

**CONSOLIDATED ZINC LIMITED**  
**ACN 118 554 359**

**INTERIM FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED**  
**31 DECEMBER 2016**

**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](http://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 2016.

#### 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

#### REVIEW AND RESULTS OF OPERATIONS

The net loss of the consolidated entity after income tax for the half year ended 31 December 2016 amounted to a loss of \$903,785 (2015: \$1,335,784).

#### REVIEW OF OPERATIONS

##### Mexico

##### Plomosas – Project

Since acquiring a majority interest in the high grade Plomosos zinc-lead-silver underground mine in Mexico in June 2015, the Company has refurbished and dewatered the mine and undertaken extensive near mine exploration and resource definition drilling. This culminated in the announcement of the first JORC (2012) compliant Mineral Resource in December 2016.

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.

The Company currently owns 51% of the project but has the option to acquire up to 90%. Prior to exercising that option the Company intends to confirm the viability of the project through establishment of Mineral Resources and successful completion of mining studies.

On 15 December 2016, the Company announced a maiden JORC (2012) resource of 568,000 tonnes @ 16.9% Zn+Pb and 28.4g/t Ag for 96,000t of contained Zn+Pb metal in both Indicated and Inferred categories. The Indicated Category resource comprises semi oxidised sulphide (SOX) mineralisation totalling 99,000 tonnes @ 19.3% zinc, 9.0% lead and 57.9 g/t Ag above a 3% Zn cut-off grade. The Statement of Mineral Resource is tabulated in Table A below.

**CONSOLIDATED ZINC LIMITED**

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**Table A: Plomosas Project Mineral Resource  
December 2016 Mineral Resource Estimate (3% Zn Cut-off)**

Prospect	Indicated Mineral Resource						
	Tonnage t	Zn %	Pb %	Ag g/t	Zn t	Pb t	Ag Oz
Level 7	99,000	19.3	9.0	57.9	19,000	9,000	183,000
<b>Total</b>	<b>99,000</b>	<b>19.3</b>	<b>9.0</b>	<b>57.9</b>	<b>19,000</b>	<b>9,000</b>	<b>183,000</b>

Prospect	Inferred Mineral Resource						
	Tonnage t	Zn %	Pb %	Ag g/t	Zn t	Pb t	Ag Oz
Level 7	220,000	11.0	5.2	32.0	24,000	11,000	226,000
Tres Amigos	250,000	11.3	1.7	13.7	28,000	4,000	110,000
<b>Total</b>	<b>470,000</b>	<b>11.2</b>	<b>3.4</b>	<b>22.2</b>	<b>52,000</b>	<b>16,000</b>	<b>335,000</b>

Prospect	Total Mineral Resource						
	Tonnage t	Zn %	Pb %	Ag g/t	Zn t	Pb t	Ag Oz
Level 7	318,000	13.6	6.4	40.0	43,000	20,000	409,000
Tres Amigos	250,000	11.3	1.7	13.7	28,000	4,000	110,000
<b>Total</b>	<b>568,000</b>	<b>12.6</b>	<b>4.3</b>	<b>28.4</b>	<b>71,000</b>	<b>25,000</b>	<b>519,000</b>

*Note: All Mineral Resources figures reported in the table above represent estimates at December, 2016. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.*

*The Mineral Resource has been estimated in accordance with the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Geoscientists and Minerals Council of Australia (The JORC Code 2012).*

The resource is open along strike and more mineralisation has been identified up and down dip with underground access immediately available. The Company is undertaking ongoing mapping and drilling programs to target significant additions to the resource.

In the meantime, as announced to the market subsequent to the half year, the Company has commissioned mining and metallurgical Scoping Studies to review the potential for the current resource to support a moderate throughput mining operation with the refurbishment and modest expansion of the existing process plant.

The Company continues to advance exploration activities towards increasing the maiden resource and is constantly reviewing the options to recommence mining at an expanded rate. Shareholders are kept up to date with the Company's activities through regular market updates.

## **Corporate**

During the half year the Company completed capital raisings to existing and new sophisticated investors to raise \$292,000 before costs.

In October 2016 the Company announced that it had agreed with the Company's major Shareholder, the Copulos Group, to extend the maturity date of the \$1 million convertible loan to 31 March 2017. The conversion to equity is at the Company's election at the same price as the Company's most recent capital raising. The variation of terms is subject to shareholder approval.

## CONSOLIDATED ZINC LIMITED

ACN 118 554 359

### DIRECTORS' REPORT (CONTINUED)

#### Corporate Strategy

Consolidated Zinc's corporate strategy for growing the Company is to continue to advance the Plomosas project through evaluation and exploration, while simultaneously searching out and evaluating new opportunities as they are identified.

#### SUBSEQUENT EVENTS

On the 4 January 2017, the Company issued 31,436,701 shares being total applications received under the non-renounceable rights issue which closed on 23 December 2016.

Other than these matters, there have been no matters or circumstances that have arisen since 31 December 2016 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 17 forms part of the Directors' report for the half year ended 31 December 2016.

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



Stephen Copulos  
Chairman  
16 March 2017

#### 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.*

*The information in this report that relates to Mineral Resources is based on information compiled by Mr Robert Dennis who is a Member of the Australasian Institute of Geoscientists and Australian Institute of Mining and Metallurgy. Mr Dennis is a full time employee of RungePincockMinarco Limited. Mr Dennis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Dennis consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

**CONSOLIDATED ZINC LIMITED**

**ACN 118 554 359**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Half year ended 31 December 2016	Half year ended 31 December 2015
	\$	\$
Revenue	110	3,149
Foreign exchange gain/(loss)	(38,201)	(22,751)
Administrative expenses	(59,747)	(36,907)
Consultancy and legal expenses	(291,349)	(255,023)
Compliance and regulatory expenses	(56,650)	(105,101)
Depreciation and amortisation	(2,621)	(725)
Director and employee related expenses	(247,474)	(233,574)
Occupancy related expenses	(3,697)	(10,148)
Exploration expenditure	(85)	(16,582)
Travel and accommodation related expenditure	(60,308)	(94,480)
Equity based payments	(111,667)	(125,657)
Impairment of financial assets	200	-
Relinquishment of tenements	-	(300,001)
Interest and finance expense	(32,296)	(137,984)
Loss before income tax	(903,785)	(1,335,784)
Income tax	-	-
Net loss for the period	(903,785)	(1,335,784)
 <b>Other comprehensive Income</b>		
<i>Items that may subsequently be reclassified to profit or loss</i>		
Translation difference on foreign exchange	(358,766)	(270,586)
Total comprehensive loss for the period	(1,262,551)	(1,606,370)
 <b>Net loss is attributable to:</b>		
Owners of Consolidated Zinc Limited	(779,497)	(1,265,971)
Non-controlling interests	(124,288)	(69,813)
Net loss for the period	(903,785)	(1,335,784)
 <b>Total comprehensive loss attributable:</b>		
Owners of Consolidated Zinc Limited	(1,155,355)	(1,543,534)
Non-controlling interests	(107,196)	(62,836)
Net loss for the period	(1,262,551)	(1,606,370)
 <b>Overall Operations</b>		
Basic and diluted loss per share (cents per share)	(0.21)	(0.61)

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 2016**

	Notes	31 December 2016	30 June 2016
<b>CURRENT ASSETS</b>		\$	\$
Cash and cash equivalents		924,328	4,582,756
Trade and other receivables		409,571	226,750
Financial assets		3,000	2,800
<b>TOTAL CURRENT ASSETS</b>		<u>1,336,899</u>	<u>4,812,306</u>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		922,997	624,532
Plant and equipment		47,244	28,541
Exploration and asset acquisition expenditure	6	10,236,172	8,078,016
<b>TOTAL NON-CURRENT ASSETS</b>		<u>11,206,413</u>	<u>8,731,089</u>
<b>TOTAL ASSETS</b>		<u>12,543,312</u>	<u>13,543,395</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		488,789	654,030
Borrowings		1,000,000	1,505,000
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,488,789</u>	<u>2,159,030</u>
<b>TOTAL LIABILITIES</b>		<u>1,488,789</u>	<u>2,159,030</u>
<b>NET ASSETS</b>		<u>11,054,523</u>	<u>11,384,365</u>
<b>EQUITY</b>			
Issued capital	4	27,228,089	26,719,651
Reserves		282,206	233,793
Accumulated losses		(16,270,295)	(15,490,798)
<b>Total capital and reserves attributable to the owners of Consolidated Zinc Limited</b>		<u>11,240,000</u>	<u>11,462,646</u>
Non-Controlling Interests		(185,477)	(78,281)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>11,054,523</u>	<u>11,384,365</u>

The accompanying condensed notes form part of these financial statements.



**CONSOLIDATED ZINC LIMITED**

**ACN 118 554 359**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Issued Capital	Accumulated Losses	Reserves	Foreign Exchange Reserve	Total	Non controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>	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)
<b>Total comprehensive loss for the period</b>	-	(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
<b>Balance at 31 December 2015</b>	20,079,538	(15,014,551)	594,468	(173,665)	5,485,790	(62,836)	5,422,954
	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Reserves</b>	<b>Foreign Exchange Reserve</b>	<b>Total</b>	<b>Non controlling interest</b>	<b>Total Equity</b>
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	26,719,651	(15,490,798)	594,468	(360,675)	11,462,646	(78,281)	11,384,365
Loss for the year	-	(779,497)	-	-	(779,497)	(124,288)	(903,785)
Other Comprehensive income	-	-	-	(375,858)	(375,858)	17,092	(358,766)
<b>Total comprehensive loss for the period</b>	-	(779,497)	-	(375,858)	(1,155,355)	(107,196)	(1,262,551)
<i>Transactions with owners in their capacity as owners</i>							
Shares issued during the period (net of costs)	508,438	-	-	-	508,438	-	508,438
Options issued during the period (net of costs)	-	-	312,604	-	312,604	-	312,604
Performance rights issued during the period (net of costs)	-	-	111,667	-	111,667	-	111,667
<b>Balance at 31 December 2016</b>	27,228,089	(16,270,295)	1,018,739	(736,533)	11,240,000	(185,477)	11,054,523

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 2016**

	Half year ended 31 December 2016	Half year ended 31 December 2015
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(744,188)	(676,363)
Interest received	110	3,149
Payments for exploration expenditure	(3,083,853)	(2,138,448)
<b>Net cash used by operating activities</b>	<b>(3,827,931)</b>	<b>(2,811,662)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for plant and equipment	(24,195)	(32,752)
<b>Net cash provided by investing activities</b>	<b>(24,195)</b>	<b>(32,752)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from equity issue (net of costs)	286,254	580,812
Proceeds from convertible notes issued	-	1,000,000
<b>Net cash provided by financing activities</b>	<b>286,254</b>	<b>1,580,812</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>	<b>(3,565,872)</b>	<b>(1,263,602)</b>
Cash at the beginning of the financial period	4,582,756	1,802,357
Exchange rate changes on the balance of cash held in foreign currencies	(92,556)	(22,752)
<b>Cash and cash equivalents at 31 December</b>	<b>924,328</b>	<b>516,003</b>

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 2016

#### 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 2016 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 2016, 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 \$903,785 and had net cash outflows from operating activities of \$3,827,931 for the period ended 31 December 2016. As at that date, the consolidated entity had a deficit of net current asset of \$151,890.

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. 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 2016**

**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 2016 other than those disclosed in the 2016 Annual Financial Report.

**NOTE 4: ISSUED CAPITAL**

	31 December 2016 \$	30 June 2016 \$
Ordinary fully paid Shares	27,228,089	26,719,651

	31 December 2016		30 June 2016	
	Number of shares	\$	Number of shares	\$
<b>(a) Movements in ordinary share capital</b>				
Balance 1 July	410,639,291	26,719,651	216,030,958	19,188,726
Issued during the period:				
– Shares issued	19,185,396	826,907	194,608,333	7,959,750
Capital raising costs	-	(318,469)	-	(428,825)
Balance 31 December	429,824,687	27,228,089	410,639,291	26,719,651

	31 December 2016		30 June 2016	
	Number of options	\$	Number of options	\$
<b>(b) Movements in options</b>				
Balance 1 July	151,126,533	578,316	46,887,642	468,811
Options issued	32,833,111	312,604	104,838,891	109,505
Exercised during the period	(1,174)	-	-	-
Expired during the period	(23,348,968)	-	(600,000)	-
Balance 31 December	160,609,502	890,920	151,126,533	578,316

**CONSOLIDATED ZINC LIMITED**

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**CONDENSED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

**NOTE 4: ISSUED CAPITAL (Continued)**

(c) Movements in performance rights	31 December 2016		30 June 2016	
	Number of rights	\$	Number of rights	\$
Balance 1 July	5,000,000	16,152	-	-
Issued during the period:				
– Issued to directors	5,000,000	111,667	5,000,000	16,152
Expired during the period:	(1,666,667)	-	-	-
Balance 31 December	8,333,333	127,819	5,000,000	16,152

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 2016.

**NOTE 6: RECONCILIATION OF EXPLORATION EXPENDITURE**

	31 December 2016	30 June 2016
Opening balance	8,078,016	4,314,153
Exploration incurred during the year	2,158,156	4,063,864
Impairment	-	(300,001)
Closing balance	<u>10,236,172</u>	<u>8,078,016</u>

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 2016	30 June 2016
Opening balance	1,505,000	-
Issued during the year	-	1,505,000
Converted during the year	(505,000)	-
	<u>1,000,000</u>	<u>1,505,000</u>

- Conversion of the notes shall be subject to compliance with section 606 of the Corporations Act

## CONSOLIDATED ZINC LIMITED

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### CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

#### NOTE 8: SUBSEQUENT EVENTS

On the 4 January 2017, the Company issued 31,436,701 shares being total applications received under the non-renounceable rights issue which closed on 23 December 2016.

Other than these matters, there have been no matters or circumstances that have arisen since 31 December 2016 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

#### NOTE 9: COMMITMENTS

Commitments remain as those disclosed in the 30 June 2016 Annual Financial Report.

#### NOTE 10: OPTIONS AND PERFORMANCE RIGHTS

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

- 23,572,000 Unlisted Advisor Options exercisable at \$0.06 each on or before 31 December 2018
- 5,000,000 Performance Rights Options granted to key management personnel

Details of these issues are:

##### Options

23,572,000 Unlisted Advisor options were issued on 22 July 2016 for the provision of advisory services, these are exercisable at \$0.06 each on or before 31 December 2018. Total value of \$312,604 vested immediately and the amount offset against Shareholders equity in the Options reserve.

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
Number of options	23,572,000
Exercise price (\$)	0.06
Valuation (grant) date	22 July 2016
Expiry date	31 December 2018
Expiration period (years)	2.44
Vesting date	nil
Exercise conditions	nil
Value	\$0.0133

**CONSOLIDATED ZINC LIMITED**  
**ACN 118 554 359**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

**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 30 November 2016 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 Class A Performance Rights.
  2. 666,667 Class B Performance Rights.
  3. 666,666 Class C Performance Rights.
- Mr Stephen Copulos
  1. 500,000 Class A Performance Rights.
  2. 500,000 Class B Performance Rights.
  3. 500,000 Class C Performance Rights.
- Mr Andrew Richards
  1. 500,000 Class A Performance Rights.
  2. 500,000 Class B Performance Rights.
  3. 500,000 Class C Performance Rights.

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

<b>Class of Performance Rights</b>	<b>Performance Condition</b>	<b>Expiry Date</b>
Class A Performance Rights	(a) Upon the Company announces a JORC Code compliant resource of not less than 1,200,000 tonnes of mineralisation at a combined grade of at least 17% (Zn+Pb); (b) A Takeover Event occurs.	30 September 2019
Class B Performance Rights	(a) Upon the commencement of construction of a mine at the Company's Plomosas Project; or (b) A Takeover Event occurs	30 September 2019
Class C Performance Rights	(a) Upon the Company's shares achieving a 10 day VWAP of \$0.15 or more for a period of 10 consecutive trading days; or (b) A Takeover Event occurs	30 September 2019

Total value of \$111,667 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 15 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 2016 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  
16 March 2017



## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Consolidated Zinc Limited for the half year ended 31 December 2016, 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 of Consolidated Zinc Limited and its controlled entities during the half year ended 31 December 2016.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER  
Director

Perth

Date: 16 March 2017

## 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 2016 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 2016 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 2016 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: 16 March 2017