The Board's approach has been to be guided by the principles and practices that are in our stakeholders' best interests while ensuring full compliance with legal requirements.

2. Date of this statement

This statement reflects our corporate governance policies and procedures as at 30 June 2009.

3. The Board of Directors

3a) Membership and expertise of the Board

The Board has a broad range of relevant financial and other skills, experience and expertise to meet its objectives. The current Board composition, with details of individual Director's backgrounds, is set out below.

Name:	Peter Boonen	Robin Armstrong	Allen Bain	Donald Benard
Age	61	55	51	47
Term of Office:	Director since incorporation	Director since incorporation	Director since incorporation	Director since 25 October 2008
Independent:	No	Yes	No	No
External Directorship:	Stirling Products limited Key Capital Corporation, MDM Group Inc Consolidated Iron Sands Ltd	Cardia Technologies Ltd Broad Investments Ltd P Fuel Ltd Aquenox Ltd Consolidated Iron Sands Ltd	Key Capital Corporation, MDM Group Inc, Immune Network Ltd and 554402 BC Ltd, Consolidated Iron Sands Ltd	Consolidated Iron Sands Ltd
Skills, experience and expertise:	General Manager Experienced in investment acquisition and development strategy	Experienced in corporate advisory, structuring and financing	Doctor Pharmacology. Experienced in the science of drug discovery and commercialisation	Geologist and Mining Engineer with extensive global resource industry experience

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Corporate Governance (continued)

3b) Board role and responsibility

The Board is accountable to shareholders for Zodiac Capital Limited performance.

In summary, the Board's responsibilities include:

- providing strategic direction and approving corporate strategic initiatives;
- planning for Board and executive succession;
- selecting and evaluating future Directors, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), if and when appointed;
- setting CEO and Director remuneration within shareholder approved limits;
- approving budget and monitoring management and financial performance;
- considering and approving Annual Financial Report (including the Directors' Declaration) and the interim and final financial statements);
- approving Zodiac Capital Limited risk management strategy, monitoring its effectiveness and maintaining a direct and ongoing dialogue with Zodiac Capital Limited auditors and regulators; and
- considering and reviewing the social and ethical impact of Zodiac Capital Limited activities, setting standards for social and ethical practices and monitoring compliance with Zodiac Capital Limited social responsibility policies and practices.

The Board has delegated to management responsibility for:

- developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- maintaining an effective risk management framework and keeping the Board and market fully informed about material risks;
- developing Zodiac Capital Limited annual budget, recommending it to the Board for approval and managing day-to-day operations within the budget;
- managing day-to-day operations in accordance with standards for social and ethical practices, which have been set by the Board.

3c) Board size and composition

The Board determines its size and composition, subject to the limits imposed by Zodiac Capital Limited Constitution. The Constitution requires a minimum of three and a maximum of 7 Directors. In addition, at least two of the Directors shall ordinarily reside within Australia.

3d) The selection and role of the Chairman

The Chairman is selected by the Board from the Non-executive Directors.

The Chairman's role includes:

- providing effective leadership on formulating the Board's strategy;
- representing the views of the Board to the public;
- ensuring that, when all Board members take office, they are fully briefed on the terms of their appointment, their duties and responsibilities;
- ensuring that the Board meets at regular intervals throughout the year, and that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors;
- guiding the agenda and conduct of all Board meetings; and
- reviewing the performance of Board Directors.

The current Chairman, Robin Armstrong is a Non-executive Director. He has been a Director and Chairman of Zodiac Capital Limited since the company's incorporation on 28 June 2008.

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Corporate Governance (continued)

3e) Directors' independence

The Board assesses each of the Directors against specific criteria to decide whether they are in a position to exercise independent judgement. Directors are considered to be independent if they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. Materiality is assessed on a case-by-case basis by reference to each Director's individual circumstances rather than general materiality thresholds. In assessing independence, the Board considers whether the Director has a business or other relationship with Zodiac Capital Limited, either directly, or as a partner, shareholder or officer of a company or other entity that has an interest, or a business or other relationship, with Zodiac Capital Limited or another Zodiac Capital Limited group member. It is the Board's view that Non-Executive Director, Robin Armstrong is independent and that Executive Directors Allen Bain, Peter Boonen and Donald Benard are not independent.

3f) Avoidance of conflicts of interest by a Director

In accordance with the Corporations Act 2001, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered and may not vote on the matter.

3g) Meetings of the Board and their conduct

The Board meets formally at least four times a year. In addition, it meets whenever necessary to deal with specific matters needing attention between the scheduled meetings. The Chairman and the Company Secretary establish meeting agendas to ensure adequate coverage of financial, strategic and major risk areas throughout the year. The Directors and Company Secretary also maintains informal communications via email and phone.

3h) Succession planning

The Board plans succession of its own members taking into account the skills, experience and expertise required and currently represented, and Zodiac Capital Limited future direction. The Board is also responsible for CEO and CFO succession planning (if appointed).

3i) Review of Board performance

The Board reviews its overall performance, as well as the performance of individual Directors. The performance of Non-executive Directors (including the Chairman) is subject to annual peer review.

3j) Nomination and appointment of new Directors

Recommendations for nominations of new Directors are made by the Board as a whole. Those nominated are assessed by the Board against a range of criteria including background, experience, professional skills, personal qualities, whether their skills and experience will augment the existing Board and their availability to commit themselves to the Board's activities. If the Board appoints a new Director during the year, that person will stand for election by shareholders at the next annual general meeting. Shareholders are provided with relevant information on the candidates for election.

3k) Retirement and re-election of Directors

Zodiac Capital Limited Constitution states that one-third of the Directors must retire each year. The maximum time that each Director can serve in any single term is three years. Any Director who has been appointed during the year must retire at the next annual general meeting. Eligible Directors who retire each year may offer themselves for re-election by shareholders at the next annual general meeting.

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Corporate Governance (continued)

3l) Compulsory retirement of Directors

The Board has no limit on the number of terms of office, which any Director may serve.

3m) Board access to information and advice

All Directors have unrestricted access to company records and information and receive regular detailed financial and operational reports. Zodiac Capital Limited Company Secretary provides Directors with ongoing guidance on issues such as corporate governance, Zodiac Capital Limited Constitution and the law. The Board collectively, and each Director individually, has the right to seek independent professional advice at Zodiac Capital Limited expense to help them carry out their responsibilities. While the Chairman's prior approval is needed, it may not be unreasonably withheld and, in its absence, Board approval may be sought.

4. Board committees

4a) Board committees and membership

There are currently no Board Committees. Zodiac Capital Limited current size and operations do not allow for separate Board Committees. All issues are considered by all the Directors, unless a Director is unable to exercise independence.

4b) Audit and Compliance Committee

Zodiac Capital Limited does not have an Audit and Compliance Committee.

4c) Board Risk Oversight Committee

Zodiac Capital Limited does not have a Board Risk Oversight Committee.

4d) Board Nominations Committee

Zodiac Capital Limited does not have a Board Nominations Committee and any appointment would be considered by all directors.

4e) Board Remuneration Committee

Zodiac Capital Limited does not have a Board Remuneration Committee.

5. Audit governance and independence

5a) Approach to audit governance

The Board is committed to three basic principles:

- Zodiac Capital Limited must produce true and fair financial reports;
- its accounting methods are comprehensive and relevant and comply with applicable accounting rules and policies; and
- the external auditors are independent and serve shareholder interests by ensuring that shareholders know Zodiac Capital Limited true financial position.

5b) Engagement and rotation of external auditor

Zodiac Capital Limited independent external auditor is Pitcher Partners. The Board of Directors currently requires no rotation of Auditor.

5c) Discussions with external auditor on independence

The Board require the external auditor to confirm that they have maintained their independence.

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Corporate Governance (continued)

5d) Relationship with external auditor

Zodiac Capital Limited current policies on employment and other relationships with our external auditor are:

- the audit partners and any audit firm employee on the Zodiac Capital Limited audit are prohibited from being an officer of Zodiac Capital Limited;
- an immediate family member of an audit partner or any audit firm employee on the Zodiac Capital Limited audit is prohibited from being a Director or an officer in a significant position at Zodiac Capital Limited;
- a former audit firm partner or employee on the Zodiac Capital Limited audit is prohibited from becoming a Director or officer in a significant position at Zodiac Capital Limited for at least five years and after the five years, can have no continuing financial relationship with the audit firm;
- members of the audit team and firm are prohibited from having a business relationship with Zodiac Capital Limited or any officer of Zodiac Capital Limited unless the relationship is clearly insignificant to both parties;
- the audit firm, its partners, its employees on the Zodiac Capital Limited audit and their immediate family members are prohibited from having a direct or material indirect investment in Zodiac Capital Limited;
- officers of Zodiac Capital Limited are prohibited from receiving any remuneration from the audit firm;
- the audit firm is prohibited from having a financial interest in any entity with a controlling interest in Zodiac Capital Limited; and
- the audit firm engagement team in any given year cannot include a person who had been an officer of Zodiac Capital Limited during that year.

5e) Restrictions on non-audit services by the external auditor

The external auditor is not restricted in the provision of non-audit services to Zodiac Capital Limited except as required by the Corporations Act.

5f) Attendance at Annual General Meeting

Zodiac Capital Limited external auditor attends the annual general meeting and is available to answer shareholder questions.

6. Controlling and managing risk

6a) Approach to risk management

Taking and managing risk are central to business and to building shareholder value. Zodiac Capital Limited approach is to identify, assess and control the risks, which affect its business. The intention is to enable risks to be balanced against appropriate rewards. The risk management approach links Zodiac Capital Limited vision and values, objectives and strategies, and procedures and training.

6b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing Zodiac Capital Limited risk management strategy and policy. The Company Secretary is responsible for implementing the Board-approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of Zodiac Capital Limited activities.

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Corporate Governance (continued)

6c) Company Secretarial assurance

The Board receives regular reports about the financial condition and operational results of Zodiac Capital Limited. The Company Secretary periodically provides formal statements to the Board that in all material respects:

- the company's financial statements present a true and fair view of Zodiac Capital Limited financial condition and operational results, and
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

7. Remuneration framework

7a) Overview

Zodiac Capital Limited pays its Executive and Non Executive Directors a fixed remuneration. The Executive and Non Executive Directors can claim reimbursement of out-of-pocket expenses incurred on behalf of Zodiac Capital Limited. The Company Secretary is paid for all his time on an hourly basis. The Executive Director and the Chairman are on a fixed remuneration.

7b) Executive Management Option Scheme

The Company has an Executive Management Option Scheme as a means of rewarding executive management for performance. A total of 10,000,000 options have been approved and these will be allotted and issued to executive management members at the discretion of the Directors and with reference to the Company's audited annual financial statements. These options will be issued on the following terms and conditions:

- (a) Each option shall be subject to such vesting and exercise conditions determined by the Board at the time of issue.
- (b) Each option entitles the holder to subscribe for one Share in the Company upon the payment of the exercise price determined at the time of offer by the Board and subject to satisfaction of any vesting or exercise conditions.
- (c) The options will lapse at 5.00pm (AEST) on the date of the fifth anniversary of each respective issue ("**Expiry Date**") or such other date as may be determined by the Company's Board at the time of issue.
- (d) The options are not transferable.
- (e) There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option.
- (f) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised, but in all other respects the terms of exercise will remain unchanged.

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Corporate Governance (continued)

- (g) Subject to any vesting and exercise conditions, vested options shall be exercisable at any time during the period ending on or before the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the option holder to exercise all or a specified number of options held by the option holder accompanied by an option certificate or holding statement and a cheque made payable to the Company for the subscription moneys for the shares to be issued on exercise of the options the subject of the Notice. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the option holder to the balance of the options held by him.
- (h) The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

8. Corporate responsibility and sustainability

8a) Zodiac Capital Limited approach to corporate responsibility and sustainability

Zodiac Capital Limited aim is to manage its business in a way that produces positive outcomes for all stakeholders and maximises economic, social and environmental value simultaneously. In doing so, Zodiac Capital Limited accepts that the responsibilities flowing from this go beyond both strict legal obligations and just the financial bottom line. Transparency, the desire for fair dealing, and positive links into the community underpin our everyday activities and corporate responsibility practices.

8b) Zodiac Capital Limited Code of Conduct

Zodiac Capital Limited Code of Conduct applies to all Directors, executives and employees without exception. The Code governs workplace and human resource practices, risk management and legal compliance, and is aligned to Zodiac Capital Limited core values of teamwork, integrity and performance.

8c) Insider trading policy and trading in Zodiac Capital Limited shares

Both Directors and employees of a Corporation are subject to restrictions under the law relating to dealing in certain financial products, including securities in a company (including Zodiac Capital Limited), if they are in possession of inside information.

Inside information is information that is not generally available and, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the securities of the company.

8d) Market disclosure policy and practices

The Company Secretary will have responsibility for ensuring compliance with the continuous disclosure requirements, and overseeing and co-ordinating information disclosure to the Zodiac Capital Limited, analysts, brokers, shareholders, the media and the public.

Zodiac Capital Limited is committed to giving all shareholders comprehensive and equal access to information about our activities, and to fulfil continuous disclosure obligations to the broader market. Zodiac Capital Limited policy is designed to ensure compliance with Zodiac Capital Limited Listing Rules continuous disclosure requirements. It ensures any information that a reasonable person would expect to have a material effect on the price of Zodiac Capital Limited securities is disclosed.

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DIRECTORS' REPORT - 30 June 2009

Your directors present their report on the company for the year ended 30 June 2009.

Directors

The following persons were directors of Zodiac Capital Limited during the financial year and up to the date of this report:

Robin Armstrong - Chairman
Peter Boonen
Allen Bain
Donald Benard

Information on Directors in office during the year:

Robin Armstrong (55)	Non-executive Director and Chairman
Peter Boonen (61)	Executive Director
Donald Benard (47)	Executive Director
Allen Bain (51)	Executive Director

The above named directors held office during and since the end of the financial year.

- i. The Directors attendances at Directors meetings held during the year were;
ii. The number of shares and options in the Company in which each director, at the date of this report, has a relevant interest are:

Name	<u>No. Attended</u>	<u>No. Eligible to Attend*</u>	<u>Ordinary Shares**</u>	<u>2010 30c Options**</u>	<u>2012 30c Options**</u>
Robin Armstrong	8	8	3,000,000	3,000,000	3,000,000
Peter Boonen	8	8	36,500,000	12,000,000	36,500,000
Donald Benard	8	8	1,500,000	1,500,000	1,500,000
Allen Bain	8	8	24,500,000	1,500,000	24,500,000

* Reflects the maximum number of meetings each director was eligible to attend.

** As at the date of this report.

Includes related parties.

Retirement, Election and Continuation in Office of Directors

No Directors have resigned or ceased to act.

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DIRECTORS' REPORT - 30 June 2009 (continued)

Company Secretaries

Colin Bloomfield - B Comm, Fellow of the Institute of Chartered Accountants in Australia and member since 1979. Colin is a sole practitioner specialising in management consulting, tax planning and company reconstructions.

Gulshan Jugroo - Bachelor of Accounting (Hons) Middlesex University, UK, Master of Business in Accounting, Victoria University specialising in Corporate Forensic Accounting.

Directors and Officers Interests

Directors' and Officers' Relevant Interests in Securities

The relevant interests of the Directors and officers and their related parties as defined in Accounting Standard AASB 1024, in securities of the Company, as will exist immediately prior to the issue of Shares pursuant to the Issue are as follows:

Name	Ordinary Shares*	2010 30c Options*	2012 30c Options*s
Robin Armstrong	3,000,000	3,000,000	3,000,000
Peter Boonen	36,500,000	12,000,000	36,500,000
Donald Benard	1,500,000	1,500,000	1,500,000
Allen Bain	24,500,000	1,500,000	24,500,000
Gulshan Jugroo	900,000	Nil	900,000
Colin Bloomfield	700,000	200,000	200,000

* Includes related parties at the date of this report.

Robin Armstrong is a director and shareholder of Brown & Biggins Pty Limited which holds 3,000,000 Shares, 2010 Options and 2012 Options.

Peter Boonen is a director of P&J Boonen Pty Ltd the Trustee of Boonen Family Superannuation Fund which holds 5,000,000 Shares, 2010 Options and 2012 Options. He is a director and shareholder of SoLogic Investment Group Pty Ltd which holds 7,000,000 Shares, 2010 Options and 2012 Options, a director and shareholder of RocLogic Pty Limited which holds 4,500,000 Shares and 2012 Options, a director and shareholder of Key Capital Corporation which holds 15,000,000 Shares and 2012 Options in the Company, a director and shareholder of MDM Group, Inc which holds 5,000,000 Shares and 2012 Options

Donald Benard holds 1,000,000 Shares, 2010 Options and 2012 Options. Peggy Mactavish is married to Donald Benard and holds 500,000 Shares, 2010 Options and 2012 Options.

Allen Bain holds 1,000,000 Shares, 2010 Options and 2012 Options. He is a director and shareholder of Key Capital Corporation which holds 15,000,000 Shares and 2012 Options, a director and shareholder of MDM Group, Inc which holds 5,000,000 Shares and 2012 Options, a director and shareholder of 554402 B.C. Ltd which holds 500,000 Shares, 2010 Options and 2012 Options and a director of Courage Corporation which holds 3,000,000 Shares and 2012 Options.

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DIRECTORS' REPORT - 30 June 2009 (continued)

Colin Bloomfield is a director of Spinzaro Pty Limited which is the trustee of the Spinzaro Superannuation Fund of which he is a beneficiary which holds 700,000 Shares, 200,000 2010 Options and 200,000 2012 Options.

Principal Activities

The principal activity of the Company during the year was as an investment and project management company pursuing suitable acquisitions. The major investment focus is intended to be within the resource and energy and healthcare market sectors; opportunities in China, the Asian Pacific region; and to a lesser degree within the financial services, communications and internet market sectors.

Dividends

No dividends were paid or recommended for payment during, or since the end of, the financial year.

Review of Operations

The year ended 30 June 2009 was a difficult year for the Company as was also the case with many other listed companies, especially within the small cap sector, as the massive financial melt down in the US impacted business and companies globally. This Global Financial Crisis ('GFC') severely curtailed the Company's activities and its ability to progress its undertakings. Despite these conditions, the Company still managed to hold and progress its main undertakings and interests that are summarised as follows:

The Company is in the process of establishing Consolidated Iron Sands Limited (formerly Colossal Mining Limited) as an iron sands miner in the Philippines and in due course proposes to list this company on the ASX. At the date of this report Consolidated Iron Sands Limited is 48% owned by the company.

On 29 April 2009 the company entered into a joint venture agreement with Stirling Products Limited to commercialise the company's phyto-pharmaceutical products. The company holds a 70% interest in the joint venture and is required to contribute 35% of the funding required. No funding was required during the year. Stirling Products has options to increase their interest in the Joint Venture by 10% in consideration of payment of 150,000,000 Stirling Shares and a further 10% in consideration of payment of \$1 million.

As at the date of this report Locatore Pty Limited, which has rights to certain geological exploration technologies and is 51% owned by the company did not trade during the year and has not traded since.

On 7 November 2008 the company incorporated a majority owned subsidiary, Royal Silk Racing Limited.

On 14 November 2008 Royal Silk Racing acquired the company's interest in Thoroughbred City Pty Limited and Gyanburu. At the date of this report the company owns 89% of Royal Silk Racing Limited. During the course of the year Royal Silk Racing Limited and Thoroughbred City Pty Limited have ceased trading and have not traded since.

At the date of this report the company owns 45% interest in Channel 8 Media Limited which is intended to acquire media assets in China. The Company ultimately did not proceed with the intended media acquisitions and Channel 8 Media Limited did not trade during the year and has not traded since.

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DIRECTORS' REPORT - 30 June 2009 (continued)

The financial results of the consolidated entity for the year ended 30 June 2009 are as follows:

	\$
Loss after income tax attributable to members	(3,908,992)
Basis earnings per share	(0.02)
Diluted earnings per share	(0.02)

During the year the company issued 2,500,000 fully paid ordinary shares in the capital of the company to extinguish \$250,000 in liabilities. Since balance date the company has issued 1,500,000 ordinary fully paid shares in the capital of the company in respect of project costs of \$150,000. The Company was also supported by loan funds provided by the interests of its Managing Director and as at the date of this report, the Company still owes \$54,100 which is not classified as a current debt.

The consolidated entity's projects during the year were:

Iron Ore Project –On the 12th of September 2008, an associated company, Consolidated Iron Sands Limited (formerly Colossal Mining Limited), entered into agreement with Bridgestone Mining and Development Corporation and Anaconda mining Development Corporation, both of the Philippines to acquire two offshore magnetite iron sand exploration tenements in Cagayan region of Northern Luzon totalling approximately 16,300 hectares (163 square kilometres). Following the formal transfer and registration of the Exploration Tenements to Consolidated Iron Sands Limited, the Company proposes to arrange the issue a prospectus for Consolidated Iron Sands Limited and then to seek a listing for its securities on the ASX.

Resource Geoscience Technology Project – The Company has maintained its 51% interest in LocatOre Pty Ltd, a company that is commercialising a unique new proprietary geoscience exploration tool. No funds have been contributed to this project and work has been suspended indefinitely.

Internet holdings acquisition – the Company has maintained its controlling interest in the dot-com Japanese domain name for gambling (pronounced "Gyanburu") for payments totalling \$150,000 and two year funding of \$450,000. No funds have been contributed to this project and work has been suspended indefinitely.

Phyto-pharmaceuticals distribution agreement – On 28 August 2008, the Company signed a Licensing Agreement with Ekomed LLC, a Ukraine-based developer, marketer and manufacturer of phyto-pharmaceutical health products, for the exclusive marketing rights for Ekomed products in most jurisdictions outside Ukraine. As recently reported in industry publications, the lead product has proved effective as an adjuvant in the treatment of AIDS and tuberculosis. The Company originally proposed to commercialise this opportunity through a special purpose vehicle. Subsequently on 29 April 2009, the Company entered into a Joint Venture Agreement ('JV') with Stirling Products Limited with Stirling Products immediately earning a 30% interest in the JV in return for agreement to provide 65% of all development and commercialisation costs. Between the period of 10 March 2010 to 10 September 2011, Stirling has the right to acquire a further 10% interest in consideration of a deemed price of \$1million only payable by the issue of 150 million fully paid ordinary shares in Stirling Products Limited. For a period of 5 years before 10 March 2014, Stirling has the option to increase its interest in the JV by up to 10% at a price of \$100,000 per each 1% increase, subject to pre conditions set out in clause 4.1(b) of the agreement.

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DIRECTORS' REPORT - 30 June 2009 (continued)

No other significant changes have taken place during the financial year or to the date of this report other than as disclosed herein or in the attached financial statements.

Likely Developments and Expected Results of Operations

We continue to develop and manage our current opportunities and post balance date have continued to focus our efforts on progressing Consolidated Iron Sands to ensure that the tenements are secure and that it will then be in a position to issue a prospectus and seek listing on the ASX. Similarly with our other current project initiatives which we summarise as follows.

Iron Ore Project – The Company, resulting in Agreement being entered into on 12 September 2008 for the exploration and development of 160 square kilometres of rich offshore magnetite iron sands in the Cagayan region of Northern Luzon in the Philippines. Post balance date, these tenements have now been transferred to Consolidated Iron Sands wholly owned Philippine subsidiary as Exploration Permits. An off take Letter of intent has been entered into with a significant Chinese iron ore mill and a prospectus is expected to be lodged and issued in December 2010.

Joint Venture Projects – Through our Joint Venture with Stirling Products, we are continuing to develop our interest in our phyto-pharmaceutical products as well as our interest in the High Density Aerosol drug delivery platform.

Silver Mining Project- As advised to the market post Balance date on 9 April 2010 the Company entered into Agreement to acquire a silver mining opportunity in Mexico. The Company is currently progressing this project and will seek to raise approximately \$30 million and list this interest on the ASX or alternatively on the London AIM.

The directors consider that the cash reserves of the company at the time of signing this report are sufficient to enable the company to pursue its current projects and opportunities. The Company is also currently in process of preparing a prospectus to raise up to approximately \$2.5 million.

Post Balance Date Events

Since the balance date the following events have occurred:

On 8 July 2009 the company received \$125,000 loan due as a consequence of commercial transactions for repayment on 8 July 2010 with an interest rate of 9% per annum payable on the repayment date. Due to commercial circumstances the Company considers it is owed monies by the lender and these funds are considered non payable.

On 22 October 2009 the company and its joint venture partner Stirling Products Limited entered into an agreement with Sheiman Ultrasonic Research Foundation Pty Ltd (SURF) to commercialise a patented new clan of drug inhalation devices. The company was required to pay \$150,000 under this agreement to SURF which it did by issuing 1,500,000 fully paid ordinary shares.

On 17 February 2010 the company entered into an agreement with Washpod International Limited and Wasabi Holdings Limited to commercialise the Washpod technology throughout Australia, New Zealand and the Pacific Region. The Company provided Washpod \$200,000 in loan capital and as at the date of signing this Report, this \$200,000 remains outstanding.

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DIRECTORS' REPORT - 30 June 2009 (continued)

On 16 July 2010 the Company entered into an Agreement with Arco Resources Corporation and Arco Exploraciones S.A. de C.V. to acquire 90% of a silver mining project in Mexico. The Company has 3 year option to increase its interest to 100% for payment of CAN\$1.9million.

Environmental Regulations

The Company's operations are not subject to any particular or significant environment regulation under law of the Commonwealth or of a State or Territory. The Company's interests in its mining projects in jurisdictions outside of Australia are subject to the generally industry accepted environmental compliance and constraints that apply to exploration and mining within those jurisdictions.

The company's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Directors and Executive Emoluments

During the financial period to 30 June 2009 the Directors and Officers received the following remuneration. As from October 2008 until the date of this report, the Executive Directors, Company Secretary, Gulshan Jugroo and the non-executive directors have waived payment of salary and other benefits until such time that the Company's securities are either re-instated or listed on a recognised stock exchange.

REMUNERATION REPORT

Non-executive Directors of Zodiac Capital Limited: -

Name	Directors Fee \$	Committee Fee \$	Post Employment \$	Other Benefits \$	Total \$
Robin Armstrong <i>Chairman</i>	12,000	Nil	Nil	Nil	12,000

Executive Directors of Zodiac Capital Limited: -

Name	Base Salary \$	Non Monetary \$	Post Employment \$	Other Benefits \$	Total \$
Peter Boonen <i>Managing Director</i>	25,000	Nil	Nil	75,813	100,813
Donald Benard	14,950	Nil	Nil	Nil	14,950
Allen Bain	14,950	Nil	Nil	Nil	14,950

Company Secretary

Name	Base Salary \$	Secretarial Fees \$	Non Monetary	Post Employment \$	Other Benefits \$	Total \$
Colin Bloomfield	Nil	53,985	Nil	Nil	Nil	53,985
Gulshan Jugaroo	25,000	Nil	Nil	Nil	3,375	28,375

Zodiac Capital Limited
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And Controlled Entities

DIRECTORS' REPORT - 30 June 2009 (continued)

The Board of Directors decides the remuneration and terms of employment for executives' directors, non-executive directors and other senior executives.

If a Director undertakes any work additional to that usually required of Directors of a Company similar to this Company, the Directors may award such special remuneration and fix the amount hereof at any time during or after the rendering of such special service or the undertaking of such additional work. In this regard it is anticipated that the Directors and Officers of the Company will from time to time be required to render services to subsidiary investee companies that would be outside the scope of work usually required from the Directors of the Company. In these instances, the Board will determine, on a case by case basis such remuneration as would be considered reasonable and in all cases where the Company advances such remuneration, it will be regarded as a loan advance to and repayable by the investee company. Directors are also entitled to travelling expenses for or in connection with any journeys undertaken by them on the Company's business.

Remuneration packages are set at levels intended to attract and retain executives capable of managing the consolidated entities operations. It is the Board's intention that all executive directors and executives terms of employment be formalised in service agreements. This agreement was transferred on 2 February 2009 by agreement with Mr Boonen to Stirling Products Limited as part of the company's joint venture.

The Company has entered into a three year renewable, executive service agreement with Mr Peter Boonen, the Company's Managing Director and his service company P & J Boonen Pty Ltd. The terms provide for an annual remuneration package of \$288,000. During the period \$100,813 was paid under this remuneration package.

Each director is entitled to such remuneration out of the funds of the Company as the directors determine, but the remuneration of non-executive directors in their respective capacities as directors may not exceed in aggregate in any financial year an amount approved by the members at a general meeting. To date no amount has been approved by the members.

Share Options

The company has an 'Executive Management Option Scheme' by shareholders at the Annual General Meeting held on 29 March 2008. The options issued are in relation to performance and are intended to reward performance. A total of 10,000,000 options have been approved and these will be allotted and issued to executive management members at the discretion of the Directors and with reference to the Company's audited annual financial statements.

These options will be issued on the following terms and conditions:

- (a) Each option shall be subject to such vesting and exercise conditions determined by the Board at the time of issue.
- (b) Each option entitles the holder to subscribe for one Share in the Company upon the payment of the exercise price determined at the time of offer by the Board and subject to satisfaction of any vesting or exercise conditions.
- (c) The options will lapse at 5.00pm (AEST) on the date of the fifth anniversary of each respective issue ("Expiry Date") or such other date as may be determined by the Company's Board at the time of issue.
- (d) The options are not transferable.

Zodiac Capital Limited
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DIRECTORS' REPORT - 30 June 2009 (continued)

- (e) There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option.
- (f) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (g) Subject to any vesting and exercise conditions, vested options shall be exercisable at any time during the period ending on or before the Expiry Date ("Exercise Period") by the delivery to the registered office of the Company of a notice in writing ("Notice") stating the intention of the option holder to exercise all or a specified number of options held (in multiples of 100) by the option holder accompanied by an option certificate or holding statement and a cheque made payable to the Company for the subscription moneys (if any) for the shares to be issued on exercise of the options the subject of the Notice. An exercise of only some options shall not affect the rights of the option holder to the balance of the options held by him.
- (h) The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

To date no options have been issued under the Scheme.

Information on directors' benefits is set out in Note 6- Remuneration of Directors/Executives.

Further information on directors' options is set out in Note 6- Remuneration of Directors/Executives.

Based on the history of the market price of shares the directors consider that options have nil value at the date of this Report. Using the Black Scholes model, these options at the date of issue had a value of \$Nil.

No options granted have been exercised.

No options have been granted under the 'Executive Management Option Scheme'

Insurance of Officers

During the financial year, the Company did not pay a premium in respect of a contract insuring the directors of the company or the company secretaries and of any related body corporate against a liability incurred as such a director or secretary to the extent permitted by the Corporations Act 2001. The Company has not, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

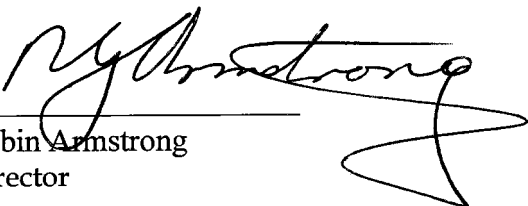
Zodiac Capital Limited
ACN 126 263 170
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DIRECTORS' REPORT - 30 June 2009 (continued)

The Auditors Independence Declaration under Section 307C of the Corporations Act 2001 is set out on page 19, and forms part of the Directors Report for the year ended 30 June 2009.

This report is made in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Board



Robin Armstrong
Director

Dated: 29 October 2010



PITCHER PARTNERS
ACCOUNTANTS AND CORPORATE ADVISORS

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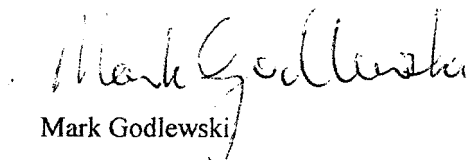
For a complete list of our offices, please visit our website at www.pitcherpartners.com.au

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Zodiac Capital Limited

In relation to the independent audit of Zodiac Capital Limited for the year ended 30 June 2009, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct.


Mark Godlewski
Partner

PITCHER PARTNERS

Sydney

29 October 2010



PITCHER PARTNERS
ACCOUNTANTS AUDITORS & ADVISORS

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Pitcher Partners is a member of the
Australian Accounting and Auditing
Profession's Regulatory Board (AAPRB)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZODIAC CAPITAL LIMITED

We have audited the accompanying financial report of Zodiac Capital Limited and controlled entities. The financial report comprises the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control 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 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies 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 and fair presentation of the financial report 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*.

Qualification

Previously capitalised acquisition rights of \$1,875,000 have been written off during the year in full in the consolidated financial statements and the parent entity's financial statements. As the project is yet to establish operations from the rights the directors consider it prudent to write off in full. Due to the uncertainty over the future level of income that may be derived from the rights or the sale of that rights, we are unable to determine whether the carrying value of the rights have been written down below their recoverable amount.

Auditor's Qualified Opinion

In our opinion,

(a) the financial report of Zodiac Capital Limited is 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; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Zodiac Capital Limited and controlled entities for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Inherent Uncertainty Regarding Continuation as a Going Concern

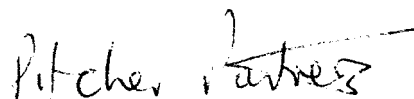
Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1 Going Concern, there is inherent uncertainty whether the company and the consolidated entity will be able to continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.



M A Godlewski

Partner

1 November 2010



PITCHER PARTNERS

SYDNEY

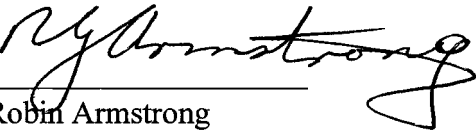
Zodiac Capital Limited
ACN 126 263 170
And Controlled Entities

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Zodiac Capital Limited, I state that:

- (1) In the opinion of the directors:
- (a) The financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) Complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Robin Armstrong
Director

Dated: 29 October 2010

Zodiac Capital Limited
ACN 126 263 170
And Controlled Entities

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 June 2009

	Note	Economic Entity		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue from ordinary activities	2	991,122	2,443,861	982,515	2,443,861
Interest		1,081	12,872	1,081	12,872
Profit on Disposal		-	-	500,000	-
Expenses from ordinary activities	2	(4,989,860)	(4,798,246)	(5,248,981)	(4,802,053)
Borrowing expenses		(11,745)	(324)	(11,745)	(324)
Profit/(loss) from ordinary activities before income tax expense		(4,009,402)	(2,341,837)	(3,777,130)	(2,345,644)
Income tax expense relating to ordinary activities		-	-	-	-
Profit/(loss) from ordinary activities after related income tax		(4,009,402)	(2,341,837)	(3,777,130)	(2,345,644)
Net (profit)/loss attributable to outside equity interests		100,410	-	-	-
Net profit/(loss) attributable to members of the parent entity		(3,908,992)	(2,341,837)	(3,777,130)	(2,345,644)
Basic and diluted loss per share (cents per share)	22	(0.06)	(0.05)		

The accompanying notes form part of these financial statements

Zodiac Capital Limited
ACN 126 263 170
And Controlled Entities

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 June 2009

	Note	Economic Entity		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
TOTAL EQUITY AT THE BEGINNING OF THE YEAR		3,344,672	-	3,340,865	-
Net profit/(loss) for the year attributable to members		(3,908,992)	(2,341,837)	(3,777,130)	(2,345,644)
Transactions with equity holders in their capacity as equity holders:					
Contributions		250,000	5,686,509	250,000	5,686,509
TOTAL EQUITY AT THE END OF THE YEAR		<u>(314,320)</u>	<u>3,344,672</u>	<u>(186,265)</u>	<u>3,340,865</u>

The accompanying notes form part of these financial statements

Zodiac Capital Limited
ACN 126 263 170
And Controlled Entities

BALANCE SHEET
AS AT 30 June 2009

		Economic Entity		Parent Entity	
	Note	2009	2008	2009	2008
		\$	\$	\$	\$
<u>CURRENT ASSETS</u>					
Cash assets	4	12,205	24,863	8,298	23,226
Investment	5	24,144	1,459,844	24,144	1,459,844
Other financial assets	6	9,052	10,166	1,750	7,996
		<u>45,401</u>	<u>1,494,873</u>	<u>34,192</u>	<u>1,491,066</u>
<u>NON-CURRENT ASSETS</u>					
Investments	7	-	-	-	-
Property, plant and equipment	8	31,233	40,591	31,233	40,591
Other financial assets	9	44,089	43,076	44,089	43,076
		<u>75,322</u>	<u>83,667</u>	<u>75,322</u>	<u>83,667</u>
<u>INTANGIBLE ASSETS</u>					
Goodwill on Consolidation	10	-	-	-	-
Acquisition rights	11	-	1,875,000	-	1,875,000
		<u>-</u>	<u>1,875,000</u>	<u>-</u>	<u>1,875,000</u>
TOTAL ASSETS		<u>120,723</u>	<u>3,453,540</u>	<u>109,514</u>	<u>3,449,733</u>
<u>CURRENT LIABILITIES</u>					
Payables	13	435,043	108,868	295,779	108,868
TOTAL LIABILITIES		<u>435,043</u>	<u>108,868</u>	<u>295,779</u>	<u>108,868</u>
NET ASSETS		<u>(314,320)</u>	<u>3,344,672</u>	<u>(186,265)</u>	<u>3,340,865</u>
<u>EQUITY</u>					
Contributed equity	14	5,936,509	5,686,509	5,936,509	5,686,509
Accumulated (losses)		(6,250,829)	(2,341,837)	(6,122,774)	(2,345,644)
Members Equity		<u>(314,320)</u>	<u>3,344,672</u>	<u>(186,265)</u>	<u>3,340,865</u>
Minority Interest	15	-	-	-	-
TOTAL EQUITY		<u>(314,320)</u>	<u>3,344,672</u>	<u>(186,265)</u>	<u>3,340,865</u>

The accompanying notes form part of these financial statements

Zodiac Capital Limited
ACN 126 263 170
And Controlled Entities

STATEMENT OF CASHFLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	Economic Entity		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Receipts from shares sales		917,225	2,179,209	917,225	2,179,209
Other Income		73,897	-	65,290	-
Interest received		1,081	12,872	1,081	12,872
Payments to suppliers and employees and share purchases		(682,531)	(2,468,629)	(499,836)	(2,466,459)
Interest and other costs of finance		(11,745)	(324)	(11,745)	(324)
Net cash provided by (used in) operating activities	16	297,927	(276,872)	472,015	(274,702)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Payment for shares in subsidiary company		-	-	-	(100)
Payment for listed shares		(121,230)	(1,195,192)	(121,230)	(1,195,192)
Payment for shares in associated company		-	(730,613)	-	(730,613)
Payment for project costs		(394,172)	(449,016)	(357,236)	(616,341)
Payment of rental deposit		(1,013)	(43,076)	(1,013)	(43,076)
Payment of office equipment		(2,454)	(50,675)	(2,454)	(50,675)
Net cash provided by (used in) investing activities		(518,869)	(2,468,572)	(481,933)	(2,635,997)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>					
Proceeds of loans received		478,784	3,216	478,784	3,216
Payment of loans made		(270,910)	(164,918)	(483,794)	(1,300)
Proceeds of share issues		410	3,161,680	-	3,161,680
Payment of issue costs		-	(229,671)	-	(229,671)
Net cash provided by (used in) financing activities		208,284	2,770,307	(5,010)	2,933,925
Net (decrease)/increase in cash held		(12,658)	24,863	(14,928)	23,226
Cash at beginning of year		24,863	-	23,226	-
CASH AT BALANCE DATE	16	12,205	24,863	8,298	23,226

The accompanying notes form part of these financial statements.

Zodiac Capital Limited
ACN 126 263 170
And Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Note 1 - Statement of Accounting Policies

This financial report is a general-purpose financial report, which has been prepared in accordance with applicable Australian Accounting Standards, the Corporations Act 2001, including the disclosure requirements of other mandatory professional reporting requirements.

The financial report covers Zodiac Capital Limited as an individual parent entity. Zodiac Capital Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements have been prepared on the basis of historical cost.

In the application of A-IFRS the company is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the company in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Compliance with IFRS

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRSs). Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRSs).

The accounting policies have been consistently applied, unless otherwise stated.

(a) *Going Concern*

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group incurred a net loss of \$3,908,992 for the year ended 30 June 2009 and had a net cash outflow from operations of \$12,658 for the year. As at 30 June 2009 the Group had cash assets of \$12,205, current assets of \$45,401 and current liabilities of \$435,043.

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

Zodiac Capital Limited
ACN 126 263 170
And Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Note 1 - Statement of Accounting Policies (continued)

(b) Property, plant and equipment

Property, plant and equipment are brought to account at cost or at independent or directors' valuation, less, where applicable, any accumulated depreciation or amortisation. Directors review the carrying amount of property, plant and equipment annually to ensure they are not in excess of the recoverable amount of those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employed and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amount.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated over their useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements for the company.

Items of property, plant and equipment, including leasehold property are depreciated/amortised using the diminishing value method over their estimated useful lives to the company.

The depreciation rates used for each class of asset are as follows:

	<u>Depreciation Rate</u>	<u>Depreciation Method</u>
Office Equipment	18% to 40%	Diminishing value

(c) Investments

Investments are brought to account at cost or at directors' valuation. Directors review the carrying amount of investments annually to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the shares' market value or the underlying net assets in the particular companies. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(d) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset are transferred from the lesser to the lessee, are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of minimum lease payments on the establishment of the lease. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Lease payments under operating leases are charged as expenses in the years in which they are incurred.

(e) Goodwill

Goodwill is recorded at cost. This amount will be reviewed annually in relation to the expected discounted cash flow and will be valued accordingly.

Zodiac Capital Limited
ACN 126 263 170
And Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Note 1 - Statement of Accounting Policies (continued)

(f) Revenue

Interest income is recognised on a time proportionate basis.

(g) Accounts Payable

Liabilities are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services. Trade accounts payables are normally settled within 90 days and are normally non-interest bearing.

(h) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

(i) Trade Receivables

Trade debtors are carried at amount due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Trade debtors are normally settled within 60 days of delivery or invoice and are non-interest bearing.

(j) Income Tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(k) Principles of Consolidation

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Zodiac Capital Limited
ACN 126 263 170
And Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Note 1 - Statement of Accounting Policies (continued)

(l) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(m) Interest-Bearing Liabilities

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis

(n) Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Zodiac Capital Limited
ACN 126 263 170
And Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<u>Note 2 – Profit/(Loss) from Ordinary Activities</u>				
Profit/(loss) from ordinary activities before income tax includes the following items of revenue and expense:				
a) Revenue from ordinary activities				
Interest	1,081	12,872	1,081	12,872
Fair value gains	-	264,652	-	264,652
Proceeds from sales of shares	917,225	2,179,209	917,225	2,179,209
Other Income	73,897	-	65,290	-
Profit on Disposals	-	-	500,000	-
	<u>992,203</u>	<u>2,456,733</u>	<u>1,483,596</u>	<u>2,456,733</u>
b) Expenses from ordinary activities				
Audit and accounting	58,765	35,780	45,895	35,780
Consultants- director related	97,950	258,820	97,950	258,820
Consultant- other	133,865	92,478	61,284	92,478
Cost of shares sold	1,316,422	2,631,310	1,316,422	2,631,310
Directors fees	12,000	-	12,000	-
Depreciation	11,812	10,084	11,812	10,084
Employees Entitlements	-	12,597	-	12,597
Fair Value Losses	240,508	-	240,508	-
Impairment of non current assets	766,792	1,418,247	1,242,330	1,422,054
Impairment of intangible assets	1,875,000	-	1,875,000	-
Interest	11,745	324	11,745	324
Other	193,460	52,219	74,153	51,889
Rent	92,010	54,390	92,010	54,390
Superannuation	16,313	17,100	16,313	17,100
Travel	42,500	25,221	30,841	25,551
Wages	132,463	190,000	132,463	190,000
	<u>5,001,605</u>	<u>4,798,570</u>	<u>5,260,726</u>	<u>4,802,377</u>
Net loss for the year	<u>(4,009,402)</u>	<u>(2,341,837)</u>	<u>(3,777,130)</u>	<u>(2,345,644)</u>

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	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Note 3 – Income Tax				
(a) Income tax recognised in loss				
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the following statements as follows:				
Loss	(3,908,992)	(2,341,837)	(3,777,130)	(2,345,644)
30%)	(1,172,698)	(702,551)	(1,133,139)	(703,693)
Deductible expenses	(122,031)	(134,705)	(110,950)	(184,902)
Non deductible expenses	72,152	-	72,152	-
Non assessable income	-	(79,396)	(150,000)	(79,396)
Impairment of non current assets	199,915	425,474	372,699	426,616
Impairment of intangibles	562,500	-	562,500	-
Unused tax loss not recognised as deferred tax asset	460,162	491,178	386,738	541,375
Income tax expense	-	-	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period; however, no income tax income has been recognised as it is not yet probable that the Consolidated Entity will generate sufficient revenue to obtain benefit from the tax losses.

(b) Deferred tax balances

The Consolidated Entity has not recognised any deferred tax assets or liabilities as the Directors have determined that it is not yet probable that the Consolidated Entity will generate sufficient revenue to obtain benefit from the net tax assets.

Unrecognised deferred tax balances

The following deferred tax assets have not been brought to account as assets as their realisation is not regarded as probable:

Tax losses - revenue	951,340	491,778	928,113	541,375
Total unrecognised deferred tax assets	951,340	491,778	928,113	541,375

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	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<u>Note 4 – Cash Assets</u>				
<u>Cash at Bank</u>	12,205	24,863	8,298	23,226
	12,205	24,863	8,298	23,226
<u>Note 5 – Other Financial Assets through Profit and Loss</u>				
<u>Shares on hand</u>	24,144	1,459,844	24,144	1,459,844
	24,144	1,459,844	24,144	1,459,844
<u>Note 6 – Other financial assets</u>				
<u>GST refund</u>	9,052	4,782	1,750	2,612
<u>Prepayments</u>	-	4,084	-	4,084
<u>Loans to associated entity</u>	272,211	1,300	272,211	1,300
<u>Less: Provision for Impairment</u>	(272,211)	-	(272,211)	-
<u>Loans to subsidiary entity</u>	-	-	287,415	-
<u>Less: Provision for Impairment</u>	-	-	(287,415)	-
	9,052	10,166	1,750	7,996
<u>Note 7 – Investments</u>				
<u>Subsidiary Entities</u>				
<u>Investment in Royal Silk Racing Limited - at cost</u>	-	-	750,000	-
<u>Less: Provision for Impairment</u>	-	-	(750,000)	-
<u>Investment in Locatore Pty Limited - at cost</u>	-	-	450,000	450,000
<u>Less: Provision for Impairment</u>	-	-	(450,000)	(450,000)
<u>Investment in Thoroughbred City Pty Limited - at cost</u>	-	-	-	100
<u>Less: Provision for Impairment</u>	-	-	-	(100)
	-	-	-	-

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Note 7 – Investments (continued)

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Associate Entities				
Investment in Channel 8 Media Limited				
- at cost	4,500	4,500	4,500	4,500
Less: Provision for Impairment	(4,500)	(4,500)	(4,500)	(4,500)
Investment in Consolidated Iron Sands Limited - at cost	5,800	5,800	5,800	5,800
Less: Provision for Impairment	(5,800)	(5,800)	(5,800)	(5,800)
	-	-	-	-
	-	-	-	-

Locatore Pty Limited is 51% owned by the company and is considered a subsidiary company. Subsequent to Balance Date, Lacatore has ceased to trade.

Royal Silk Racing Limited is 88% owned by the company and is considered a subsidiary company. Subsequent to Balance Date, Royal Silk Racing Limited has ceased to trade.

Channel 8 Media Limited is 41% owned by the company and is considered an associated company. Subsequent to Balance Date, Channel 8 Media Limited has ceased to trade.

Consolidated Iron Sands Limited is 48% owned by the company and is considered an associated company.

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	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<u>Note 8 – Property, Plant and Equipment</u>				
(a) Plant and equipment – at cost	53,129	50,675	53,129	50,675
Less: Provision for depreciation	(21,896)	(10,084)	(21,896)	(10,084)
	31,233	40,591	31,233	40,591

(b) Movement in Carrying Amounts

Movement in the carrying amount of property, plant and equipment between the beginning and the end of the financial year

	Plant	Total
	\$	\$
Economic Entity		
Balance at beginning of year	40,591	40,591
Additions	2,454	2,454
Depreciation expense	(11,812)	(11,812)
Carrying amount at end of year	31,233	31,233
Parent Entity		
Balance at beginning of year	40,591	40,591
Additions	2,454	2,454
Depreciation expense	(11,812)	(11,812)
Carrying amount at end of year	31,233	31,233

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	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Note 9 – Other financial assets				
Project Costs:				
Gold Coast	30,140	-	30,140	-
Locatore	525	-	525	-
Eldore	38,835	-	38,835	-
Ekomed	184,209	-	184,209	-
Agriculture	74,502	74,502	74,502	74,502
Gaming *	-	97,573	-	97,573
Locatore Pty Limited	48,392	48,392	48,392	48,392
Batangas	10,613	10,613	10,613	10,613
Thoroughbred City Pty Limited *	-	59,632	-	226,957
Free Cargo	86,801	86,801	86,801	86,801
China Resources	74,880	71,353	74,880	71,353
Channel 8 Media Limited	150	150	150	150
Less: Provision for Impairment	(549,047)	(449,016)	(549,047)	(616,341)
Loan to Colossal Mining Limited	345,313	345,313	345,313	345,313
Loan to Vision Bloodstock- secured *	-	163,618	-	-
Less: Provision for Impairment	(345,313)	(508,931)	(345,313)	(345,313)
Rental Bond	44,089	43,076	44,089	43,076
	44,089	43,076	44,089	43,076

* Project payments for Gaming, Thoroughbred City Pty Limited and Vision Bloodstock Pty Limited, although previously written down for impairment have been written off as being non collectable due to Royal Silk Racing Limited ceasing to trade.

Project costs are amortised when incurred. These costs will be reported as income on recovery.

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	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<u>Note 10 – Goodwill on Consolidation</u>				
Goodwill on Consolidation	450,000	450,000	-	-
Less: Provision for Impairment	(450,000)	(450,000)	-	-
	-	-	-	-
<u>Note 11 – Acquisition Rights</u>				
Project Acquisition Rights - at cost	1,875,000	1,875,000	1,875,000	1,875,000
Less: Provision for Impairment	(1,875,000)	-	(1,875,000)	-
	-	1,875,000	-	1,875,000

The company acquired all rights to the development of all resource projects assigned by Key Capital Corp by way of issuing 15,000,000 ordinary fully paid \$0.10 shares in the company and a payment of \$125,000 to MDM Group and \$250,000 to Sologic Investment Group Limited.

The company has provided for full impairment of the carrying value of its Project Acquisition Rights.

Although there is argument of significant potential value in these Rights, they will only be valued in line with the revenues that can be directly attributed to them.

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Note 12 – Carrying Value of Non Current Assets

Movement in the current value of non current assets other than property, plant, and equipment.

	Balance at 1 July 2008	Additions at cost	Impaired	Balance at 30 June 2009
	\$	\$	\$	\$
<i>Economic Entity</i>				
Project Investments	1,875,000	-	(1,875,000)	-
Project Costs	-	491,745	(491,745)	-
Project Loans	-	287,414	(287,414)	-
Consolidation Goodwill	-	-	-	-
Rental Bond	43,076	1,013	-	44,089
	<u>1,918,076</u>	<u>780,172</u>	<u>(2,654,159)</u>	<u>44,089</u>
<i>Parent Entity</i>				
Project Investments	1,875,000	-	(1,875,000)	-
Project Costs	-	257,236	(257,236)	-
Project Loans	-	559,625	(559,625)	-
Rental Bond	43,076	1,013	-	44,089
	<u>1,918,076</u>	<u>817,874</u>	<u>(2,691,861)</u>	<u>44,089</u>
	Economic Entity	Parent Entity		
	2009	2008	2009	2008
	\$	\$	\$	\$
Total Carrying Value				
Other Financial Assets	44,089	43,076	44,089	43,076
Intangible Assets	-	1,875,000	-	1,875,000
	<u>44,089</u>	<u>1,918,076</u>	<u>44,089</u>	<u>1,918,076</u>

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	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<u>Note 13 – Payables</u>				
Creditors	253,043	61,844	113,779	61,844
Directors Loan - unsecured	182,000	3,216	182,000	3,216
Provisions	-	12,537	-	12,537
Brokers Trading Account	-	31,271	-	31,271
	<u>435,043</u>	<u>108,868</u>	<u>295,779</u>	<u>108,868</u>
	Employee Entitlements		Total	
<u>Provisions</u>		\$		\$
<i>Economic Entity</i>				
Balance at 1 July 2008	12,537	-	12,537	-
Movement in Provisions	(12,537)	12,537	(12,537)	12,537
Balance at 30 June 2009	<u>-</u>	<u>12,537</u>	<u>-</u>	<u>12,537</u>
<i>Parent Entity</i>				
Balance at 1 July 2008	12,537	-	12,537	-
Movement in Provisions	(12,537)	12,537	(12,537)	12,537
Balance at 30 June 2009	<u>-</u>	<u>12,537</u>	<u>-</u>	<u>12,537</u>
<u>Total Provisions</u>				
Current	-	12,537	-	12,537
Non Current	-	-	-	-
Total Provisions	<u>-</u>	<u>12,537</u>	<u>-</u>	<u>12,537</u>
<u>Note 14 – Contributed Equity</u>				
68,884,888 ordinary fully paid shares (2008:				
66,384,888)	6,166,180	5,916,180	6,166,180	5,916,180
Less cost of issue	(229,671)	(229,671)	(229,671)	(229,671)
	<u>5,936,509</u>	<u>5,686,509</u>	<u>5,936,509</u>	<u>5,686,509</u>

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	Economic Entity		Parent Entity	
	2009	2008	2009	2008
Note 14 – Contributed Equity				
(continued)				
Movements in Contributed Equity of the company for the years are as follows				
(a) Ordinary Shares	No	No	No	No
At beginning of the reporting year	66,384,888	19,000,000	66,384,888	19,000,000
Shares issued during the year				
– at \$0.00 each	-	900,000	-	900,000
– at \$0.10 each	2,500,000	27,500,000	2,500,000	27,500,000
– at \$0.15 each	-	8,370,000	-	8,370,000
– at \$0.18 each	-	10,614,888	-	10,614,888
	2,500,000	47,384,888	2,500,000	47,384,888
At the end of the reporting year	68,884,888	66,384,888	68,884,888	66,384,888

2,500,000 ordinary fully paid shares were issued at \$0.10 totaling \$250,000 for non-cash acquisitions of shares and contracts. Ordinary shares carry one vote per share and carry the right to dividends

(b) Options	2010 30c Options	2012 30c Options
At the beginning of the reporting year	65,044,888	65,044,888
Options issued during the year	-	-
At the end of the reporting year	65,044,888	65,044,888

Option holders are not entitled to vote or receive dividends.

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Note 15 – Minority Equity				
At the beginning of the reporting year	-	-	-	-
Equity contributed during the year	100,410	-	-	-
Losses attributed to minority	(100,410)	-	-	-
At the end of the reporting year	-	-	-	-

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Note 16 - Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks or financial institutions, net of bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the Balance Sheet as follows:

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash at bank	12,205	24,863	8,298	23,226
(b) Reconciliation of Cash Flows from Operations with Profit (Loss) from ordinary activities after income tax				
Profit/(Loss) from ordinary activities after income tax	(3,908,992)	(2,341,837)	(3,777,130)	(2,345,644)
<u>Non-cash flows in operating result</u>				
Depreciation	11,812	10,084	11,812	10,084
Impairment of non current assets	666,382	1,418,247	1,242,330	1,422,054
Impairment of intangible assets	1,875,000	-	1,875,000	-
Costs by share issue	50,000	804,500	50,000	804,500
Share NMV adjustment	240,508	(264,652)	240,508	(264,652)
Provision for Employee Entitlements	(12,537)	12,537	(12,537)	12,537
Gain on Disposal	-	-	(500,000)	-
Cost of Listed Shares sold	1,316,422	-	1,316,422	-
<u>Changes in Assets and Liabilities</u>				
(Increase) decrease in GST	(4,270)	(4,782)	862	(2,612)
Increase (decrease) in trade creditors	90,789	61,844	51,935	61,844
(Increase) decrease in prepayments	4,084	(4,084)	4,084	(4,084)
(Increase) decrease in brokers account	(31,271)	31,271	(31,271)	31,271
Cash Flows from Operations	297,927	(276,872)	472,015	(274,702)

(c) Non cash proceeds of issue of shares

27,500,000 ordinary fully paid shares were issued at \$0.10 totalling \$2,750,000 for non-cash acquisitions of shares and contract rights as per Directors Report and note 17 – Issuances of Securities.

(d) Standby Credit Arrangements

Unused standby credit was available in the amount of \$Nil.

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Note 17 - Related Party Transactions

The directors of the Company during the year and their shareholdings at the date of this report were:

	<u>Ordinary Shares*</u>	<u>2010 30c Options*</u>	<u>2012 30c Options*</u>
Peter Boonen	36,500,000	12,000,000	36,500,000
Robin Armstrong	3,000,000	3,000,000	3,000,000
Allen Bain	24,500,000	1,500,000	24,500,000
Donald Benard	1,500,000	1,500,000	1,500,000

* includes related parties as at the date of this report

a) Peter Boonen:

Pursuant to a vote of shareholders at the general meeting hold on 29 May 2009 the company entered into a joint venture agreement with Stirling Products Limited to commercialise the phyto-pharmaceutical interests of the company. Mr Peter Boonen is a Director of Stirling Products Limited.

P & J Boonen Pty Ltd, a company associated with a Director, Mr Peter Boonen, received fees of \$73,000 for services rendered to the Company.

The movement in the Directors shareholding to balance date were:

Ordinary Shares

	<u>Number at 30 June 2008*</u>	<u>Number of Acquisitions*</u>	<u>Number of Disposals*</u>	<u>Number at 30 June 2009*</u>
Peter Boonen	36,500,000	-	-	36,500,000
Robin Armstrong	3,000,000	-	-	3,000,000
Allen Bain	24,500,000	-	-	24,500,000
Donald Benard	1,500,000	-	-	1,500,000

*Directors and related parties at balance date

2010 Options

	<u>Number at 30 June 2008*</u>	<u>Number of Acquisitions*</u>	<u>Number of Disposals*</u>	<u>2010 Options at 30 June 2009*</u>
Peter Boonen	12,000,000	-	-	12,000,000
Robin Armstrong	3,000,000	-	-	3,000,000
Allen Bain	1,500,000	-	-	1,500,000
Donald Benard	1,500,000	-	-	1,500,000

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Note 17 - Related Party Transactions (continued)

2012 Options

	<u>Number at</u> <u>30 June 2008*</u>	<u>Number of</u> <u>Acquisitions*</u>	<u>Number of</u> <u>Disposals*</u>	<u>2010 Options at</u> <u>30 June 2009*</u>
Peter Boonen	36,500,000	-	-	36,500,000
Robin Armstrong	3,000,000	-	-	3,000,000
Allen Bain	24,500,000	-	-	24,500,000
Donald Benard	1,500,000	-	-	1,500,000

*Directors and related parties at balance date.

A Black Scholes option pricing model was used to determine the value of options at date of grant as being \$Nil. The Directors consider that the options have nil value at the date of this report.

Note 18 - Remuneration of Directors/Executives

The directors of Zodiac Capital Limited during the year and at the date of this report.

Peter Boonen
Robin Armstrong
Allen Bain
Donald Benard

The Non-Executive Directors are disclosed in the Directors Report.

For details in relation to Director's Share & Option holdings refer to Note 17 - Related Party Transactions.

The company did not have any specific executives, other than Executives Directors.

Note 19 - Post Balance Date Events

Since the balance date the following events have occurred:

On 8 July 2009 the company received \$125,000 loan due as a consequence of commercial transactions for repayment on 8 July 2010 with an interest rate of 9% per annum payable on the repayment date. Due to commercial circumstances the Company considers it is owed monies by the lender and these funds are considered non payable.

On 22 October 2009 the company and its joint venture partner Stirling Products Limited entered into an agreement with Sheiman Ultrasonic Research Foundation Pty Ltd (SURF) to commercialise a patented new clan of drug inhalation devices. The company was required to pay \$150,000 under this agreement to SURF which it did by issuing 1,500,000 fully paid ordinary shares.

On 17 February 2010 the company entered into an agreement with Washpod International Limited and Wasabi Holdings Limited to commercialise the Washpod technology throughout Australia, New Zealand and the Pacific Region. The Company provided Washpod \$200,000 in loan capital and as at the date of signing this Report, this \$200,000 remains outstanding.

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Note 19 - Post Balance Date Events (continued)

On 16 July 2010 the Company entered into an Agreement with Arco Resources Corporation and Arco Exploraciones S.A. de C.V. to acquire 90% of a silver mining project in Mexico. The Company has 3 year option to increase its interest to 100% for payment of CAN\$1.9million.

Note 20 - Capital and Leasing Commitments, Contractual Arrangements and Contingent Liabilities

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Operating Lease Commitments				
- not recognised in the Financial Statements				
Payable - not later than one year	89,976	89,619	89,976	89,619
- later than one year and less than five years	7,873	97,849	7,873	97,849
	<u>97,849</u>	<u>187,468</u>	<u>97,849</u>	<u>187,468</u>

The operating lease represents the rental on premises at Level 1, 275 George Street, Sydney, NSW 2000 which commenced in July 2008, and terminates in July 2010.

Financial Commitments

Pursuant to the Locatore geoscience asset acquisition agreement the company is required to incur development expenditure in the amount of \$1,500,000 over a three year period commencing 1 March 2009. As at the date of signing this Report, the Locatore project has been terminated and the Company has no further interest in the project.

Pursuant to the Japanese Language Gambling Portal Acquisition agreement the company is required to pay USD\$ 10,000 for the four months ended October 2009 and provide funding of USD\$ 450,000 in the two year period ended October 2010. As at the date of signing this Report, this project has been terminated and the Company has a small residual interest in the business but considers it unrealisable.

Note 21- Auditor Remuneration

The amount received or due and receivable by the auditor of the company for:

Auditing	11,500	8,057	11,500	8,057
Other Services	-	-	-	-
Total	<u>11,500</u>	<u>8,057</u>	<u>11,500</u>	<u>8,057</u>

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Note 22 – Earnings Per Share

	2009	2008
	\$	\$
Basic and diluted earnings per share (cents)	(0.06)	(0.05)
	No.	No.
Number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share	68,884,888	47,518,893

Diluted earnings per share are not materially different to Basic Earnings per share.

Note 23 – Segment Information

The company predominately operates in the business of being an investment company.

Note 24 – Company Details

The registered office of business of the company is:
Level 6, 50 Clarence Street
SYDNEY NSW 2001

The principal place of business of the company is
Level 1, 275 George Street
SYDNEY NSW 2000

Note 25 – Financial Instruments

Financial Instruments

The board of directors has overall responsibility for identifying and managing operational and financial risks.

The company is exposed to a variety of financial risks comprising:

- (a) Interest rate risk
- (b) Credit risk
- (c) Liquidity risk
- (d) Fair values

Derivative financial instruments are not used by the company to hedge exposure to interest rate risk.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Note 25 – Financial Instruments (continued)

Interest Rate Risk

The group's main interest rate risk arises from interest earned from the funds held at the bank.

The group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing				Non-Interest Bearing	
	2009	2008	2009	2008	Within 1 year		1 to 5 Years		2009	2008
Financial Assets:	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Cash at Bank			12,205	24,863	-	-	-	-	-	-
Financial Liabilities:										
Trade and sundry creditors	N/A	N/A	-	-	-	-	-	-	209,633	108,868
Loan	9%		-	-	125,000	-	-	-	-	-
			-	-	125,000	-	-	-	209,633	108,868

Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum of 'A' are accepted.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors rolling forecasts of the company's liquidity reserve on the basis of expected cash flow.

Fair Values

Fair value risk arises from the company investing in shares traded on the stock market and non listed entities and the risk that a financial instrument's value will fluctuate as a result of changes in market conditions. At the balance date the group's expose to shares traded on the share market was \$24,144.

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SHAREHOLDER INFORMATION

The shareholder Information set out below was applicable at 28 September 2010.

Distribution of Equity Securities – Fully Paid Ordinary Shares

Number of Shares Held	Total Holders	Number of Units	%
1 – 1,000	0	0	0.00
1,001 – 5,000	0	0	0.00
5,001 – 10,000	0	0	0.00
10,001 – 100,000	37	1,926,888	2.74
100,001 and over	46	68,458,000	97.26
Total	83	70,384,888	100.00

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SHAREHOLDER INFORMATION

Twenty Largest Security Holders - Fully Paid Ordinary Shares

Name	Number Held	% of Issued Shares
Key Capital Corporation	15,000,000	21.78
Sologic Investment Group Pty Ltd	7,000,000	10.16
P & J Boonen Pty Limited <Boonen Family S/F A/C>	5,000,000	7.26
Mdm Group Inc	5,000,000	7.26
Roclogic Pty Limited	4,500,000	6.53
Brown & Biggins Pty Limited	3,000,000	4.36
Courage Corporation	3,000,000	4.36
Sharechart Pty Limited <Superannuation Fund A/C>	1,500,000	2.18
Mr Jianchun Yin	1,500,000	2.18
A M B Holdings Pty Ltd	1,500,000	2.18
Bonds And Securities (Trading) Pty Ltd	1,340,000	1.95
Captain Starlight Nominees Pty Limited	1,250,000	1.82
Mr Allen Ian Bain	1,000,000	1.45
Mr Donald Joseph Benard	1,000,000	1.45
B M Winning Pty Ltd <Ebnow Lee Family P/L A/C>	1,000,000	1.45
Aldar Bourinbayar	1,000,000	1.45
Galyna Kutsyna	1,000,000	1.45
Capital One Securities Pty Ltd	900,000	1.31
Gulshan Jugroo	900,000	1.31
Elinora Investments Pty Ltd	800,000	1.16
Others	13,194,888	16.98
Total	70,384,888	100.00

All 70,384,888 Ordinary Shares in the Company are in pre open listing on the National Stock Exchange (NSX).

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PRO-FORMA 5 YEAR SUMMARY OF PERFORMANCE

		2005	2006	2007	2008	2009
Gross Revenue	\$'000				2,444	992
Net Profit (Loss) before tax	\$'000				(2,342)	(3,909)
Total assets	\$'000				3,454	121
Total liabilities	\$'000				109	334
Shareholders funds	\$'000				3,345	(213)
Earnings per share	Cents				(0.05)	(0.02)
Dividends per share	Cents				0.00	0.00
Net tangible assets per share	Cents				0.02	(0.17)
Price Earnings Ratio	x				(0.05)	N/A