

CONSOLIDATED ZINC LIMITED

ACN 118 554 359

INTERIM FINANCIAL REPORT

**FOR THE HALF YEAR ENDED
31 DECEMBER 2015**

CONSOLIDATED ZINC LIMITED

ACN 118 554 359

CORPORATE DIRECTORY

Registered and Corporate Office

Level 1, Suite 1
35-37 Havelock Street
West Perth WA 6005
Telephone: (+61 8) 9322 3406
Facsimile: (+61 8) 9320 7501
Internet: www.consolidatedzinc.com.au

Share Registry

Link Market Services Limited
Level 4, 152 St George's Terrace
Perth WA 6000

Securities Exchange listing

Australian Securities Exchange Limited
ASX Code: CZL

Solicitors to the Company

GTP Legal
60 Aberdeen Street
Northbridge WA 6003

Auditors

Butler Settineri (Audit) Pty Ltd
Unit 16, First Floor
100 Railway Road
Subiaco WA 6008

CONSOLIDATED ZINC LIMITED

ACN 118 554 359

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CONSOLIDATED ZINC LIMITED

ACN 118 554 359

DIRECTORS' REPORT

The directors present the financial report of Consolidated Zinc Limited and controlled entities (the "Group") for the half year ended 31 December 2015.

DIRECTORS

The names of the directors who held office during or since the end of the half year are:

Mr Stephen Copulos – Chairman

Mr William Dix – Managing Director

Mr Andrew Richards – Executive Director

Mr Luis Rogelio Martinez Valles – Non-executive Director

All directors were in office for the entire period unless otherwise stated.

COMPANY SECRETARY

Mr Andrew Beigel (appointed 30 October 2015)

REVIEW AND RESULTS OF OPERATIONS

The net loss of the consolidated entity after income tax for the half year ended 31 December 2015 amounted to a loss of \$1,335,784 (2014: \$895,490).

REVIEW OF OPERATIONS

Mexico

Plomosas – Project

On 5 June 2015, the Shareholders of the Company ratified the completion of the acquisition of Arena Resources Pty Ltd ("Arena") an unlisted Australian private company that holds the rights to acquire up to a 90% interest in the Plomosas high-grade zinc project located in northern Mexico.

The project covers 11 Exploration and Exploitation Concessions totalling 3,019 ha in area with an extensive history of exploration and development in base metal operations. Plomosas is located in the northern Mexican state of Chihuahua, which neighbours Texas, USA, and is accessed by an hour's flight from Dallas.

Records show the Plomosas project to be extremely high grade, with approx. 1.7mt of ore having been mined since 1943, with average historical grades of 15-25% Zinc (Zn) + Lead (Pb) with 40-60 g/t Silver (Ag) and clean mineralogy.

Following the completion of the acquisition the Company commenced exploration work on the project. To date drilling and underground exploration has confirmed the presence of high grade mineralisation within the mine environment and has also discovered a new mineralised horizon in the footwall to the main manto unit named Tres Amigos.

The Company continues to advance exploration activities towards a maiden resource and is constantly reviewing and updating the geological model. Shareholders are kept up to date with the Company's activities through regular market updates.

Australia

Jailor Bore Project

The Company has withdrawn from the Jailor Bore project during the period.

CONSOLIDATED ZINC LIMITED

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DIRECTORS' REPORT (CONTINUED)

Corporate

On 14 October 2015 the Company announced that it had agreed to terms with the Company's major Shareholder, the Copulos Group, to provide a \$1 million drawdown facility in order to fast track the drilling programs at the Plomosas Project.

During December 2015 the Company successfully secured \$3.5m additional funding. \$1.3m was completed as a capital raising to current and new sophisticated investors and \$2.2m will be provided by the Singapore based Funan Group Pte Limited as a drawdown facility, available in 4 parcels of \$550,000, for the ongoing resource work and future exploration at Plomosas.

Corporate Strategy

Consolidated Zinc's corporate strategy for growing the Company is to continue to advance its own projects through judicious exploration, while simultaneously searching out and evaluating new projects both within Australia and overseas.

SUBSEQUENT EVENTS

Three underground drill holes had been completed from Level 7 testing at the Plomosas mine and a fourth is in progress at 2 February 2016 which aims to test the semi-oxide and massive sulphide mineralisation at depth immediately below the current workings. The drilling has successfully improved the understanding of the geological setting, structure and mineralisation prior to a drill out of the area and resource modelling. Assay results are imminent with preliminary results received for:

LV7DD002: 6.75m at 27.2% Zn, 12.7% Pb, 60.4 g/t Ag*
(*Conservative zinc grade as 4.50m assayed >30% Zn and needs to be reassayed)

On 8 February 2016 the Company issued the balance of securities to complete the \$1.3m capital raising announced in December 2015. 16,444,444 fully paid ordinary shares were issued at \$0.045 per share and 8,222,223 options (exercisable \$0.06, expiring 31 December 2018).

Other than these matters, there have been no matters or circumstances that have arisen since 31 December 2015 that have significantly affected or may significantly affect:

- the Group's operations in future years; or
- the results of those operations in future years; or
- the Group's state of affairs in future years.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration to the directors of the consolidated entity on page 18 forms part of the Directors' report for the half year ended 31 December 2015.

This report is signed in accordance with a resolution of the Board of Directors.



Stephen Copulos
Chairman
15 March 2016

CONSOLIDATED ZINC LIMITED

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Competent Persons' Statement

The information in this report that relates to exploration results, data collection and geological interpretation is based on information compiled by Steve Boda BSc (Hons), MAIG, MGSA, MSEG and Andrew Richards BSc (Hons), Dip Ed, MAusIMM, MAIG, MSEG, GAICD. Messrs Boda and Richards are both Members of Australian Institute of Geoscientists (AIG) and Mr Richards is also a Member of the Australasian Institute of Mining and Metallurgy (AusIMM).

Both Messrs Boda and Richards have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves' (JORC Code). Messrs Boda and Richards consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

CONSOLIDATED ZINC LIMITED

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

| | Half year ended 31 December 2015 | Half year ended 31 December 2014 |
|--|---|---|
| | \$ | \$ |
| Revenue | 3,149 | 5,586 |
| Unrealised gain/(loss) on financial asset | (22,751) | (1,600) |
| Administrative expenses | (36,907) | (34,662) |
| Consultancy and legal expenses | (255,023) | (20,139) |
| Compliance and regulatory expenses | (105,101) | (32,003) |
| Communication expenses | - | (2,900) |
| Depreciation and amortisation | (725) | (105) |
| Director and employee related expenses | (233,574) | (49,812) |
| Occupancy related expenses | (10,148) | (22,336) |
| Exploration expenditure | (16,582) | (5,657) |
| Travel and accommodation related expenditure | (94,480) | (20,006) |
| Equity based payments | (125,657) | (3,468) |
| Relinquishment of tenements | (300,001) | (704,945) |
| Interest and finance expense | (137,984) | (3,443) |
| Loss before income tax | (1,335,784) | (895,490) |
| Income tax | - | - |
| Net loss for the period | (1,335,784) | (895,490) |
| Other comprehensive Income | | |
| <i>Items that may subsequently be reclassified to profit or loss</i> | | |
| Translation difference on foreign exchange | (270,586) | 35,293 |
| Total comprehensive loss for the period | (1,606,370) | (860,197) |
| Net loss is attributable to: | | |
| Owners of Consolidated Zinc Limited | (1,265,971) | (895,490) |
| Non-controlling interests | (69,813) | - |
| Net loss for the period | (1,335,784) | (895,490) |
| Total comprehensive loss attributable: | | |
| Owners of Consolidated Zinc Limited | (1,543,534) | (860,197) |
| Non-controlling interests | (62,836) | - |
| Net loss for the period | (1,606,370) | (860,197) |
| Overall Operations | | |
| Basic and diluted loss per share (cents per share) | (0.61) | (0.09) |

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED ZINC LIMITED

ACN 118 554 359

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

| | Notes | 31 December 2015 | 30 June 2015 |
|---|-------|---------------------|------------------|
| CURRENT ASSETS | | \$ | \$ |
| Cash and cash equivalents | | 516,003 | 1,802,357 |
| Trade and other receivables | | 345,986 | 60,380 |
| Financial assets | | 5,800 | 6,509 |
| TOTAL CURRENT ASSETS | | <u>867,789</u> | <u>1,869,246</u> |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | | 78,513 | 78,513 |
| Plant and equipment | | 32,027 | - |
| Exploration and asset acquisition expenditure | 6 | 5,882,014 | 4,314,153 |
| TOTAL NON-CURRENT ASSETS | | <u>5,992,554</u> | <u>4,392,666</u> |
| TOTAL ASSETS | | <u>6,860,343</u> | <u>6,261,912</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 437,389 | 249,057 |
| Borrowings | | 1,000,000 | - |
| TOTAL CURRENT LIABILITIES | | <u>1,437,389</u> | <u>249,057</u> |
| TOTAL LIABILITIES | | <u>1,437,389</u> | <u>249,057</u> |
| NET ASSETS | | <u>5,422,954</u> | <u>6,012,855</u> |
| EQUITY | | | |
| Issued capital | 4 | 20,079,538 | 19,188,726 |
| Reserves | | 420,803 | 572,711 |
| Accumulated losses | | (15,014,551) | (13,748,582) |
| Total capital and reserves attributable to the owners of Consolidated Zinc Limited | | <u>5,485,790</u> | <u>6,012,855</u> |
| Non-controlling Interests | | (62,836) | - |
| TOTAL SHAREHOLDERS' EQUITY | | <u>5,422,954</u> | <u>6,012,855</u> |

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED ZINC LIMITED

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

| | Issued Capital | Accumulated Losses | Reserves | Foreign Exchange Reserve | Total | Non-controlling interest | Total Equity |
|---|-------------------|-----------------------|----------|--------------------------------|-----------|-----------------------------|-----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2014 | 12,262,739 | (11,308,813) | 218,005 | 44,162 | 1,216,093 | - | 1,216,093 |
| Loss for the year | - | (895,490) | - | - | (895,490) | - | (895,490) |
| Other Comprehensive income | - | - | - | 35,293 | 35,293 | - | 35,293 |
| Total comprehensive loss for the period | - | (895,490) | - | 35,293 | (860,197) | - | (860,197) |
| <i>Transactions with owners in their capacity as owners</i> | | | | | | | |
| Shares issued during the period (net of costs) | 1,234,986 | - | - | - | 1,234,986 | - | 1,234,986 |
| Options issued during the period (net of costs) | - | - | 57,956 | - | 57,956 | - | 57,956 |
| Balance at 31 December 2014 | 13,497,725 | (12,204,303) | 275,961 | 79,455 | 1,648,838 | - | 1,648,838 |

| | Issued Capital | Accumulated Losses | Reserves | Foreign Exchange Reserve | Total | Non-controlling interest | Total Equity |
|---|-------------------|-----------------------|----------|--------------------------------|-------------|-----------------------------|-----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2015 | 19,188,726 | (13,748,580) | 468,811 | 103,898 | 6,012,855 | - | 6,012,855 |
| Loss for the year | - | (1,265,971) | - | - | (1,265,971) | (69,813) | (1,335,784) |
| Other Comprehensive income | - | - | - | (277,563) | (277,563) | 6,977 | (270,586) |
| Total comprehensive loss for the period | - | (1,265,971) | - | (277,563) | (1,543,534) | (62,836) | (1,606,370) |
| <i>Transactions with owners in their capacity as owners</i> | | | | | | | |
| Shares issued during the period (net of costs) | 890,812 | - | - | - | 890,812 | - | 890,812 |
| Options issued during the period (net of costs) | - | - | 109,505 | - | 109,505 | - | 109,505 |
| Performance rights issued during the period (net of costs) | - | - | 16,152 | - | 16,152 | - | 16,152 |
| Balance at 31 December 2015 | 20,079,538 | (15,014,551) | 594,468 | (173,665) | 5,485,790 | (62,836) | 5,422,954 |

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED ZINC LIMITED

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**CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

| | Half year ended 31 December 2015 | Half year ended 31 December 2014 |
|--|---|---|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Payments to suppliers and employees | (676,363) | (275,762) |
| Interest received | 3,149 | 5,086 |
| Payments for exploration expenditure | (2,138,448) | (87,488) |
| Net cash used by operating activities | (2,811,662) | (358,164) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for plant and equipment | (32,752) | - |
| Option payment to acquire investment | - | (150,000) |
| Payment of loans made | - | (124,785) |
| Net cash provided by investing activities | (32,752) | (274,785) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from equity issue (net of costs) | 580,812 | 937,724 |
| Proceeds from convertible notes issued | 1,000,000 | - |
| Repayment of loan | - | (25,000) |
| Net cash provided by financing activities | 1,580,812 | 912,724 |
| Net increase/(decrease) in cash and cash equivalents held | (1,263,602) | 279,775 |
| Cash at the beginning of the financial period | 1,802,357 | 115,797 |
| Exchange rate changes on the balance of cash held in foreign currencies | (22,752) | - |
| Cash and cash equivalents at 31 December | 516,003 | 395,572 |

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED ZINC LIMITED

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the consolidated entity. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the company for the year ended 30 June 2015, together with any public announcements made during the half-year.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as disclosed below.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going Concern

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

As disclosed in the financial statements, the consolidated entity incurred a loss of \$1,606,370 and had net cash outflows from operating activities of \$2,811,662 for the period ended 31 December 2015. As at that date, the consolidated entity had net current liability of \$569,600.

These factors indicate significant uncertainty as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- i. The ability of the Group to raise capital by the issue of additional shares under the Corporation Act 2001;
- ii. Option to access funds from the \$2.2m drawdown facility;
- iii. The potential to dispose of interests in exploration and evaluation assets for cash or for assets readily convertible into cash; and
- iv. The ability to curtail administration and operational cash out flows as required.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report. The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

CONSOLIDATED ZINC LIMITED

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**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015****NOTE 2: OPERATING SEGMENTS**

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The consolidated entity operates as a single segment which is mineral exploration.

NOTE 3: CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities as at 31 December 2015 other than those disclosed in the 2015 Financial Report.

NOTE 4: ISSUED CAPITAL

| | 31 December 2015 \$ | 30 June 2015 \$ |
|----------------------------|---------------------------|-----------------------|
| Ordinary fully paid Shares | 20,049,538 | 19,188,726 |

| | 31 December 2015 | | 30 June 2015 | |
|--|------------------|------------|------------------|------------|
| | Number of shares | \$ | Number of shares | \$ |
| (a) Movements in ordinary share capital | | | | |
| Balance 1 July | 216,030,958 | 19,188,726 | 485,161,682 | 12,262,739 |
| Issued during the period: | | | | |
| – Shares issued pre consolidation | - | - | 1,057,951,682 | 2,033,053 |
| – 1 for 20 consolidation | - | - | (1,465,957,406) | - |
| – Shares issued post consolidation | 22,013,889 | 968,750 | 138,875,000 | 5,555,000 |
| Capital raising costs | - | (77,938) | - | (662,066) |
| Balance 31 December | 238,044,847 | 20,079,538 | 216,030,958 | 19,188,726 |

| | 31 December 2015 | | 30 June 2015 | |
|-----------------------------------|-------------------|---------|-------------------|---------|
| | Number of options | \$ | Number of options | \$ |
| (b) Movements in options | | | | |
| Balance 1 July | 46,887,642 | 468,811 | 195,750,000 | 218,005 |
| Options issued pre consolidation | - | - | 637,002,228 | - |
| 1 for 20 consolidation | - | - | (791,114,586) | - |
| Options issued post consolidation | 18,541,668 | 109,505 | 5,250,000 | 250,806 |
| Expired during the period | (600,000) | - | - | - |
| Balance 31 December | 64,829,310 | 578,316 | 46,887,642 | 468,811 |

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**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

NOTE 4: ISSUED CAPITAL (Continued)

| (c) Movements in performance rights | 31 December 2015 | | 30 June 2015 | |
|-------------------------------------|------------------|---------|------------------|----|
| | Number of shares | \$ | Number of shares | \$ |
| Balance 1 July | - | - | - | - |
| Issued during the period: | | | | |
| – Issued to directors | 5,000,000 | 175,001 | - | - |
| Balance 31 December | 5,000,000 | 175,001 | - | - |

Refer to Note 10 for assumptions and details of the issue of options and performance rights during the period.

NOTE 5: DIVIDENDS

The Company did not pay or propose any dividends in the half year to 31 December 2015.

NOTE 6: RECONCILIATION OF EXPLORATION EXPENDITURE

| | 31 December 2015 | 30 June 2015 |
|--------------------------------------|---------------------|-----------------|
| | \$ | \$ |
| Opening balance | 4,314,153 | 1,634,401 |
| Exploration incurred during the year | 1,867,861 | 4,154,825 |
| Impairment | (300,000) | (1,475,073) |
| Closing balance | 5,882,014 | 4,314,153 |

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

NOTE 7: CONVERTIBLE NOTES

| | 31 December 2015 | 30 June 2015 |
|------------------------------------|---------------------|-----------------|
| | \$ | \$ |
| Not yet issued but monies received | - | 272,000 |
| Issued during the year | 1,000,000 | 1,250,000 |
| Converted during the year | - | (1,522,000) |
| | 1,000,000 | - |

On 14 October 2015, the Company announced that to fund the of the Plomosas drilling project, one of the Company's major shareholders, the Copulos Group, agreed to provide \$1,000,000 by way of a convertible note facility that will convert to equity at the same time and price as the Company's next capital Raising. The key terms of the convertible note were:

- \$1,000,000 facility with a \$500,000 available immediately:
- The note has a maturity date of 12 months from establishment:
- The Company will pay a fixed fee of 3,000,000 fully paid shares, no additional interest or fees will be paid by the Company to the Copulos Group;
- The loan can convert to shares at the Company's next capital raising: and
- Conversion of the notes shall be subject to compliance with section 606 of the Corporations Act

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

NOTE 8: SUBSEQUENT EVENTS

Three underground drill holes had been completed from Level 7 testing at the Plomosas mine and a fourth is in progress at 2 February 2106 which aims to test the semi oxide and massive sulphide mineralisation at depth immediately below the current workings. The drilling has successfully improved the understanding of the geological setting, structure and mineralisation prior to a drill out of the area and resource modelling. Assay results are imminent with preliminary results received for:

LV7DD002: 6.75m at 27.2% Zn, 12.7% Pb, 60.4 g/t Ag*
(*Conservative zinc grade as 4.50m assayed >30% Zn and needs to be reassayed)

Other than these matters, there have been no matters or circumstances that have arisen since 31 December 2015 that have significantly affected or may significantly affect:

- the Group's operations in future years; or
- the results of those operations in future years; or
- the Group's state of affairs in future years

On 8 February 2016 the Company issued the balance of securities to complete the \$1.3m capital raising announced in December 2015. 16,444,444 fully paid ordinary shares were issued at \$0.045 per share and 8,222,223 options (exercisable \$0.06, expiring 31 December 2018).

NOTE 9: COMMITMENTS

Commitments remain as those disclosed in the 30 June 2015 financial report.

NOTE 10: OPTIONS AND PERFORMANCE RIGHTS

During the half year, the following performance rights and options were issued:

- 4,000,000 Unlisted Advisor Options exercisable at \$0.06 each on or before 20 July 2018
- 7,500,000 Unlisted Incentive Options exercisable at \$0.06 each on or before 5 June 2020
- 7,041,668 Unlisted free attaching options exercisable at \$0.06 each on or before 31 December 2018
- 5,000,000 Performance Rights Options were granted to key management personnel

Details of these issues are:

Options

4,000,000 Unlisted Advisor options were issued on 5 August 2015 for the provision of advisory services, these are exercisable at \$0.06 each on or before 20 July 2018. Total value of \$90,400 vested immediately and was expensed.

7,500,000 Director Incentive Options were approved at the General Meeting held on 5 June 2015 at \$0.06 each expiring 5 June 2015 that only vest upon the achievement of certain performance milestones, as follows:

- Mr Will Dix – 5,000,000 Options
- Mr Andrew Richards – 2,500,000 Options

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**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

NOTE 10: OPTIONS AND PERFORMANCE RIGHTS (Continued)

The vesting milestones are as follows:

| Options | Director | Milestone |
|-----------|-----------------|--|
| 1,250,000 | Will Dix | - Exercisable with 5 years from their date of issue upon definition of a JORC compliant resources for Plomosas Project of at least 2 million tonnes |
| 1,250,000 | Andrew Richards | |
| 1,250,000 | Will Dix | - Exercisable with 5 years from their date of issue upon successful completion of Feasibility Study and financing of the Plomosas Project |
| 1,250,000 | Will Dix | - Exercisable with 5 years from their date of issue upon first 6 months commercial production from the Plomosas Project |
| 1,250,000 | Andrew Richards | |
| 1,250,000 | Will Dix | - Exercisable with 5 years from their date of issue upon completion of 12 months continuous and profitable mining operations from the Plomosas Project |

If for whatever reason employment is ceased with the Company, any options issued but not capable of vesting shall lapse and be cancelled as at that date

Total value of \$19,105 was expensed as share based payments for the financial period

These options were valued using the Black and Scholes option valuation methodology taking into account the terms and conditions upon which the options were granted. Details of the assumptions used in the valuation of these options issued are as follows:

| Item | Advisor Options | Director Options |
|---------------------------|-----------------|------------------|
| Number of options | 4,000,000 | 7,500,000 |
| Exercise price (\$) | 0.06 | 0.06 |
| Valuation (grant) date | 5 August 2015 | 5 June 2015 |
| Expiry date | 20 July 2018 | 5 June 2020 |
| Expiration period (years) | 2.96 | 5.00 |
| Vesting date | nil | 5 June 2020 |
| Exercise conditions | nil | nil |
| Value | \$0.0226 | \$0.0296 |

CONSOLIDATED ZINC LIMITED

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**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

NOTE 10: OPTIONS AND PERFORMANCE RIGHTS (Continued)

Performance Rights

A Total of 5,000,000 Performance Rights Options were issued to the Directors on approval on 25 November 2015 as follows:

- Mr Will Dix – 2,000,000 Performance Rights;
- Mr Stephen Copulos – 1,500,000 Performance Rights; and
- Mr Andrew Richards – 1,500,000 Performance Rights.

The Performance Rights were issued to the Directors as a key component of the incentive portion of their remuneration in order to retain the services of the Directors and to provide incentive linked to the performance of the Company.

The 5,000,000 Performance Rights are to be granted as follows:

- Mr Will Dix
 1. 666,667 Tranche 1 Performance Rights.
 2. 666,667 Tranche 2 Performance Rights.
 3. 666,666 Tranche 3 Performance Rights.
- Mr Stephen Copulos
 1. 500,000 Tranche 1 Performance Rights.
 2. 500,000 Tranche 2 Performance Rights.
 3. 500,000 Tranche 3 Performance Rights.
- Mr Andrew Richards
 1. 500,000 Tranche 1 Performance Rights.
 2. 500,000 Tranche 2 Performance Rights.
 3. 500,000 Tranche 3 Performance Rights.

The Performance Rights will be granted in three tranches with the vesting conditions and milestone dates set out below:

| Tranche | Vesting Condition | Milestone Date |
|---------------------------------|---|-----------------------|
| Tranche 1 Performance Rights | The company announces a JORC Code compliant resource containing not less than 2,000,000 tonnes of mineralisation at combined grade of at least 17% (Zn+Pb). | 30 June 2017 |
| Tranche 2 Performance Rights | The Company has operated stage 1 of commercial production at its Plomosas Project | 30 September 2016 |
| Tranche 3 Performance Rights | The 10 day volume weighted average price of Shares is equal to or greater than \$0.10 for a period of 10 consecutive trading days. | 30 June 2018 |

The Performance Rights will have the following expiry dates:

- The Tranche 1 Performance Rights will expire on 30 June 2017.
- The Tranche 2 Performance Rights will expire on 30 September 2016
- The Tranche 3 Performance Rights will expire on 30 June 2018.

Total value of \$16,152 was expensed as share based payments for the financial period.

CONSOLIDATED ZINC LIMITED

ACN 118 554 359

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 16 are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the period ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Stephen Copulos
Chairman
15 March 2016

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Consolidated Zinc Limited for the half year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect to Consolidated Zinc Limited and the entities it controlled during the half year ended 31 December 2015.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 15 March 2016

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CONSOLIDATED ZINC LIMITED

Report on the half year financial report

We have reviewed the accompanying half year financial report of Consolidated Zinc Limited ("the Company") and its controlled entities ("the Group") which comprises the condensed consolidated statement of financial position as at 31 December 2015 and the condensed consolidated statement of profit and loss and other comprehensive income, condensed consolidated statement of changes in equity and the condensed consolidated statement of cashflows for the half year ended on that date, notes comprising a statement of significant accounting policies and other selected explanatory notes and the directors' declaration.

Directors' responsibility for the half year financial report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Consolidated Zinc Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain the assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Consolidated Zinc Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
- b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Going Concern

Without qualifying our conclusion above, we wish to draw your attention to the following matter. As a result of matters referred to in note 1 of the financial statements "Going Concern", the Group's ability to continue as a going concern is dependent upon obtaining additional funds through the equity markets. This indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 15 March 2016