



**ABN 27 118 554 359**

# **Annual Report**

**Year ended 31 December 2020**

## CORPORATE DIRECTORY

### DIRECTORS

Brad Marwood – Managing Director  
Andrew Richards – Executive Director  
Angela Pankhurst – Executive Director (Non-Executive in 2020)

### COMPANY SECRETARY

Anthony Italiano

### PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

Level 2  
35 Outram Street  
WEST PERTH WA 6005

### SHARE REGISTRY

Link Market Services Limited  
Level 12, QV1 Building  
250 St Georges Terrace  
PERTH WA 6000

### SECURITIES EXCHANGE (ASX: CZL)

Australian Securities Exchange  
Level 40  
152-158 St George's Terrace  
PERTH WA 6000

### SOLICITORS

AGH Legal  
Level 2, 66 Kings Park Road  
WEST PERTH WA 6005

### AUDITORS

HLB Mann Judd (WA Partnership)  
Level 4  
130 Stirling Street  
PERTH WA 6000

### CONTACT DETAILS

P.O. Box 839  
WEST PERTH WA 6872

Ph: + 61 (8) 9322 3406

Website: [www.consolidatedzinc.com.au](http://www.consolidatedzinc.com.au)

Email: [info@conzinc.com.au](mailto:info@conzinc.com.au)

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## CHAIRMAN'S LETTER

Dear Fellow Consolidated Zinc Shareholders

As you are aware 2020 was a difficult year for the global economy seeing contractions in many commercial endeavours. The Plomosas mine operated for 10 months during 2020 with a two-month shutdown during April and May as directed by the Mexican government. Consolidated Zinc has addressed the threats posed by the COVID -19 pandemic and has taken recommended precautions at every level.

Plomosas mining operations shifted from contract mining to owner operated mining at the start of the year. This was a successful transition with the first quarter delivering lower costs, higher production and better continuity of plant feed delivery. Mining costs were halved through this initiative.

After a promising first quarter, the rest of the year was impacted by protocols required for dealing with COVID -19. In the second quarter operations were shut down, during the third quarter staff were not permitted to relocate back to site and in the fourth quarter supply chain issues impacted operations. Despite the disruptions, I am pleased to advise that the Plomosas mine returned to profitability with C1 cash costs of US\$1.04/lb in the Q4 2020, following cost reductions and a recovery in zinc and lead prices.

The base metal exploration and grade control works have identified a potential change in the structural orientation of the mineralisation to the north of the base metal mineralised trend. If it is proven that the mineralisation has faulted rather than bent as is the current model, the potential exists to define economic mineralisation north of the proposed fault with continuity of grade as seen south of the fault when mining for the past 80 years.

The updated depleted Mineral Resource model (Dec 2020) was announced on 18 March 2021 and shows that 40% of the 2020 plant feed was mined from outside of the block model mineralised envelope. Should this trend continue then at Plomosas we may see a 40% increase in Mineral Resources once drilled out. This is also a very exciting opportunity that can be realised with a modest exploration program.

Gold mineralisation across the Plomosas holdings was investigated with grab samples and mapping for target generation undertaken. The Enrique and Chona prospects, for which assays are pending, remain the most promising gold targets at Plomosas. Further investigation is planned for 2021 to define the extent of these targets.

Late in July 2020 Consolidated Zinc received the permits required to construct and operate a tailings storage facility at Plomosas. With these permits in place, planning for the refurbishment of the processing plant at Plomosas commenced and capital was raised for the tailings dam and the plant. After the capital raising was completed in October construction started and, as I write this letter, the Plomosas Plant has commenced commissioning and is expected to reach commercial operations in the second quarter 2021. The processing plant has been refurbished to process 100tpd with provision to be easily expanded to 200tpd, which is expected to happen in late 2021.

Consolidated Zinc developed a strategic plan in 2018 that is now being realised. The reduced costs, improved recoveries and increased availability of a purpose-built plant, and other synergies that come with operating a mine and plant in close proximity are available to be realised. As the world constrains the COVID-19 pandemic, Consolidated Zinc is looking to a brighter future where the Plomosas operations deliver returns, regional exploration delivers increased mineralisation for mining and expansion of operations increases the potential for improved returns leading to a brighter future.

Yours sincerely,



Andrew Richards

Non-executive Chairman



## ANNUAL MINERAL RESOURCE STATEMENT

### PLOMOSAS PROJECT, CHIHUAHUA STATE, MEXICO (CONSOLIDATED ZINC 100%)

Table 1: Total Plomosas March 2021 Mineral Resources Mining Depleted at 31 December 2020 Reported above a 3.0% Zn cut-off grade							
Prospect	Indicated Mineral Resource						
	Tonnage t	Zn %	Pb %	Ag g/t	Zn t	Pb t	Ag Oz
Level 7	72,000	19.4	9.3	57.0	14,000	6,700	132,600
Tres Amigos	42,000	7.7	2.3	12.0	3,000	1,000	16,200
Tres Amigos North	38,000	7.8	3.6	13.1	3,000	1,000	15,800
<b>Total</b>	<b>152,000</b>	<b>13.3</b>	<b>6.0</b>	<b>33.6</b>	<b>20,200</b>	<b>9,100</b>	<b>164,600</b>

Prospect	Inferred Mineral Resource						
	Tonnage t	Zn %	Pb %	Ag g/t	Zn t	Pb t	Ag Oz
Level 7	136,000	13.2	6.1	30.9	17,900	8,300	134,800
Tres Amigos	439,000	14.0	1.2	11.6	61,600	5,300	163,100
Carola	59,000	11.5	5.1	31.4	6,800	3,000	59,500
Las Espadas	77,000	10.5	4.2	14.8	8,000	3,200	36,400
Tres Amigos North	78,000	10.1	3.6	16.7	7,900	2,800	41,800
<b>Total</b>	<b>788,000</b>	<b>13.0</b>	<b>2.9</b>	<b>17.2</b>	<b>102,100</b>	<b>22,700</b>	<b>435,500</b>

Prospect	Total Mineral Resource						
	Tonnage t	Zn %	Pb %	Ag g/t	Zn t	Pb t	Ag Oz
Level 7	208,000	15.3	7.2	39.9	31,900	15,100	267,300
Tres Amigos	481,000	13.5	1.3	11.6	64,800	6,300	179,300
Carola	59,000	11.5	5.1	31.4	6,800	3,000	59,500
Las Espadas	77,000	10.5	4.2	14.8	8,000	3,200	36,400
Tres Amigos North	116,000	9.4	3.6	15.5	10,800	4,200	57,600
<b>Total</b>	<b>941,000</b>	<b>13.0</b>	<b>3.4</b>	<b>19.9</b>	<b>122,300</b>	<b>31,700</b>	<b>600,200</b>



**Table 2: Total Plomosas April 2020 Mineral Resources Mining Depleted at 31 December 2019  
Reported above a 3.0% Zn cut-off grade**

Prospect	Indicated Mineral Resource						
	Tonnage t	Zn %	Pb %	Ag g/t	Zn t	Pb t	Ag Oz
Level 7	85,000	19.7	9.5	57.7	17,000	8,000	157,000
Tres Amigos	42,000	7.7	2.3	12.0	3,000	1,000	16,000
Tres Amigos North	38,000	7.8	3.6	13.1	3,000	1,000	16,000
<b>Total</b>	<b>165,000</b>	<b>13.2</b>	<b>6.3</b>	<b>35.7</b>	<b>23,000</b>	<b>10,000</b>	<b>189,000</b>

Prospect	Inferred Mineral Resource						
	Tonnage t	Zn %	Pb %	Ag g/t	Zn t	Pb t	Ag Oz
Level 7	146,000	13.6	6.4	31.7	20,000	9,000	149,000
Tres Amigos	439,000	14.0	1.2	11.6	62,000	5,000	163,000
Carola	59,000	11.5	5.1	31.4	7,000	3,000	60,000
Las Espadas	77,000	10.5	4.2	14.8	8,000	3,000	36,000
Tres Amigos North	78,000	10.1	3.6	16.7	8,000	3,000	42,000
<b>Total</b>	<b>799,000</b>	<b>13.0</b>	<b>3.0</b>	<b>17.5</b>	<b>104,000</b>	<b>24,000</b>	<b>450,000</b>

Prospect	Total Mineral Resource						
	Tonnage t	Zn %	Pb %	Ag g/t	Zn t	Pb t	Ag Oz
Level 7	231,000	15.8	7.6	41.2	37,000	17,000	306,000
Tres Amigos	481,000	13.5	1.3	11.6	65,000	6,000	179,000
Carola	59,000	11.5	5.1	31.4	7,000	3,000	60,000
Las Espadas	77,000	10.5	4.2	14.8	8,000	3,000	36,000
Tres Amigos North	116,000	9.4	3.6	15.5	11,000	4,000	58,000
<b>Total</b>	<b>964,000</b>	<b>13.2</b>	<b>3.5</b>	<b>20.6</b>	<b>127,000</b>	<b>34,000</b>	<b>639,000</b>



***Review of material changes***

The depletion in the mineral resources are due to mining depletion at Level 7 SOX during the reporting period.

The March 2021 Mineral Resource update was completed to incorporate all mineralised Resource depleted due to mining and sterilisation. The depletion between the April 2020 Mineral Resource update and the March 2021 Mineral Resource update was 23,000t (2.4% reduction), Zinc metal was reduced by 4,700t zinc (3.7% reduction).

***Governance and internal controls***

The Group's procedures for the sample techniques and sample preparation are regularly audited by independent experts.

Assays are performed by independent internationally accredited laboratories with a QAQC program showing acceptable levels of accuracy and precision.

The exploration assay results database is independently maintained by Expedio Services Pty Ltd.

The mineral resource estimate was undertaken independently by Ashmore Advisory Pty Ltd.

**COMPETENT PERSON STATEMENT**

The information in this Annual Mineral Resources Statement is based on, and fairly represents information and supporting documentation prepared by Mr Bradley Marwood, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Marwood is a Director of the Company. Mr Marwood has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Richards has approved the Statement as a whole and consents to its inclusion in the Annual Report in the form and context in which it appears.

## REVIEW OF OPERATIONS

### MEXICO – The Plomosas Project

The Plomosas Project covers 11 mining concessions totalling 3,019ha in area with an extensive history of exploration and development in base metal operations, with 1 additional exploration concession under application. Plomosas is in the northern Mexican state of Chihuahua, which neighbours Texas, USA, and is accessed by a two-hour flight from Dallas. Records show the Plomosas Project to be in the global zinc industry's upper quartile for grade, with approx. 2.5 million tonnes of ore having been mined since 1943 with average historical grades of 15-25% Zinc (Zn) + 2-7% Lead (Pb) and 40-60 g/t Silver (Ag), and clean mineralogy.

Consolidated Zinc owns 100% of Plomosas through Minera Latin American Zinc S.A.P.I. de C.V. ("MLAZ").

Mineralisation in the Plomosas district exists as stratiform sheets of manto-style mineralisation with cross-cutting "chimneys" influenced by the location of cross-cutting linking faults. The host rocks are predominantly limestone and shale with marbles present in areas including the hanging wall sequence. The hanging wall to the mineralisation is constrained by a zone of ductile-brittle deformation that is part of a larger 'horst' structure where a series of normal faults crosscut a sequence of folds and thrusts. This system of brittle deformation is evident along a series of normal sub vertical faults generally striking NW-SE.

During 2020, Consolidated Zinc operated the Plomosas Mine for 10 months. The Mexican government stopped all mines as deemed non-essential businesses during April and May.

From the start of the year the Plomosas mine was operated by the owner (MLAZ) delivering higher production and 50% lower operating costs than the contract miner in 2019. The first quarter established pre-COVID-19 mine production of 3,000 tonnes per month (tpm), while ore was processed at 3,300tpm. With all mining stopped during April and May, and interrupted in June, operating performance was poor in the second quarter. Mining and processing returned to similar levels to the first quarter in the third quarter, however the available ore to be mined was of lower grade. The reduced grade was offset by higher base metal prices and the Plomosas mine returned to profitable operations in the fourth quarter. During the fourth quarter the supply chain, including essential services such as electricity, was stressed by Mexico/USA border delays resulting with lower production and higher costs.

Consolidated Zinc announced the updated depleted Mineral Resource for the Plomosas base Metal mine on 18 March 2021 (refer to Annual Mineral Resource statement on pages 4-5). The total ore mined in 2020 and brought to the surface was 30,650 tonnes, approximately 4,000 tonnes remained underground to be hauled to the surface and 29,527 tonnes were processed. 20,000 tonnes of the mined ore came from within the Mineralised Block model while approximately 14,000 tonnes of ore grade mineral was mined from outside of the block model. This result indicates that the block model build prior to mining was highly constrained and that a less constrained block model is worthy of developing at Plomosas. The overall tonnage reconciliation was good.

At the time of writing the Plomosas plant commissioning had commenced with the crusher commissioned and the fine ore bin filled. The mill and flotation circuit are planned to be sequentially commissioned during the March 2021. Plans for the refurbishment of the Plomosas plant were finalised after MLAZ secured the final permits required to construct and operate the tailings dam in July 2020. The refurbishment of the Plomosas plant was budgeted, and is being commissioned, at a cost of approximately US\$1.36M. This first stage of the refurbishment will result in the Plomosas plant having an operating capacity of 3,000 tonnes per month. Later in 2021 the plant is planned to be expanded to operate at 6,000 tonnes per month.

Gold exploration continued during the year with gold samples taken from identified anomalies and prospects during the year. At the time of writing gold assays remained outstanding for the Enrique and Chona prospects. The remaining prospects and anomalies have been proven to have limited potential.

### MINING OPERATIONS

During 2020, CZL's production, ore mined was 33,416 tonnes at 14.5% zinc and 8.2% lead. The water level was maintained below Level 900m RL.



Mining activities focused on the Semi-Oxidised mineralisation (SOX) between Level 7 and the 900m RL sublevel. Most ore mined from the stopes located below 927m RL and 900m RL. This SOX was supplemented with fresh sulphide ore from Las Espada and Tres Amigos both mined above the level 7 (917m RL).

Owner operated mining has proved beneficial for the Plomosas operations with mining operating costs halved. While the annual ore mined and delivered to the surface was lower than budgeted with operations suspended for two months due to government COVID-19 directives and were impacted by COVID-19 for most of the year.

Fans and water pumps were installed during the year to improve the ventilation and reduce water level faster enabling quicker access to higher grade stopes below the current water level.

## **PROCESSING**

A total of 29,527 tonnes of ore were processed during the year, with sales of 2,309 tonnes of payable zinc, 710 tonnes of payable lead and 864 ounces of payable silver.

All processing was done under an ore toll treatment agreement with Triturado y Minerales La Piedrera S.A. de CV, which operates the Aldama concentrator facility (the "Aldama Plant"), located 70km from the Plomosas Mine.

The Aldama Plant has had its share of challenges through 2020 with power outages and major equipment failures. Recovery through the Aldama plant was improved over the year lifting the recoveries from 63.6% Zinc, 28.4% Lead to 75.1% Zinc and 40% Lead.

## **EXPLORATION**

Exploration during 2020 included base metal exploration and surface gold exploration works. MLAZ secured the services of a very experienced senior geologist who with the help of the MLAZ staff completed the surface mapping, surface sampling and field reconnaissance works for gold. The base metal exploration work involved a review of all historical works and walking the surface expression of the base metal horizon which resulted in the development of potential new interpretations of the structural controls on the Plomosas base metals at the north end of the mineralisation.

### **Resource Sampling and Grade Control**

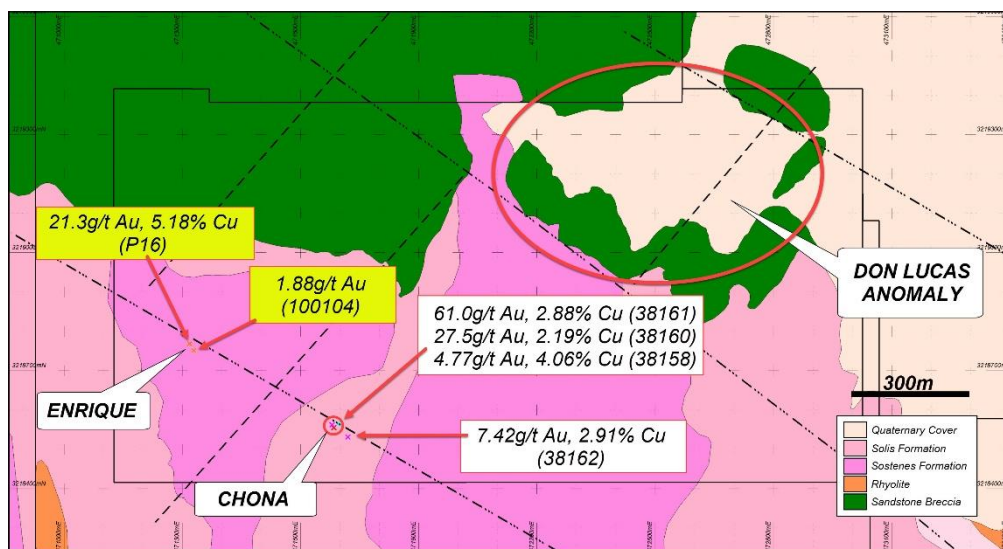
The mine geologists continued the underground sampling face by face in the stopes and development heading. This built up a detailed grade distribution understanding that was incorporated into the Mineral Resource Block Model. At the end of December 2020 all the openings were resurveyed for the annual reconciliation work. All assays were assigned to face tonnes and reconciled from the plant production back through mining and grade control to the block model. The results indicate that inside of the block model the tonnes reconcile very well, however the grade delivered from the mine, the grade processed and the produced metal indicate that there was modest dilution and some ore loss did occur. Further where development on ore was undertaken the face was not always in ore so there was further contact dilution in the development headings. It is significant that 40% of the ore mined was mined outside of the block model. The grades of this ore mined based on the grade control assays was 14,056 tonnes 18.85% Zinc, 11.25% lead, 59g/t Silver.

### **Results of Reconnaissance Gold Exploration**

The results of the reconnaissance work demonstrated little or no commercial gold exploitable mineralisation at all targets except Enrique and Chona. The assays from these best two targets had not been obtained at the time of writing.

### ***Chona/Enrique Gold Veins***

Located approximately 5km to the west-northwest of Plomosas mine, the Chona and Enrique veins are interpreted to be mesothermal in origin. Veins in the Chona area are typically around 20-30cm in width with a visual strike extent of around 100 metres with a dip and dip direction of 45 degrees at 55 degrees. Veins are granular, containing quartz, carbonate and haematite as gangue to malachite at around 3%.



**Figure 1:** Location and results from the Chona sampling on geology with structural lineaments. Note the structural trend between Chona and Enrique, with a distance of approximately 420m. Assay values highlighted in yellow are historic results.

Once the grab sample assays have been returned and interpreted MLAZ will consider the best approach to further investigate the potential for economically exploitable gold at Enrique and Chone.



## DIRECTORS' REPORT

The directors present the financial report of Consolidated Zinc Limited (the "Company") and controlled entities (the "Group") for the year ended 31 December 2020 (the "reporting period").

### DIRECTORS

**Andrew Richards** – Executive Director, Non-Executive Chairman (from 1 January 2020)

**Brad Marwood** – Managing Director

**Angela Pankhurst** – Executive Director (from 19 January 2021, Non-executive to 18 January 2021)

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

### COMPANY SECRETARY

**Mr Anthony Italiano**

Mr Italiano is a Chartered Accountant with over 17 years of experience in the mining sector, primarily in Australia, Africa and North America. He brings a wealth of expertise in corporate governance, operations, financing, commodity marketing and trading from numerous projects and transactions he has been involved in over the years.

### INFORMATION ABOUT THE DIRECTORS

The names and further details of the Directors of Consolidated Zinc Limited during the financial period are:

#### **Brad Marwood, Managing Director**

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Mr Marwood *Bachelor of Applied Science (Mining Engineering)* is a mining engineer and resources industry executive with more than 30 years of experience. He was instrumental in bringing into production the copper mines at Kipoi (DRC) and Rapu (Philippines); completing development of the Svartliden gold mine (Sweden) and has managed numerous feasibility studies and advanced stage resource projects in Australia, Africa, North America and Asia.

He has worked in senior roles for groups such as Normandy Mining Ltd, Dragon Mining Ltd, Lafayette Mining Ltd, Moto Goldmines Ltd and Perseus Mining Ltd before his most recent role as Managing Director of Tiger Resources Ltd. Mr Marwood's involvement has seen growth in several companies with a significant increase in their market capitalisation and protecting investments through restarting suspended mine projects.

Mr Marwood also held directorship with the following listed companies in the 3 years immediately prior to the date of this report.

Name	Date Appointed	Tenure
Ionic Rare Earths Limited	December 2020	Current
Middle Island Resources Limited	December 2019	Current



## DIRECTORS' REPORT

### Andrew Richards, *Non-executive Chairman*

Mr Richards *Bachelor of Science (Hons), Dip Ed* is a geologist with more than 30 years of experience in the international mining industry which included company management and project finance. He has worked at a senior level in both production and exploration over a wide variety of areas and commodities and has undertaken technical reviews, project audits and monitored project construction. He is a member of the AusIMM, AIG, SEG and the AICD.

Mr Richards has worked extensively with gold, base metals, rare earths and industrial minerals in Australasia, Asia, Africa and South America. He is and has been on the boards of several listed companies on ASX and AIM and was previously Managing Director and CEO of two ASX listed companies operating in China.

Mr Richards also held directorships with the following listed companies in the 3 years immediately prior to the date of this report.

Name	Date Appointed	Tenure
Hunter Resources plc	July 2014	Current
Big River Gold Limited	February 2019	Current

### Angela Pankhurst, *Executive Director*

Ms Pankhurst *Bachelor of Business* was originally a Chartered Accountant undertaking audit and CFO roles, who increasingly took on non-executive and executive roles in the international resource sector becoming Managing Director of Central Asia Resources Limited in 2011 when she managed the development of that Company's gold project in Kazakhstan.

Ms Pankhurst has worked in both resource and non-resource sectors in numerous countries, including Australia, Kazakhstan, Nigeria, Dominican Republic and others in Africa and Asia.

Ms Pankhurst also held directorships with the following listed companies in the 3 years immediately prior to the date of this report.

Name	Date Appointed	Tenure
Antilles Gold Limited	April 2012	Current



## PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the reporting period was the mining of zinc and lead ores at its Plomosas Project.

## OPERATIONS REVIEW

For details of operations please see the Review of Operations pages 7 to 9 of this Annual Report.

## FINANCIAL REVIEW

The functional and presentation currencies of the Group is United States Dollars, as this is the currency that its revenue and a majority of its costs are denominated in.

### Profit and Loss

The Group recorded a loss after tax attributable to the owners of the Company for the year ended 31 December 2020 of \$2.415 million (31 December 2019: loss of \$1.293 million), representing a loss per share of 1.57 cents (31 December 2019: loss of 1.312 cents). The loss was primarily due to the impacts of COVID-19 during the year including a temporary suspension of operations in Mexico and lower zinc and lead prices during the year.

### Balance Sheet

Total current assets increased by \$0.102 million, mainly through increases in cash of \$0.223 million and inventory of \$0.330 million, offset by a decrease in trade and other receivables of \$0.452 million.

Total non-current assets increased by \$0.096 million, primarily due to an increase in property, plant and equipment of \$0.454 million. This was offset by depreciation of mine properties \$0.292 million (net of additions).

Total liabilities decreased by \$1.268 million to \$3.105 million primarily due to a net decrease in borrowings of \$1.258 million to \$0.094 million, and the extinguishment of the prior year derivative and lease liabilities of \$0.126 million and \$0.031 million respectively. This was offset by an increase in trade and other payables of \$0.053 million.

Total equity interests attributable to the Company's shareholders increased by \$1.466 million to \$2.185 million, primarily through capital raisings and conversion of convertible notes to equity.

### Cashflow

As at 31 December 2020, the Group held cash on hand and deposit of \$0.752 million (31 December 2019: \$0.530 million).

Net cash outflows from operations and investing activities were \$1.653 million and \$0.583 million respectively. Financing activities raised \$2.414 million, comprising net proceeds from capital raising and borrowings of \$2.414 million and \$0.261 million respectively, partly offset by the repayment of convertible notes and associated interest of \$0.249 million.

### Financing

#### Debt and Equity

During the year, convertible note holders converted a total of A\$1.681 million of principal and interest into 443,451,627 fully paid ordinary shares (pre share consolidation in December 2020). These convertible notes related to funding provided in 2018 and 2019 for general working capital and to fund the commencement of production from the Plomosas mine.

At 31 December 2020, the outstanding convertible notes were all fully redeemed into fully paid ordinary shares.

In June 2020 a total of A\$2.295 million was raised through a rights issue and placement of 765,311,631 shares at A\$0.003 per share, with one free attaching option per new share issued at an exercise price of A\$0.006 and expiry date of 1 June 2023.



## DIRECTORS' REPORT

In October 2020, the Company completed another rights issue at an issue price of A\$0.003 per share, with 1 free attaching option for every 3 new shares issued at an exercise price of A\$0.006 and expiry date of 1 June 2023. This rights issue raised A\$2.038 million through the issue of 679,430,439 shares.

### DIVIDENDS PAID OR RECOMMENDED

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group will continue the exploration and production of zinc and lead concentrates from Plomosas in Mexico.

In evaluating the likely achievement of these outcomes, the following risk factors should be taken into consideration:

#### Single Exploration and Development Asset

The Group's primary income generating asset is the Plomosas Project, the Group is therefore at risk that adverse performance of the project resulting from internal or external factors may impact future returns.

#### Underground mining and operations risk

The Group conducts mining operations at the Plomosas underground mine in the northern Mexican state of Chihuahua. The Group commenced mining in September 2018 and mines ore featuring zinc, lead and silver.

Underground mining is by its nature a high risk undertaking where operations can be affected by a number of factors. These include, but are not limited to, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, unexpected shortages or increases in the price of consumables and inputs (including diesel), spare parts and plant and equipment, labour disputes, industrial accidents including fire, flood and collapse, unusual or unexpected geological formations or hydrogeological conditions including flooding.

#### Ore treatment risk

During 2020 the Group processed its ore under a toll treatment agreement with the operator of the Aldama concentrator facility, located approximately 70 kilometres from the Plomosas mine. The effective treatment of the ore was therefore reliant on the third-party operator and the concentrator facility's ability to process ore effectively.

During the first half of 2021, the Group will commission the refurbishment of the Plomosas processing plant, to consolidate ore mining and processing operations at the Plomosas mine. Following completion of the refurbishment, the Group will have full control of both the mining and processing functions.

Ore treatment is by its nature a high risk undertaking where operations can be affected by a number of factors. These include, but are not limited to, unanticipated technical and operational difficulties, mechanical failure of operating plant and equipment, unexpected shortages or increases in the price of consumables and inputs (including reagents and power), spare parts and plant and equipment, labour disputes, and industrial accidents.

#### Commodity price and volatility risk

Zinc, lead and silver (in concentrates) are produced from the Plomosas mine. The success of the operations at the Plomosas mine is reliant on the prices of these commodities.

Commodity prices (including zinc, lead and silver) fluctuate and are affected by numerous factors beyond the control of the Group. These factors include worldwide and regional supply and demand for commodities, forward selling by producers and production cost levels, general world economic conditions and the outlook for interest rates, inflation and other economic factors on both a regional and global basis. These factors may have a positive or negative effect on the Group's activities, together with the ability to fund these activities.

*Sale of product risk*

The concentrate products produced by the Group after mining and processing are zinc and lead concentrates. The Group has an offtake agreement for 100% of its zinc concentrate, with Industrias Penoles S.A. de C.V. (Penoles) one of the world's leading zinc refiners. The offtake agreement is to 31 December 2021 with options, at Penoles election, to be extended for a further 2 years. Lead concentrate is sold to global commodity trading houses at spot volumes on short term contracts.

Treatment charges apply to zinc and lead concentrates. The Plomosas zinc concentrate treatment charges are linked to the international benchmark, which is reset annually in approximately April of each year. Market forecasts indicate the zinc treatment charge will materially decrease for 2021, however, the quantum of decrease is not yet known. The lead treatment charge is negotiated on a spot volume basis and is subject to prevailing market conditions at the time of agreeing a spot sale.

*Resource and Reserve estimates*

The Plomosas Project features Mineral Resources. Mineral Resource and Ore Reserve estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource and reserve estimates are inherently imprecise and rely to some extent on interpretations made.

Additionally, resource and reserve estimates may change over time as new information becomes available. If the Group encounters mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Group's operations.

*Exploration risk*

The Group will undertake further exploration at its Plomosas Project. Exploration is by its nature a high risk undertaking and is affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, land access, changing government regulations and other factors beyond the Group's control.

There can be no assurance of success from any exploration activities.

*Title risk and licence conditions*

The Plomosas Project covers 11 mining leases in the northern Mexican state of Chihuahua.

The Group's activities are dependent upon the maintenance of these concessions and any regulatory consents. The concessions are subject to renewal.

Additionally, the concessions are subject to a number of legislative conditions. The inability to meet these conditions could affect the standing of the concessions or restrict their ability to be renewed.

Loss of any concessions or licences may severely adversely affect the Group.

*Land access*

The Plomosas Project covers 11 leases in the northern Mexican state of Chihuahua.

The Group has a land use agreement with a local rancher to enable appropriate land access for exploration and mining. The Group needs a valid and effective land use agreement in place to ensure appropriate access.

*Environmental*

The Plomosas Project is subject to laws and regulations regarding environmental matters. The authorities that administer and enforce environmental laws and regulations determine these requirements. As with all mining and exploration projects, the Group's activities are expected to have an impact on the environment. The Group intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws.

Failure to obtain or maintain relevant environmental approvals will prevent the Group from undertaking its activities.



## DIRECTORS' REPORT

### Foreign exchange risk

The Group's main business undertaking (the Plomosas mine) is in Mexico and as a result, any revenues, cash inflows, expenses, capital expenditure and commitments may occur in United States dollars or Mexican pesos.

The Group is exposed to the fluctuations and volatility of these currencies together with the Australian dollar.

### Sovereign risk

The Plomosas is located in the northern Mexican state of Chihuahua. Mexico is a federal presidential democratic republic.

The political conditions in Mexico are generally stable, however, changes may occur in the political, fiscal and legal systems which may affect the ownership or operations of the Group including changes in exchange rates, control or fiscal regulations, regulatory regimes, political insurrection or labour unrest, inflation or economic recession.

### Union disputes, blockages and unrest

Union disputes, blockages and unrest may occur in Mexico and restrict the ability of the Group to conduct its mining operations and the transport, processing and sale of its concentrate from the Plomosas mine.

Significant movements in a combination of these elements, could have a material adverse effect on operating costs of the Group.

### Going Concern

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. Refer to Note 1 for full details.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The exploration and mining activities of entities in the consolidated entity are subject to environmental regulations imposed by various regulatory authorities, particularly those relating to ground disturbance and the protection of rare and endangered flora and fauna.

Entities in the consolidated entity have complied with all environmental requirements up to the date of this report.

## CORPORATE STRUCTURE

Consolidated Zinc Limited (ACN 118 554 359) is a company limited by shares that is incorporated and domiciled in Australia. It listed on the Australian Securities Exchange on 15 June 2006 (ASX: CZL).

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than set out below, there have not been any other significant changes in the state of affairs of the Group during the financial year:

- On 23 April 2020, due to the COVID-19 pandemic the Mexican Government suspended all non-essential activities, with mining deemed non-essential. The Mexican Government re-classified mining as an essential service from 1 June 2020, allowing operations to re-commence;
- In June 2020, the Company completed a fully underwritten 1 for 3 rights issue at \$0.003 per share to raise A\$1.725 million, with one free attaching option per new share issued with an exercise price of \$0.006 per share and an expiry of 1 June 2023;
- In June 2020, the Company completed a placement of 190,000,000 shares at \$0.003 per share to raise A\$0.570 million, with one free attaching option per new share issued with an exercise price of \$0.006 per share and an expiry of 1 June 2023;
- On 30 July 2020, the Group announced the environmental authority in Mexico had issued the approvals required to allow for the construction of a tailings storage facility at Plomosas that would allow the Group to refurbish the Plomosas processing plant;

## DIRECTORS' REPORT

- In October 2020, the Company completed a fully underwritten 3 for 11 rights issue at \$0.003 per share to raise A\$2.038 million, with one free attaching option for every 3 new share issued with an exercise price of \$0.006 per share and an expiry of 1 June 2023;
- On 17 December 2020, all outstanding convertible notes on issue were fully redeemed into fully paid ordinary shares, extinguishing 100% of the convertible notes on issue;
- On 21 December 2020, the Company completed a consolidation of its securities on a 15 for 1 basis, which was approved by shareholders at the general meeting held on 14 December 2020.

### EVENTS AFTER THE REPORTING DATE

Other than set out below, no matters or circumstances have arisen since end of the year, which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods:

- On 19 January 2021, the Group announced it had executed an agreement with Penoles to reduce the transport costs/allowances for 100% of the Plomosas zinc concentrate delivered and sold to Penoles under an extended offtake agreement. As part of the agreement, the Group granted Penoles an additional 1 year option to extend the zinc offtake agreement to 31 December 2023;
- On 19 January 2021, the Company announced Angela Pankhurst, a non-executive Director of the Company had been appointed as an Executive Director on a part time basis of 1 day per week; and
- On 15 February 2021, the Company completed a placement to raise A\$2.550 million (before costs) through the issue of 63,750,000 shares at \$0.04 per share to fund increased inventory levels and working capital during the delayed completion of the Plomosas processing plant.

### INFORMATION ON DIRECTORS

The Table below sets out each Director's relevant interest in shares, performance rights and options over shares of the Company as at the date of this report:

Current Director	Number of ordinary shares	Number of options	Expiry date	Exercise price	Performance Rights
Andrew Richards	1,442,423	-	-	-	-
- Listed Options	-	310,696	1 June 2023	\$0.09	-
- Performance Rights	-	-	-	-	1,250,000
Brad Marwood	247,417	-	-	-	-
- Listed Options	-	3,387	1 June 2023	\$0.09	-
- Performance Rights	-	-	-	-	3,333,333
Angela Pankhurst	46,195	-	-	-	-
- Listed Options	-	12,373	1 June 2023	\$0.09	-
- Performance Rights	-	-	-	-	-



## DIRECTORS' REPORT

### MEETINGS OF DIRECTORS

During the reporting period, 20 formal meetings of Directors (including committees of directors) were held. Attendances by each Director during the period were as follows:

Directors	Directors' Meetings	
	Eligible to attend	Attended
Brad Marwood	20	20
Andrew Richards	20	20
Angela Pankhurst	20	20

The full Board fulfils the role of remuneration, nomination and audit committees.

### INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial period, the Company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

### INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial period, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

## DIRECTORS' REPORT

### Remuneration Report (Audited)

The full Board fulfils the roles of remuneration committee and is governed by the Group's adopted remuneration policy.

#### Remuneration Policy

This policy governs the operations of the Board. The Board shall review and reassess the policy at least annually and obtain the approval of the Board.

#### General Director Remuneration

Shareholder approval must be obtained in relation to the overall limit set for non-executive directors' fees. The Directors shall set individual Board fees within the limit approved by shareholders.

Shareholders must also approve the framework for any broad-based equity-based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be approved by the shareholders.

#### Executive Remuneration

The Group's remuneration policy for executive directors and senior management is designed to promote superior performance and long-term commitment to the Group. Executives receive a base remuneration which is market related and may be entitled to performance-based remuneration at the ultimate discretion of the Board.

Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the interests of the Group and shareholders to do so.

Executive remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to performance, relevant comparative information and expert advice.

The Committee's reward policy reflects its obligation to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Group. The main principles of the policy are:

- a) reward reflects the competitive market in which the Group operates;
- b) individual reward should be linked to performance criteria; and
- c) executives should be rewarded for both financial and non-financial performance.

The total remuneration of executives and other senior managers consists of the following:

- a) salary - executive directors and senior managers receive a sum payable monthly in cash;
- b) short term incentives - executive directors and nominated employees are eligible to participate in performance employee share option and performance rights schemes and a bonus or profit participation plan if deemed appropriate. Any option or performance right issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board, however, considers it appropriate to retain the flexibility to issue options and performance rights to executives and nominated employees outside of approved employee option and performance right plans in exceptional circumstances;
- c) long term incentives - executive directors may participate in share option and performance right schemes with the prior approval of shareholders. Nominated employees may also participate in employee share option and performance right schemes, with any option or performance right issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board, however, considers it appropriate to retain the flexibility to issue options and performance rights to executives and nominated employees outside of approved employee option and performance right plans in exceptional circumstances; and
- d) other benefits - executive directors and senior managers are eligible to participate in superannuation schemes and other appropriate additional benefits.

**DIRECTORS' REPORT****Remuneration Report (Audited)****Non-executive Remuneration**

Shareholders approve the maximum aggregate remuneration for non-executive directors. The Remuneration Committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations, if appropriate. The maximum aggregate remuneration approved for non-executive directors is currently A\$250,000.

It is recognised that non-executive directors' remuneration is ideally structured to exclude equity-based remuneration. However, whilst the Group remains small and the full Board, including the non-executive directors, are included in the operations of the Group more closely than may be the case with larger companies the non-executive directors are entitled to participate in equity-based remuneration schemes.

All directors are entitled to have their indemnity insurance paid by the Group.

**Bonus or Profit Participation Plan**

Performance incentives may be offered to executive directors and senior management of the Group through the operation of a bonus or profit participation plan at the ultimate discretion of the Board.

**Directors and Key Management Personnel**

The following persons acted as Directors and/or Key Management Personnel (KMP) of the Group during or since the end of the financial period:

Directors

Andrew Richards	Chairman (Non-Executive, appointed 1 January 2020)
Angela Pankhurst	Director ( <i>Non-executive during 2020, appointed Executive from 19 January 2021</i> )
Brad Marwood	Managing Director

Key Management Personnel

Anthony Italiano	Company Secretary and Chief Financial Officer
Steve Boda	Country Manager ( <i>Minera Latin American Zinc, ceased 25 May 2020</i> )

**DIRECTORS' REPORT**
**Remuneration Report (Audited)**
**Details of Remuneration for the period ended 31 December 2020**

The remuneration for each Director and Executive of Consolidated Zinc Limited during the period and the previous year was as follows:

Key Management Person	Salary and Fees		Superannuation	Share based Payments	Total Remuneration	Performance-based Remuneration
	Short-term Benefits	Non-cash Bonus	Post-employment Benefits			
	USD	USD	USD	USD	USD	%
<b>31 December 2020</b>						
Andrew Richards	64,725	-	6,149	30,479	101,353	30
Angela Pankhurst	35,501	-	3,373	-	38,874	-
Brad Marwood	265,845	-	-	67,817	333,662	20
Anthony Italiano	161,523	14,428	8,476	37,619	222,046	17
Steve Boda	88,044	-	-	255	88,299	-
	615,638	14,428	17,998	136,170	784,234	
<b>31 December 2019</b>						
Stephen Copulos*	97,653	-	-	7,643	105,296	7
Andrew Richards*	87,213	-	7,229	24,839	119,281	21
Angela Pankhurst	44,370	-	4,064	456	48,890	1
Brad Marwood*	249,706	-	14,433	93,976	358,115	26
Anthony Italiano	201,318	-	3,396	58,032	262,746	22
Steve Boda*	191,625	-	-	60,060	251,685	24
	871,885	-	29,122	245,006	1,146,013	

\* Salary and fees paid or payable to KMPs were fully or in part paid to the following related parties (excluding GST):

- Director fees for Andrew Richards were paid up to 31 January 2019 to Arc Resources Pty Ltd, a company of which Mr. Richards is a director.
- Director fees for Stephen Copulos are paid to The Eyeon Investments Family Trust, a company of which Mr. Copulos is a director.
- Executive fees for Brad Marwood were paid up to 31 January 2019 to Corporate Mining Pte Ltd, a company of which Mr. Marwood is a director.
- Fees for Steve Boda were paid up to 31 January 2019 to Kasy Investments Pty Ltd, a company of which Mr. Boda is a director.



## DIRECTORS' REPORT

### Remuneration Report (Audited)

#### Ordinary Shares held by KMP

Key Management Person	Held at start of year/ on appointment	Granted as compensation	Conversion of debt instrument	Acquired/ conversion of performance rights	Other changes <sup>1</sup>	Held at period/year end
<b>31 December 2020</b>						
Andrew Richards	13,885,011	-	-	15,951,355	(28,393,943)	1,442,423
Angela Pankhurst	408,334	-	-	284,603	(646,742)	46,195
Brad Marwood	2,808,849	-	-	902,414	(3,463,846)	247,417
Anthony Italiano	1,002,392	3,125,000	-	750,000	(4,877,392)	-
Steve Boda	1,825,000	-	-	750,000	(2,575,000)	-
	19,929,586	3,125,000	-	18,638,372	(39,956,923)	1,736,037
<b>31 December 2019</b>						
Stephen Copulos	291,911,277	-	99,796,333	750,000	93,473,622	485,931,232
Andrew Richards	6,120,000	-	5,641,096	750,000	1,373,915	13,885,011
Angela Pankhurst	-	50,000	-	-	358,334	408,334
Brad Marwood	479,015	-	-	2,250,000	79,834	2,808,849
Anthony Italiano	-	-	-	200,000	802,392	1,002,392
Steve Boda	1,325,000	-	-	500,000	-	1,825,000
	299,835,292	50,000	105,437,429	4,450,000	96,088,097	505,860,818

<sup>1</sup> Other changes include shares: obtained through rights issues, capital consolidation as approved by shareholders in December 2020, acquired and disposed on market as well as the shares held on the date of a person ceasing to be a KMP.

#### Listed Options held by KMP

Key Management Person	Held at start of year/ on appointment	Granted as compensation	Acquired through rights issue	Converted	Other changes <sup>1</sup>	Held at period/year end
<b>31 December 2020</b>						
Andrew Richards	-	-	4,660,445	-	(4,349,749)	310,696
Angela Pankhurst	-	-	185,612	-	(173,239)	12,373
Brad Marwood	-	-	50,805	-	(47,418)	3,387
Anthony Italiano	-	-	-	-	-	-
Steve Boda	-	-	-	-	-	-
	-	-	4,896,862	-	(4,570,406)	326,456
<b>31 December 2019</b>						
Stephen Copulos	-	-	-	-	-	-
Andrew Richards	-	-	-	-	-	-
Angela Pankhurst	-	-	-	-	-	-
Brad Marwood	-	-	-	-	-	-
Anthony Italiano	-	-	-	-	-	-
Steve Boda	-	-	-	-	-	-
	-	-	-	-	-	-

<sup>1</sup> Other changes include options: capital consolidation as approved by shareholders in December 2020, acquired and disposed on market as well as the shares held on the date of a person ceasing to be a KMP.



## Annual Report 31 December 2020

### DIRECTORS' REPORT

### Remuneration Report (Audited)

#### Unlisted Options over ordinary shares held by KMP

Key Management Person	Held at start of period/year	Granted as compensation	Lapsed or expired	Other changes <sup>1</sup>	Held at the end of period/year	Vested and exercisable at the end of the period/year
<b>31 December 2020</b>						
Andrew Richards	2,500,000	-	(2,500,000)	-	-	-
Angela Pankhurst	-	-	-	-	-	-
Brad Marwood	1,000,000	-	(1,000,000)	-	-	-
Anthony Italiano	-	-	-	-	-	-
Steve Boda	2,500,000	-	(2,500,000)	-	-	-
	6,000,000	-	(6,000,000)	-	-	-
<b>31 December 2019</b>						
Stephen Copulos	11,111,111	-	-	-	11,111,111	11,111,111
Andrew Richards	2,500,000	-	-	-	2,500,000	2,500,000
Angela Pankhurst	-	-	-	-	-	-
Brad Marwood	3,000,000	-	(2,000,000)	-	1,000,000	-
Anthony Italiano	-	-	-	-	-	-
Steve Boda	1,250,000	1,250,000	-	-	2,500,000	2,500,000
	17,861,111	1,250,000	(2,000,000)	-	17,111,111	16,111,111

No options were exercised during the twelve months ended 31 December 2020.

<sup>1</sup> Other changes include options: capital consolidation as approved by shareholders in December 2020, acquired and disposed on market as well as the shares held on the date of a person ceasing to be a KMP.

#### Performance Rights held by KMP

Key Management Person	Held at start of period/year	Granted as compensation	Exercised	Lapsed or expired	Other changes <sup>1</sup>	Held at the end of period/year	Vested and exercisable at the end of period/year
<b>31 December 2020</b>							
Andrew Richards	20,750,000	-	-	(2,000,000)	(17,500,000)	1,250,000	-
Angela Pankhurst	-	-	-	-	-	-	-
Brad Marwood	53,750,000	-	(750,000)	(3,000,000)	(46,666,667)	3,333,333	-
Anthony Italiano	27,750,000	-	(750,000)	(2,000,000)	(23,333,333)	1,666,666	-
Steve Boda	27,750,000	-	(750,000)	-	(27,000,000)	-	-
	130,000,000	-	(2,250,000)	(7,000,000)	(114,500,000)	6,249,999	-
<b>31 December 2019</b>							
Stephen Copulos	4,250,000	-	(750,000)	(1,500,000)	-	2,000,000	-
Andrew Richards	4,250,000	18,750,000	(750,000)	(1,500,000)	-	20,750,000	-
Angela Pankhurst	-	-	-	-	-	-	-
Brad Marwood	3,000,000	54,000,000	(2,250,000)	(1,000,000)	-	53,750,000	750,000
Anthony Italiano	-	28,950,000	(200,000)	(1,000,000)	-	27,750,000	750,000
Steve Boda	750,000	29,000,000	(500,000)	(1,500,000)	-	27,750,000	750,000
	12,250,000	130,700,000	(4,450,000)	(6,500,000)	-	132,000,000	2,250,000

<sup>1</sup> Other changes include options: capital consolidation as approved by shareholders in December 2020, as the shares held on the date of a person ceasing to be a KMP.

## DIRECTORS' REPORT

### Remuneration Report (Audited)

#### Share-based remuneration

##### Shares

A total of 3,125,000 ordinary shares were granted as compensation to Mr Anthony Italiano for nil consideration as a component of the incentive portion of his remuneration. The share price at the grant date was A\$0.008 per share resulting in a share based payment expense of A\$25,000.

#### Shares Issued on Exercise of Compensation Options and Performance Rights

During the period 2,250,000 performance rights granted to KMPs were exercised and converted to ordinary shares of the Company upon vesting, as set out in the following table:

Class	B Marwood	A Italiano	S Boda	Total
Class L	250,000	250,000	250,000	750,000
Class M	250,000	250,000	250,000	750,000
Class N	250,000	250,000	250,000	750,000
	750,000	750,000	750,000	2,250,000

#### Employment contracts of directors and senior executives

The Group has the following service agreements with directors and senior executives:

##### **Brad Marwood**

Fixed remuneration of US\$270,000, including statutory superannuation.

The service contract is open ended and can be terminated by either party on 6 months written notice.

##### **Anthony Italiano**

Fixed remuneration of US\$197,100, including statutory superannuation.

The service contract is open ended and can be terminated by either party on 3 months written notice.

#### Group performance and link to remuneration

There is no director cash remuneration directly linked to performance of the Group, with options and performance rights based remuneration linked to the performance of the Group. A portion of bonus and incentive payments are at the discretion of the Board.

#### Voting and comments made at the Company's 2020 Annual General Meeting ("AGM")

The 31 December 2019 Remuneration Report was voted for without any commentary or discussion at the 2020 AGM, on a show of hands with proxy votes for of 444,460,706 and votes against of 3,160,367.

**[End of Remuneration Report - Audited]**



## DIRECTORS' REPORT

### SHARES UNDER OPTION

At the date of this report, the unissued ordinary shares of Consolidated Zinc Limited under option are:

Grant Date	Date of Expiry	Exercise Price (A\$)	Number Under Option
Various	30 June 2023	\$0.90	166,666
Various	30 September 2023	\$0.90	83,333
Various	30 September 2021	\$0.30	1,333,330
Various	1 June 2023	\$0.09	68,118,999
<b>Total options over ordinary shares</b>			<b>69,702,328</b>

At the date of this report, the Company has following performance rights on issue:

Date of Expiry	Number of performance rights
31 December 2021	6,249,999
	<b>6,249,999</b>

Performance rights vest and are convertible into ordinary shares upon achieving performance targets, on or before their respective expiry dates.

### 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 these proceedings. The Company was not a party to any such proceedings during the period.

### NON-AUDIT SERVICES

No non-audit services were performed during the period.

### Officers of the company who are former audit partners of HLB Mann Judd

There are no officers of the company who are former audit partners of HLB Mann Judd.

### Auditors

HLB Mann Judd (WA Partnership) were appointed as auditors of the Company on 23 July 2019 and continue in office in accordance with section 327 of the Corporations Act 2001. The appointment of HLB Mann Judd (WA Partnership) as auditors of the Company was ratified at the Annual General Meeting held on 31 July 2020.



## DIRECTORS' REPORT

### AUDITOR'S INDEPENDENCE

Section 307C of the Corporations Act 2001, requires our Auditors, HLB Mann Judd, to provide the Directors with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 63 and forms part of the Directors' report for the year ended 31 December 2020.

This report is signed in accordance with a resolution of the Board of Directors pursuant to Section 306(3) of the Corporations Act 2001.

Brad Marwood

Managing Director

30 March 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 December 2020

	Note	Year ended 31-Dec-20 USD	Year ended 31-Dec-19 USD
Sales revenue	5(a)	4,525,066	7,589,325
Cost of sales		(4,806,994)	(8,284,624)
		(281,928)	(695,299)
Other income		164,484	55,269
Exploration and evaluation expenses		(307,805)	(179,950)
Administrative expenses	5(b)	(644,757)	(424,571)
Personnel expenses	5(b)	(655,520)	(1,285,847)
Impairment		-	(100,322)
Foreign exchange gain/(loss)		(94,010)	348,210
Fair value of financial instruments through profit or loss	5(c)	138,929	1,451,193
Interest expense		(734,309)	(461,425)
Finance expense		-	(42)
<b>Loss from continuing operations before income tax expense</b>		<b>(2,414,916)</b>	<b>(1,292,784)</b>
Income tax expense		-	-
Loss from continuing operations after income tax expense		(2,414,916)	(1,292,784)
<b>Net loss for the year</b>		<b>(2,414,916)</b>	<b>(1,292,784)</b>
<b>Other comprehensive items that may be reclassified to profit or loss, attributable to:</b>			
Equity holders of the parent entity		-	-
Non-controlling interests		-	-
<b>Total other comprehensive loss for the year</b>		<b>(2,414,916)</b>	<b>(1,292,784)</b>
<b>Net loss is attributable to:</b>			
Equity holders of the parent entity		(2,414,916)	(1,155,727)
Non-controlling interests		-	(137,057)
<b>Loss for the year</b>		<b>(2,414,916)</b>	<b>(1,292,784)</b>
<b>Total comprehensive loss is attributable to:</b>			
Equity holders of the parent entity		(2,414,916)	(1,155,727)
Non-controlling interests		-	(137,057)
<b>Total comprehensive loss for the year</b>		<b>(2,414,916)</b>	<b>(1,292,784)</b>
<b>Loss per share for loss attributable to the ordinary equity holders of the parent entity:</b>			
Basic and diluted loss per share (cents per share)	7(a)	(1.574)	(1.312)

The accompanying notes form part of these financial accounts



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	As at 31-Dec-20 USD \$	As at 31-Dec-19 USD \$
<b>Assets</b>			
<i>Current assets</i>			
Cash & cash equivalents	21	752,658	529,686
Trade & other receivables	8	1,679,355	2,131,995
Inventory	9	772,111	442,010
Financial assets		3,006	1,101
<b>Total current assets</b>		<b>3,207,130</b>	<b>3,104,792</b>
<i>Non-current assets</i>			
Trade & other receivables	8	32,651	69,993
Property, plant & equipment	10(a)	870,185	416,273
Right of use assets	10(b)	-	28,356
Mine and development property	10(c)	1,180,972	1,472,767
<b>Total non-current assets</b>		<b>2,083,808</b>	<b>1,987,389</b>
<b>Total assets</b>		<b>5,290,938</b>	<b>5,092,181</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade & other payables	11	3,010,763	2,957,818
Borrowings	12	94,354	1,258,160
Lease liabilities		-	30,989
Derivative liabilities	12(a)(i)	-	125,695
<b>Total current liabilities</b>		<b>3,105,117</b>	<b>4,372,662</b>
<b>Total liabilities</b>		<b>3,105,117</b>	<b>4,372,662</b>
<b>Net assets</b>		<b>2,185,821</b>	<b>719,519</b>
<b>Equity</b>			
Issued capital	13(a)	34,838,110	30,931,000
Reserves	14	(7,076,099)	(7,050,207)
Accumulated losses		(25,576,190)	(23,161,274)
<b>Total equity</b>		<b>2,185,821</b>	<b>719,519</b>

The accompanying notes form part of these financial accounts

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2020

	Issued capital	Accumulated losses	Share-based Payments Reserve	Foreign Currency Translation Reserve	NCI Reserve	Total
	USD	USD	USD	USD	USD	USD
<b>For the year ended 31 December 2020</b>						
<b>At 31 December 2019</b>	30,931,000	(23,161,274)	463,196	(1,007,123)	(6,506,280)	719,519
Loss for the year after income tax from continuing operations	-	(2,414,916)	-	-	-	(2,414,916)
<b>Total comprehensive income for the year</b>	-	(2,414,916)	-	-	-	(2,414,916)
<b>Transactions with owners in their capacity as owners:</b>						
Issue of new shares net of issuance costs	2,634,859	-	-	-	-	2,634,859
Conversion of convertible note - net of costs	1,226,161	-	-	-	-	1,226,161
Exercise of performance rights	28,198	-	(28,198)	-	-	-
Share based payments	17,892	-	2,306	-	-	20,198
	3,907,110	-	(25,892)	-	-	3,881,218
<b>At 31 December 2020</b>	34,838,110	(25,576,190)	437,304	(1,007,123)	(6,506,280)	2,185,821



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2020 (continued)

	Issued capital	Accumulated losses	Share-based Payments Reserve	Foreign Currency Translation Reserve	NCI Reserve	Owners of the Parent	Non-controlling Interest	Total
	USD	USD	USD	USD	USD	USD	USD	USD
<b>For the year ended 31 December 2019</b>								
<b>At 31 December 2018</b>	27,522,537	(22,017,048)	162,104	(1,007,123)	(5,537,156)	(876,686)	(832,067)	(1,708,753)
Loss for the year after income tax from continuing operations	-	(1,155,727)				(1,155,727)	(137,057)	(1,292,784)
<b>Total comprehensive income for the year</b>	-	(1,155,727)	-	-	-	(1,155,727)	(137,057)	(1,292,784)
<b>Transactions with owners in their capacity as owners:</b>								
Transactions with non-controlling interests	-	-	-	-	(969,124)	(969,124)	969,124	-
Issue of shares net of issuance costs	2,091,440	-	-	-	-	2,091,440	-	2,091,440
Conversion of convertible note	1,261,246	-	-	-	-	1,261,246	-	1,261,246
Exercise of performance rights	55,190	-	(55,190)	-	-	-	-	-
Expiry of performance rights	-	11,501	(11,501)	-	-	-	-	-
Share based payments	587	-	367,783	-	-	368,370	-	368,370
	3,408,463	11,501	301,092	-	(969,124)	2,751,932	969,124	3,721,056
<b>At 31 December 2019</b>	30,931,000	(23,161,274)	463,196	(1,007,123)	(6,506,280)	719,519	-	719,519

*The accompanying notes form part of these financial accounts*



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2020

		For the twelve months ended 31-Dec-20 USD	For the twelve months ended 31-Dec-19 USD
	Note		
<b>Cash flows from operating activities</b>			
Receipts from customers		5,323,760	7,596,571
Payments to suppliers and employees		(7,115,746)	(8,583,679)
Payment of interest		(50,037)	(22,099)
Refunds of VAT and other indirect taxes		189,374	-
<b>Net cash (outflow) from operating activities</b>	20	<b>(1,652,649)</b>	<b>(1,009,207)</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(538,105)	(283,120)
Payment for development		-	(361,838)
<b>Net cash (outflow) from investing activities</b>		<b>(538,105)</b>	<b>(644,958)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,716,964	2,281,143
Proceeds from borrowings		261,000	210,390
Repayment of convertible notes		(249,505)	-
Repayment of borrowings		-	(331,363)
Payment of capital raising expenses		(314,733)	(160,576)
<b>Net cash inflow from financing activities</b>		<b>2,413,726</b>	<b>1,999,594</b>
<b>Reconciliation of cashflow movement for the year</b>			
Cash and cash equivalents at the beginning of the year		529,686	184,826
Foreign currency translation		-	(569)
Movement in cashflows		222,972	345,429
<b>Cash and cash equivalents at the end of the year</b>		<b>752,658</b>	<b>529,686</b>

*The accompanying notes form part of these financial accounts*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Statement of compliance**

This financial report includes the financial statements and notes of Consolidated Zinc Limited ("the Company") and its controlled entities (the "Consolidated Entity" or "Group").

The financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The separate financial statements of the parent entity, Consolidated Zinc Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 29 March 2021 by the directors of the Company.

#### **Basis of preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report is presented in United States Dollars (USD) which is considered to be the Group's functional and presentation currency. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

#### *Presentation and functional currency*

An entity's functional currency is the currency of the primary economic environment in which the entity operates. The Group's agreements for sale of zinc and lead concentrates are denominated in USD and the Group's exposure to USD costs significant. Consequently, the Group's functional and presentation currency is USD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### Going concern

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

The going concern basis is determined as appropriate as at balance date due as a result of the following:

- the consolidated entity had a net working capital surplus of \$0.102 million at balance date;
- subsequent to balance date the Company completed an equity raising of A\$2.550 million; and
- the cashflow forecasts which the directors have relied upon for assessing the going concern assumption indicate the Plomosas operations will generate positive free cashflows during the year.

Based on the above, the Directors have reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable and the Directors consider that the going concern basis of preparation to be appropriate for these financial statements.

Should the forecasts not be achieved, there is a material uncertainty that may cast significant doubt as to whether the Company will continue as a going concern and, therefore, whether it will be able to realise its assets, in particular its mine development assets (\$1,180,972) and a significant proportion of its property, plant & equipment (\$870,185) and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

### **a) Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Consolidated Zinc Limited as at 31 December 2020 and the results of all subsidiaries for the period then ended. Consolidated Zinc Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interests, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### **b) Income Tax**

The income tax expense/(revenue) for the period comprises current income tax expense/(income) and deferred tax expense (income).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

### c) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

The carrying amount of plant and equipment is reviewed on each balance date by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the assets useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	10% - 33%
Office equipment	10% - 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to accumulated losses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****d) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure is expensed to the consolidated statement of profit or loss and other comprehensive income as and when it is incurred and included as part of cash flows from operating activities.

**e) Mine and Development Properties**

Mine development expenditure incurred is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises net direct costs and appropriate portion of related overhead expenditure but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest, which is expensed in the period it is incurred.

Development expenditure includes pre-commissioning costs, inclusive of costs and revenue incidental to the commissioning efforts. Development expenditure is reclassified to mine properties at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

No depreciation is recognised in respect of development expenditure until reclassified as mine properties. Development expenditure is tested for impairment in accordance with the policy in note 1(h).

When further development expenditure is incurred in respect of mine properties after the commencement of production, such expenditure is carried forward as part of the mining property when it is probable that additional future economic benefits associated with the expenditure will flow to the consolidated entity. Otherwise such expenditure is classified as a cost of production.

Depreciation is charged using the units-of-production method, with separate calculations being made for each area of interest. The units-of-production basis results in a depreciation charge proportional to the depletion of mineral resources. Mine properties are tested for impairment in accordance with the policy note 1(h).

**f) Leases**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option,

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The Group presents right-of-use assets and lease liabilities as separate line items in the relevant sections of the Statement of Financial Position and additional information is shown in notes to the financial statements.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Lease payments associated with these leases are recognise as an expense on a straight-line basis over the lease term.

**g) Financial Instruments***(i) Initial measurement*

All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

*(ii) Classification and subsequent measurement of financial assets*

The classification of a financial asset is made at the time it is initially recognised and depends on whether the financial asset is an equity instrument or a debt instrument.

Equity instruments

All equity investments are measured at fair value in the consolidated statement of financial position, with value changes recognised in profit or loss, except for those equity investments for which the Group has elected to present value changes in 'other comprehensive income'.

If an equity investment is not held for trading, the Group can make an irrevocable election at initial recognition to measure it at fair value through other comprehensive income (FVTOCI) with only dividend income recognised in profit or loss.

Debt instruments

The Group classifies debt instruments based on the Group's business model and cash flow characteristics of the debt instrument.

If both of the following conditions are met, then the debt instrument is measured at amortised cost:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

A debt instrument is measured at fair value through other comprehensive income (FVTOCI) if both of the following conditions are met:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Even if a debt instrument meets the two requirements to be measured at amortised cost or FVTOCI, the Group can designate, at initial recognition, a debt instrument as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

*(iii) Recognition and derecognition of financial assets*

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

*(iv) Impairment of financial assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

*(v) Classification and subsequent measurement of financial liabilities*

Financial liabilities held for trading are measured at fair value through profit or loss. All other financial liabilities are measured at amortised cost unless the fair value option is applied.

*(vi) Derivatives*

All derivatives, including those linked to unquoted equity investments, are measured at fair value. Value changes are recognised in profit or loss.

**h) Impairment of Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed on each balance sheet date for goodwill and intangible assets with indefinite lives.

### **i) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### **j) Employee Benefits**

#### *Short term employee benefits*

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

#### *Long term employee benefits*

The liability for long service leave not expected to be settled within 12 months of the reporting date is recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

### **k) Equity-settled compensation**

The Group provides benefits to Directors, employees and consultants in the form of shares, performance rights and option-based payments. The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

appropriate valuation technique that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, and the risk free interest rate for the term of the option.

The fair value of options and performance rights granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options or performance rights granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

**l) Provisions**

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**m) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

**n) Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

**o) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****p) Inventories***Consumables, ore and concentrate stockpiles*

Raw materials, stores, ore and concentrate stockpiles are stated at the lower of cost and net realisable value.

Inventories of ore and concentrate are initially physically measured by estimating the number of tonnes added and removed from the stockpile. At month end, the stockpiles are measured and adjustments are made to reflect the measured quantities. Cost represents weighted average cost encompassing direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation.

**q) Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Compound instruments (convertible notes) issued by the Group are classified as either financial liabilities or equity in accordance with the substance of the arrangements. An option that is converted and that will be settled by the exchange of a fixed amount of cash or another financial asset or a fixed number of the Group's own equity instruments will be classified as equity.

The fair value of the liability component is estimated on the date of issue. This is done by using the prevailing market interest rate of the same kind of instrument. This amount is recognised using the effective interest method as a liability at amortised cost until conversion or the end of the life of the instrument.

The equity portion is calculated by deducting the liability amount from the fair value of the instrument as a whole. The equity portion is not remeasured after initial recognition. Equity will remain as such until the option is exercised. When the option is exercised a corresponding amount will be transferred to share capital. If the option lapses without the option being exercised the balance in equity will be recognised in the profit or loss.

Costs of the transaction of the issue of convertible instruments are proportionally allocated to the equity and liability. Transaction costs in regards to the liability are included in the carrying amount of the liability and are amortised over its life using the effective interest method. Transaction costs in equity is directly recognised in equity.

Where the fixed for fixed test is failed, the option will be classified as a financial liability. In this case, the derivative liability is separated from its host contract on the basis of the stated terms of the option feature. The initial carrying amount for the host instrument is the residual amount after separating the derivative.

**r) Revenue**

The Consolidated Entity generates sales revenue primarily from the sale of zinc and lead concentrate and sales revenue is based on the concentrates sold to the buyer's, based on the commercial terms of the contracts.

Revenue is allocated between the performance obligations and recognised as each performance obligation is met, which for the primary obligation occurs when the concentrates are delivered to the customer's location.

The Group's sale of zinc and lead concentrates incurs customary treatment and refining charges and other commercial costs consistent with industry practice. These items are in essence a deduction from the value of metal contained within the concentrate. These items are generally variable in nature and linked either to an annual benchmark or spot pricing and are accounted for as a deduction to revenue when they are recognised.

As is industry practice, the Consolidated Entity typically makes sales whereby the final sales price for the primary performance obligation is determined based on the market price prevailing at a date in the future.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Revenue for the primary performance obligation is measured based on the fair value of the consideration specified in a contract with the customer at the time of settling the performance obligation and is determined by reference to forward market prices.

Provisional pricing adjustments, which occur between the fair value at the time of settling the primary performance obligation and the final price, are also recorded within revenue.

Gains and losses on hedge instruments related to sales contracts are also recorded in revenue and generally offset the movement as a result of provisional pricing adjustments.

**(i) Interest income**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

**s) Borrowing costs**

All borrowing costs are recognised in the income statement in the period in which they are incurred.

**t) Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**u) Dividends**

Dividends are recognised when declared during the financial period and no longer at the discretion of the Company.

**v) Earnings per share*****Basic earnings per share***

Basic earnings per share is calculated by dividing the profit attributable to the owners the parent, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued or capital consolidations completed during the financial period.

***Diluted earnings per share***

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**w) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**x) Goods and Services Tax ("GST") and Value Added Tax ("VAT")**

Revenues, expenses and assets are recognised net of the amount of associated GST or VAT, unless the GST or VAT incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST or VAT receivable or payable. The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST or VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

**y) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

*Recoverable amount of Mine Properties and Development*

Balances disclosed in the financial statements and notes thereto related to mine properties and development are based on the best estimates of directors. Mine properties and development are recorded at the lower of cost or recoverable amount. During the year, the recoverable amount of mine properties and development was determined based on a value in use calculation using cash flow projections using financial budgets approved by management that include a range of estimate and judgements including commodity price, discount rates, forecast production volumes and operating cost inputs.

*Environmental Issues*

Balances disclosed in the financial statements and notes thereto comply with environmental legislation, and the directors understanding thereof. At the current stage of the Group's operations, its current environmental impact and the excising of rehabilitation obligation of the tailings dam with the former operators Asarco, the directors believe such treatment and recognition of any environmental rehabilitation costs are reasonable and appropriate.

*Taxation*

Balances disclosed in the financial statements and the notes thereto, related to taxation are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending assessments by the Australian and Mexican Taxation Authorities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### *Key Judgements –Share based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

### **z) Operating segments**

Identification and measurement of segments under AASB 8 *Operating Segments* requires the ‘management approach’ to the identification measurement and disclosure of operating segments. The ‘management approach’ requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity’s chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments.

### **aa) Foreign Currency Transactions and balances**

#### *Functional and presentation currency*

The Company and all entities it controls utilise United States Dollars (USD) as the functional currency.

The consolidated financial statements are presented in USD.

#### *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

### **bb) Adoption of New and Revised Standards**

#### *Amendments to AASBs and the new Interpretations that are mandatorily effective for the current period*

In the year ended 31 December 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period.

Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

#### *Standards and interpretations in issue not yet adopted*

No other new standards, amendments to standards and interpretations are expected to affect the Group’s consolidated financial statements and have not been early adopted.

## 2. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

Other than set out below, there have not been any other significant changes in the state of affairs of the Group during the reporting period:

- On 23 April 2020, due to the COVID-19 pandemic the Mexican Government had suspended all non-essential activities, with mining deemed non-essential. The Mexican Government re-classified mining as an essential service from 1 June 2020, allowing operations to re-commence;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- In June 2020, the Company completed a fully underwritten 1 for 3 rights issue at \$0.003 per share to raise A\$1.725 million, with one free attaching option per new share issued with an exercise price of \$0.006 per share and an expiry of 1 June 2023;
- In June 2020, the company completed a placement of 190,000,000 shares at \$0.003 per share to raise A\$0.570 million, with one free attaching option per new share issued with an exercise price of \$0.006 per share and an expiry of 1 June 2023;
- In July 2020, the environmental authority in Mexico issued the approvals required to allow for the construction of a tailings storage facility at Plomosas that would allow the Group to refurbish the Plomosas processing plant; and
- In October 2020, the Company completed a fully underwritten 3 for 11 rights issue at \$0.003 per share to raise A\$2.038 million, with one free attaching option for every 3 new shares issued with an exercise price of \$0.006 per share and an expiry of 1 June 2023;
- On 17 December 2020, all convertible notes on issue were fully redeemed into fully paid ordinary shares, extinguishing 100% of the convertible notes on issue;
- On 21 December 2020, the Company completed a consolidation of its securities on a 15 for 1 basis, which was approved by shareholders at the general meeting held on 14 December 2020.

### 3. OPERATING SEGMENTS

The Group considers that it has only operated in one reportable segment, being minerals exploration, development and production in Mexico.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is the Managing Director is responsible for allocating resources and assessing performance of the operating segments.

### 4. DIVIDENDS

The Company did not pay or propose any dividends in the full year ended 31 December 2020.

### 5. PROFIT AND LOSS INFORMATION

#### (a) Revenue from contracts with customers

##### *Concentrate sales agreements*

The Group entered into a zinc concentrate sales agreement with Industrias Penoles S.A. de C.V. ("Penoles") for an initial term to 31 December 2020, extended at the election of Penoles, for a further 2 years to 31 December 2022 and declare the volume of zinc concentrate to purchase in 2021 and 2022 calendar years on exercise of its option. The Group has extended the zinc concentrate agreement to include the sale of 100% of the 2021 zinc concentrates to Penoles and grant an additional 1 year option to Penoles to extend to 31 December 2023.

The Group also entered into spot volume basis sales agreements with Metco Trading S.A. de C.V. ("Metco") for the sale of lead concentrates.

Revenue from the sale of zinc and lead concentrates are recognised when control of the concentrate passes to the customer, which is generally determined when the concentrate has been delivered to the nominated facility of the customer. Revenue is measured at fair value of the consideration received, net of treatment and refining charges and taking into account the contractually defined payment terms.

The Group's sale of zinc and lead concentrates allow for price adjustments based on the market price of the payable metal at the end of the relevant quotational period ("QP"). The period between the provisional invoicing and the end of the QP is one month for zinc concentrates and between one and four months for lead concentrates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**5. PROFIT AND LOSS INFORMATION (continued)**
**(b) Expenses**

	Year ended 31-Dec-20 USD	Year ended 31-Dec-19 USD
<b>Exploration &amp; evaluation expenses</b>		
<b>Administrative expenses</b>		
Administration	(72,352)	(51,766)
Consultancy and legal expenses	(22,201)	(60,667)
Compliance and regulatory expenses	(72,847)	(142,589)
Communication	(19,633)	(14,594)
Covid-19 suspension costs	(372,577)	-
Depreciation and amortisation	(18,457)	(31,537)
Occupancy	2,281	(4,218)
Travel and accommodation	(36,974)	(84,134)
Audit fees	(31,997)	(35,066)
	(644,757)	(424,571)
<b>Personnel expenses</b>		
Directors' salaries and fees	(534,073)	(461,891)
Employee expenses	(116,251)	(524,773)
Superannuation expenses	(20,413)	(43,424)
Share-based payments	15,217	(255,759)
	(655,520)	(1,285,847)
<b>(c) Fair value through profit or loss</b>		
Movement in fair value of derivatives	138,929	1,451,080
Movement in fair value of equity investments	-	113
	138,929	1,451,193

**6. INCOME TAX**

	Year ended 31-Dec-20 USD	Six months ended 31-Dec-19 USD
<b>Profit/(Loss) before income tax</b>	(2,414,916)	(1,292,784)
Tax benefit at the 30% income tax rate	724,475	387,835
Non-deductible temporary differences	41,679	69,226
Non-deductible permanent differences	(4,445)	(366,895)
Income tax benefit not brought to account	(761,709)	(90,166)
Income tax attributable to operating loss	-	-

Potential deferred tax assets attributable to tax losses and exploration expenditure expensed as incurred, amounts to approximately \$17,012,314 (2019: \$15,342,439) and capital losses of \$887,488 (2019: \$887,488) have not been brought to account at 31 December 2020 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained when:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. INCOME TAX (continued)

- ii. the Group has a history of reporting and its financial forecasts indicate it will report future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- iii. the Group continues to comply with conditions for deductibility imposed by law; and
- iv. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss and exploration expenditure

The Group has no imputation credits at 31 December 2020.

Consolidated Zinc Limited and its wholly owned subsidiaries Arena Exploration Pty Ltd and LAZ Holdings Pty Ltd implemented the tax consolidation regime from 1 July 2018. Consolidated Zinc Limited is the head entity in the tax consolidated group. On adoption of tax consolidation, the entities in the tax consolidated group did not enter into a tax sharing agreement.

### 7. LOSS PER SHARE

	Year ended 31-Dec-20	Year ended 31-Dec-19
a) Basic loss per share attributable to the ordinary equity holders of the Company (cents per share)	(1.574)	(1.312)
Basic loss per share from continuing operations attributable to the ordinary equity holders of the Company (cents per share)	(1.574)	(1.312)
b) Net loss for the year	(2,414,916)	(1,155,727)
Loss from continuing operations	(2,414,916)	(1,155,727)
c) Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share <sup>1</sup>	153,417,072	88,071,716

<sup>1</sup>Weighted average number of shares on issue adjusted for the capital consolidation as approved by shareholders in December 2020.

Potential ordinary shares are not considered dilutive, therefore the same number of weighted average ordinary shares was used in calculating both basic and diluted loss per share.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 8. TRADE AND OTHER RECEIVABLES

	31-Dec-20 USD	31-Dec-19 USD
<i>Current</i>		
Trade receivables	249,042	701,754
Other receivable	629	32,818
Prepayments	224,969	119,435
Indirect taxes receivable <sup>1</sup>	1,164,715	1,237,887
Receivable from the Plomosas Project former joint venture partner <sup>2</sup>	40,000	40,101
	1,679,355	2,131,995
<i>Non-current</i>		
Receivable from the Plomosas Project former joint venture partner <sup>2</sup>	32,651	69,993
	32,651	69,993

<sup>1</sup> The indirect tax receivable balances are mostly comprised of Value Added Tax (VAT) receivable in Mexico. The amount claimed in Mexico is expected to be released as either a cash refund or offset against VAT payable to the Mexican tax authorities.

<sup>2</sup> The outstanding receivable from the Plomosas Project former joint venture partner is repayable from 36 equal monthly deductions from the 1% net smelter return royalty held by Retec Guarú S.A. ("Retec"). The current receivable includes the amount receivable within the next 12 months while the remaining balance is classified as non-current receivable.

## 9. INVENTORY

	31-Dec-20 USD	31-Dec-19 USD
Warehouse inventory – at cost	143,484	143,871
Ore stockpiles – at cost	372,180	208,174
Zinc and lead concentrates – at cost	256,447	89,965
	772,111	442,010

## 10. NON-CURRENT ASSETS

a) Property, plant and equipment	31-Dec-20 USD	31-Dec-19 USD
<b>Plant and Equipment</b>		
At cost	1,022,468	498,173
Accumulated depreciation	(152,283)	(81,900)
	870,185	416,273
<b>Movement in carrying amount</b>		
Balance at the beginning of the year	416,273	149,990
Additions	525,451	305,818
Depreciation expense	-	(278)
Depreciation in Cost of Sales	(71,539)	(39,257)
Balance at the end of the year	870,185	416,273

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 10. NON-CURRENT ASSETS (continued)

b) Right of use asset	31-Dec-20 USD	31-Dec-19 USD
Right of use asset	114,572	114,572
Accumulated depreciation	(114,572)	(61,911)
	-	52,661
<b>Movement in carrying amount</b>		
Carrying value at start of the period	28,356	76,967
Additions	-	-
Depreciation	(28,356)	(48,611)
Carrying value at the end of the year	-	28,356

The right of use asset was recognised on adoption of AASB 16 *Leases* and is depreciated over life of leases. Details regarding the recognition of right to use assets are disclosed in Note 1.

c) Mine and development property	31-Dec-20 USD	31-Dec-19 USD
<b>Mine and development property</b>		
At cost	1,625,872	1,903,926
Accumulated depreciation	(444,900)	(431,159)
	1,180,972	1,472,767
<b>Movement in carrying amount</b>		
Balance at the beginning of the year	1,472,767	1,110,851
Additions	153,105	793,075
Amortisation	(444,900)	(431,159)
Balance at the end of the year	1,180,972	1,472,767

**Impairment**

The Group identified an impairment indicator on its Plomosas Zinc-Lead-Silver Project given the loss for the year ending 31 December 2020 and the impacts of COVID-19. As the value of the Plomosas Zinc Lead Silver Project is larger than the cash-generating unit, the value of the Mine and Development Property (US\$1,180,972) the value of the project has been used in assessing the recoverable amount. The recoverable amount of the project was determined based on a value in use calculation using cash flow projections using financial budgets approved by management. The discount rate applied to the value in use assessment was 12.5%. Based upon the value in use assessment, an impairment charge was not required.

## 11. TRADE AND OTHER PAYABLES

	31-Dec-20 USD	31-Dec-19 USD
Trade creditors (i)	2,533,650	2,359,765
Other payables and accruals	382,698	413,733
Employee leave provisions	94,415	184,320
	3,010,763	2,957,818

The Company terminated the mining contract with the service provider ("Ganti") in November 2019. The Group has disputed the cost claims submitted by Ganti, as in the Company's opinion it is not in accordance with the mining contract. Rather than follow contractual dispute resolution scheme, Ganti submitted proceedings in the Federal District Court of Mexico claiming Mexican Peso 23,632,639 (inclusive of 16% VAT). The Group's Mexican subsidiary has recorded this claim in full, offset by the cost value of the inventory stolen by Ganti in January 2020

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 11. TRADE AND OTHER PAYABLES (continued)

with a net amount (after deduction of theft of inventory and refundable VAT) of US\$0.885 million recorded as a trade payable to Ganti.

Legal opinion received by the Company is that there is a strong probability of success in defending against Ganti's claims. If successful, the Group will derecognise the liability to Ganti.

## 12. BORROWINGS

		31-Dec-20 USD	31-Dec-19 USD
<b>Short-term borrowings</b>			
Convertible Notes	(a)	-	648,613
Loans from related parties	(b)	94,354	609,547
		94,354	1,258,160

a) Convertible Notes		31-Dec-20 USD	31-Dec-19 USD
Convertible notes on issue		-	536,452
Interest payable on convertible notes		-	112,161
		-	648,613

Reconciliation of movement in convertible notes		31-Dec-20 USD	31-Dec-19 USD
<b>Movement in convertible notes on issue</b>			
Balance at the beginning of the year	(i)	536,452	1,362,143
Issued during the year		856,471	-
Notes converted to ordinary shares		(1,136,312)	(1,149,399)
Notes redeemed in cash		(246,818)	-
Accreted interest		-	248,282
Effect of foreign currency translation at period end		(9,793)	75,426
		-	536,452
<b>Movement in interest payable on convertible notes on issue</b>			
Balance at the beginning of the year		112,161	87,491
Interest on convertible notes for the period		63,616	139,543
Equity settled interest payable		(154,553)	(111,847)
Cash settled interest payable		(49,499)	-
Effect of foreign currency translation at period end		28,275	(3,026)
		-	112,161
		-	648,613

During the financial year:

- an existing convertible note of A\$424,258 plus capitalised interest of A\$75,742 was converted to 50,000,000 ordinary shares at 1.0 cent per share (in A\$ terms);
- an existing convertible note of A\$200,000 was fully repaid in cash on its redemption date of 30 June 2020 plus accrued interest;
- on 31 July 2020, shareholders approved the issue of new convertible notes to the Copulos Group of A\$1,127,826 with a maturity date of 30 June 2022 and a conversion price of \$0.003 per share (pre capital consolidation). The issue of the new convertible notes re-finance the existing finance facilities from the Copulos Group;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 12. BORROWINGS (continued)

- an existing convertible note of A\$152,630 was fully repaid in cash on its redemption date of 28 August 2020 plus accrued interest; and
- In December 2020, all convertible notes on issue plus capitalised interest were converted into fully paid ordinary shares, extinguishing all convertible notes on issue.

All convertible notes are denominated in Australian Dollars (AUD), which results in recognition of foreign currency gain or loss on translation to the functional currency.

## (i) Derivative liability

On 31 December 2018, the Group recognised a derivative liability of \$1,590,009 in respect to its convertible notes. The movement in the derivative liability for the year ended 31 December 2020, was as follows:

	31-Dec-20 USD	31-Dec-19 USD
Opening balance	125,695	1,590,009
Fair value through profit or loss (note 6(c))	(138,929)	(1,451,080)
Effect of foreign currency translation at period end	13,234	(13,234)
Closing balance	-	125,695

The Group classifies its derivative liabilities at fair value through profit or loss (FVPL) on initial recognition. The derivatives are re-measured to fair value at each balance sheet date and any movement in that fair value is taken directly to the income statement.

b) Loans from related parties	31-Dec-20 USD	31-Dec-19 USD
Loan principal	77,020	560,480
Interest payable	17,334	49,067
	94,354	609,547
<b>Movement in loans from related parties</b>		
Balance at the beginning of the year	560,480	352,630
Loan from related parties	-	209,100
Repayment of loan to related parties (i)	(481,320)	-
Effect of foreign currency translation at period end	(2,140)	(1,250)
	77,020	560,480
<b>Movement in interest on loans from related parties</b>		
Balance at the beginning of the year	49,067	968
Interest for the period	34,864	47,544
Interest converted into fully paid shares	(67,679)	-
Effect of foreign currency translation at period end	1,082	555
	17,334	49,067
	94,354	609,547

- (i) During the year ended 31 December 2020, the Company refinanced its unsecured loans from the Copulos Group into a new convertible note approved by shareholders on 31 July 2020.

The remaining unsecured loan is from an entity related to Mr Andrew Richards, of A\$100,000 principal plus accrued interest which matures on 30 June 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 13. ISSUED CAPITAL

## a) Share capital

	31-Dec-20	31-Dec-20	31-Dec-19	31-Dec-19
	Number of shares	USD	Number of shares	USD
Ordinary shares paid net of costs	237,607,802	34,838,110	1,669,808,313	30,931,000

<i>Reconciliation of movement in Issued capital</i>	Issue price (A\$ cents)	Number of shares	USD
<b>Balance at 1 January 2019</b>		<b>1,165,339,694</b>	<b>27,522,537</b>
22-Jan-19 Convertible Note	1.20	7,096,333	61,270
22-Jan-19 Conversion of performance rights	1.67	1,500,000	17,614
24-Jan-19 Conversion of performance rights	1.67	2,950,000	34,640
19-Jun-19 Shares granted as remuneration	1.67	50,000	587
19-Jun-19 Conversion of performance rights	1.67	250,000	2,936
05-Aug-19 Conversion of Convertible note and interest	1.00	176,156,163	1,199,976
16-Sep-19 Placement shares	1.10	90,909,091	687,410
30-Sep-19 Rights issue	1.10	22,548,953	167,490
16-Oct-19 Rights issue	1.10	190,123,710	1,410,787
13-Nov-19 Rights issue	1.10	1,975,278	14,869
31-Dec-19 Rights issue	1.10	10,909,091	84,072
Issuance costs		-	(273,188)
<b>Balance at 31 December 2019</b>		<b>1,669,808,313</b>	<b>30,931,000</b>
<b>Balance at 1 January 2020</b>		<b>1,669,808,313</b>	<b>30,931,000</b>
26-Feb-20 Conversion of Convertible note and interest	1.00	50,000,000	329,800
26-Feb-20 Shares granted as remuneration	0.07	3,875,000	17,892
26-Feb-20 Conversion of performance rights	1.90	2,250,000	28,198
01-Jun-20 Rights issue	0.03	575,311,631	1,149,446
18-Jun-20 Placement shares	0.03	190,000,000	392,767
21-Oct-20 Rights issue	0.03	679,430,439	1,435,751
18-Dec-20 Conversion of Convertible note and interest	0.03	393,451,627	896,361
21-Dec-20 Capital consolidation		(3,326,519,208)	-
Issuance costs		-	(343,105)
<b>Balance at 30 December 2020</b>		<b>237,607,802</b>	<b>34,838,110</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 13. ISSUED CAPITAL (continued)

## b) Options over ordinary shares

	30-Dec-20	30-Dec-20	31-Dec-19	31-Dec-19
<i>Options over ordinary shares</i>	Number of options	Exercise price per option (A\$)	Number of options	Exercise price per option (A\$)
Outstanding at the beginning of the period*	8,218,921	-	6,935,591	-
Granted – Listed options*	68,118,999	0.09	-	-
Granted – underwriting/placement fee*	-	-	1,333,330	0.30
Granted - unlisted employee options*	-	-	83,333	0.90
Expired*	(6,635,595)	0.59	(133,333)	0.90
Outstanding at the end of the period*	69,702,325	-	8,218,924	-
<b>Exercisable at the end of the period*</b>	<b>69,702,325</b>	<b>-</b>	<b>8,068,927</b>	<b>-</b>

\* Adjustment for the capital consolidation completed in December 2020.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company.

Weighted average remaining life of options over ordinary shares is 30.9 months (31 December 2019: 12.67 months).

Weighted average price of the remaining options is A\$0.09 (31 December 2019: A\$0.60) per option.

## c) Capital management

The Groups objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

	31-Dec-20	31-Dec-19
	USD	USD
Cash and cash equivalents	752,658	529,686
Financial assets	3,006	1,101
Inventory	772,111	442,010
Trade and other receivables	1,679,355	2,131,995
Trade and other payables	(3,010,763)	(2,957,820)
Borrowings	(94,354)	(1,258,160)
Lease liability	-	(30,987)
Derivatives	-	(125,695)
<b>Working capital position</b>	<b>102,013</b>	<b>(1,267,870)</b>

## 14. RESERVES

	31-Dec-20	31-Dec-19
	USD	USD
Share-based payments reserve (i)	437,304	463,196
Foreign currency translation reserve (ii)	(1,007,123)	(1,007,123)
Non-controlling interest reserve (iii)	(6,506,280)	(6,506,280)
	<b>(7,076,099)</b>	<b>(7,050,207)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 14. RESERVES (continued)

## (i) Share-based payments reserve

	31-Dec-20 USD	31-Dec-19 USD
Balance at the beginning of the period	463,196	162,104
Reclassification to share capital for exercised options	(28,198)	(75,654)
Reclassification to retained earnings for options lapsed or expired	-	(11,501)
Share-based payment expense	(2,306)	388,247
Balance at the end of the period	<b>437,304</b>	463,196

## (ii) Foreign currency translation reserve

	31-Dec-20 USD	31-Dec-19 USD
Balance at the beginning of the period	(1,007,123)	(1,007,123)
Change in accounting policy reinstatement	-	-
Movement during the period	-	-
Balance at the end of the period	(1,007,123)	(1,007,123)

On 1 January 2019, the Group changed its presentation and functional currency to USD. In the previous years, the Group's presentation currency was Australian Dollars (AUD) and the functional currency of the Group's Mexican subsidiary was Mexican Pesos, which resulted in recognition of the foreign currency translation reserve.

## (iii) Non-controlling interest reserve

*Outside equity reserve*

	31-Dec-20 USD	31-Dec-19 USD
Balance at the beginning of the period	(6,506,280)	(5,537,156)
Acquisition of additional interest in Plomosas	-	(969,124)
Balance at the end of the period	(6,506,280)	(6,506,280)

During the reporting period, the Group held 100% of all entities in the consolidated group. In the prior year, the Group recognised a negative \$969,125 non-controlling interest reserve, arising from the acquisition of additional 10% interests in MLAZ. This amount represents the difference between the carrying value of the non-controlling interest acquired and the consideration paid.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. KEY MANAGEMENT PERSONNEL

Names and positions held of the entity's key management personnel in office at any time during the financial period are:

Mr. Andrew Richards	Chairman (Non-Executive)
Ms. Angela Pankhurst	Director (Non-Executive in 2020, Executive from 18 January 2021)
Mr. Brad Marwood	Managing Director
Mr. Anthony Italiano	Chief Financial Officer and Company Secretary
Mr. Steve Boda	Country Manager (ceased 25 May 2020)

#### Salary and fees

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	31-Dec-20 USD	31-Dec-19 USD
Short terms benefits	630,066	871,886
Share based payments	136,170	245,006
Post-employment benefits	17,998	29,122
	<u>784,234</u>	<u>1,146,014</u>

#### Other transactions with key management personnel

The Company has outstanding balances due to the following KMPs and their related parties in respect to unsecured loans and associated interest.

At 31 December 2020, the outstanding balances regarding the unsecured loans are as follows:

KMP	Loan USD	Interest on loan USD
Andrew Richards	77,020	17,334
	<u>77,020</u>	<u>17,334</u>

### 16. SHARE-BASED PAYMENTS

#### a) Non-plan payments

The Company may at times issue share-based payments to Directors, Employees, consultants and/or service providers from time to time, not under any specific plan. The shares and options are issued for nil consideration and in accordance with the specific guidelines established by the Directors of the Company. Any share-based payment to Directors requires the approval of shareholders at a general meeting. The vesting period and maximum term of shares or options granted vary according to Board's discretion.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 16. SHARE BASED PAYMENTS (continued)

#### b) Performance Rights Plan (PRP)

Shareholders approved the Consolidated Zinc Limited PRP at the Annual General Meeting held on 23 May 2019. The PRP is designed to more closely align rewards for performance with the achievement of the Company's growth and strategic objectives. The Board believes that the grant of performance rights under the PRP to eligible participants will underpin the employment strategy of attracting and retaining high calibre staff capable of executing the Company's strategic plans, and will maximise the retention of key management and operational staff; enhance the Company's ability to attract quality staff in the future, link the rewards of key staff with the achievement of strategic goals and the long term performance objectives of the Company, and provide incentives to participants of the PRP to deliver superior performance that creates shareholder value.

The PRP provides for the issue of performance rights which, upon determination by the Board that the performance conditions attached thereto have been met and subject to the terms of the PRP, convert into fully paid ordinary shares. Where the participant is a Director or other related party of the Company, specific shareholder approval will have to be sought under the ASX Listing Rules prior to the grant of performance rights to such an individual.

The exercise price, if any, for performance rights will be determined by the Board in its discretion and set out in the related invitation. The exercise price may be any amount and may be as low as zero, in which case a statement to that effect will be set out in the related terms and conditions of the award of the performance rights.

#### c) Expenses arising from share-based payment transactions

During the period, \$15,217 was recognised as a share-based payment expense (31 December 2019: \$255,758).

#### d) Shares granted as compensation

A total of 3,875,000 ordinary shares were granted as compensation to employees. The share price at the grant date was A\$0.08 per share resulting in a share based payment expense of A\$31,000.

#### e) Performance rights granted

No performance rights were granted during the year.

#### f) Options over ordinary shares granted

No options were granted during the year.

### 17. RELATED PARTIES

The consolidated entity in this report consists of Consolidated Zinc Limited, a company domiciled in Australia, and the entities it controlled at the end of, or during the year ended 31 December 2020.

#### a) Group entities

Subsidiaries of Consolidated Zinc Limited	Country of Incorporation	Percentage Owned (%)	
		31-Dec-20	31-Dec-19
Arena Exploration Pty Ltd	Australia	100	100
Minera Latin American Zinc ("MLAZ")	Mexico	100	100
LAZ Holdings Pty Ltd	Australia	100	100

#### c) Other transactions with related parties

During the year ended 31 December 2020, the Group entered into a new convertible loan with the Copulos Group, as disclosed in Note 13(b).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 18. PARENT INFORMATION

	31-Dec-20 \$	31-Dec-19 \$
<b>Statement of Financial Position</b>		
Current assets	744,840	952,574
Non-current assets	1,805,676	2,302,102
<b>Total assets</b>	<b>2,550,516</b>	<b>3,254,676</b>
Current liabilities	364,695	2,535,157
<b>Total liabilities</b>	<b>364,695</b>	<b>2,535,157</b>
<b>Net assets</b>	<b>2,185,821</b>	<b>719,519</b>
Issued capital	34,838,110	30,931,000
Reserves	437,304	463,197
Accumulated losses	(33,089,593)	(30,674,678)
<b>Total equity</b>	<b>2,185,821</b>	<b>719,519</b>
<b>Statement of Comprehensive Income</b>		
Total loss	(2,414,915)	(15,473,541)
Total comprehensive loss	(2,414,915)	(15,473,541)

## 19. COMMITMENTS AND CONTINGENCIES

## a) Commitments

The group has commitments in respect to its tenement annual rental and licence costs in Mexico:

	31-Dec-2020 USD	31-Dec-2019 USD
Not later than 12 months	161,288	161,288
Between 12 months and 5 years	806,441	806,441
Greater than 5 years	4,527,774	4,689,062
	<b>5,495,503</b>	<b>5,656,791</b>

## b) Contingencies

Contingent Assets

There are no contingent assets.

Contingent Liabilities

The Company announced on 10 August 2018 it received a claim by a company named Pandion Minerals Pty Ltd ("Pandion") pursuant to which Pandion claims to be conditionally entitled to 10% in the Plomosas Project in Mexico being free carried until the Definitive Feasibility Study ("DFS") is completed. The Plomosas Project is presently owned by a joint venture company Minera Latin America Zinc S.A.P.I de C.V. ("MLAZ"), in which the Group had a 51% interest. The pre-condition for the Pandion 10% to be issued is that the Company acquires a further 39% of MLAZ, which the Company acquired on 24 December 2018.

Pandion relies on an alleged letter agreement dated 8 December 2014. The Company was not previously in possession of this alleged letter agreement and does not accept its authenticity.

The Company considers the claim to be unfounded, and, if the claim is pursued by Pandion, the Company will defend the claim vigorously.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 20. CASH FLOW INFORMATION

## a) Reconciliation of loss after income tax to net cash outflow from operating activities

	31-Dec-20 USD	31-Dec-19 USD
<b>Reconciliation of (loss)/profit after income tax to net cash outflow from operating activities</b>		
Loss after income tax	(2,414,916)	(1,292,784)
Share-based payment expense	(15,217)	255,757
Depreciation and amortisation	544,745	470,694
Impairment	-	100,322
(Gain)/Loss on foreign currency translation	94,010	(99,928)
Interest expense	-	42
Finance expense	235,309	213,143
Fair value through profit and loss	(138,929)	(1,451,193)
 Change in assets and liabilities		
Decrease/(Increase) in current trade and other receivable	452,640	(427,387)
Decrease/(Increase) in inventories	(330,101)	(370,370)
Decrease/(Increase) in other assets	(1,905)	(1,101)
Decrease/(Increase) in non-current trade and other receivable	37,342	37,342
Increase/(Decrease) in trade and other payable	(115,627)	1,433,358
<b>Net cash flow used in operating activities</b>	<b>(1,652,649)</b>	<b>(1,009,207)</b>

## b) Non-cash financing and investing activities

During the reporting period, the following financing and investing non cash activities took place:

	31-Dec-20 USD	31-Dec-19 USD
<b>Conversion of convertible notes</b>		
Issue of 166,833,373 shares upon conversion of convertible notes	-	1,149,399
Issue of 16,419,123 shares in payment of interest payable on convertible notes	-	111,847
Issue of 50,000,000 shares on conversion of convertible notes plus accrued interest	329,800	-
Issue of 393,451,627 shares on conversion of convertible notes plus accrued interest	896,361	-
	<b>1,226,161</b>	<b>1,261,246</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 20. CASH FLOW INFORMATION (continued)

	31-Dec-20	31-Dec-19
<i>Reconciliation of movement in borrowings</i>	\$	\$
Balance at the beginning of the year	1,258,160	2,136,507
Proceeds from borrowings	261,000	-
Repayment of borrowings	(246,818)	-
Net cash movement	-	(120,973)
<i>Non-cash movement:</i>		
Equity-settled liabilities	(1,290,864)	(1,261,246)
Effect of change in foreign currency rates	(54,301)	71,705
Capitalised interest and change in embedded derivative	167,177	432,167
	94,354	1,258,160

## 21. FINANCIAL INSTRUMENTS

## (a) Financial Risk Management

The Group is exposed to financial risks through the normal course of its business operations. The key risks impacting the Group's financial instruments are considered to be foreign currency risk, liquidity risk, commodity price risk and credit risk. The Group's financial instruments exposed to these risks are cash and cash equivalents, trade and other receivables, trade payables and borrowings.

The Managing Director and Chief Financial Officer monitor the Group's risks on an ongoing basis and report to the Board. The Group currently does not use derivative financial instruments as part of its risk management process.

## (i) Foreign Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group's functional currency is US Dollar ("USD"); revenue from the sale of zinc and lead concentrates are denominated in US Dollars, as are the majority of the Group's operating costs, with other operating costs denominated and paid in Mexican Peso and/or Australian Dollars.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management's policy is to manage foreign exchange risk against the functional currency. Management manage foreign exchange risk by continuously monitoring forecasts and spot prices of foreign currency.

The carrying amounts of the Group's financial assets and liabilities are denominated in the US dollars except as set out below:

	31-Dec-20 USD	31-Dec-19 USD
Cash and cash equivalents held in MXN	1,502	3,205
Cash and cash equivalents held in AUD	19,477	172,942
Trade and other receivables in MXN	629	481
Trade and other receivables in AUD	55,768	174,375
Indirect taxes receivable in MXN	1,148,947	1,220,022
Trade and other payables in MXN	(1,573,682)	(1,598,067)
Trade and other payables in AUD	(91,529)	(159,314)
Borrowings in AUD	(94,354)	(1,258,160)
Derivatives in AUD	-	(125,695)
Lease liability in MXN	-	(11,616)
Lease liability in AUD	-	(19,371)
	(533,242)	(1,601,198)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 21. FINANCIAL INSTRUMENTS (continued)

**Group sensitivity**

Based on the financial instruments held at 31 December 2020, had the above currencies strengthened/weakened by 10% against the US Dollar with all other variables held constant, the Group's post tax loss for the year would have been \$53,324 higher/\$53,324 lower (31 December 2019: \$122,692 higher/\$184,666 lower), mainly as a result of foreign exchange gains/losses on translation of financial instruments denominated in Mexican Pesos and Australian Dollars. There would have been no impact on other equity had the same currencies weakened/strengthened by 10% against the US Dollar.

*(i) Interest rate risk*

The Group does not have any debt that may be affected by interest rate risk. Cash balances held by the group are subject to interest rate risk.

**Market risks**
*(i) Price risk*

Commodity price risk is the risk of financial loss resulting from movements in the price of the Group's commodity inputs and outputs. The Group's primary exposure is to commodity price risk arising from revenue derived from sales zinc, lead and silver. Commodity price risk associated with financial instruments relates primarily to changes in fair value caused by settlement adjustments to receivables.

At 31 December 2020, the Group had open quotational pricing risk for December zinc concentrate sales which average over the month of January 2021 and lead concentrate sales for December 2020 which have quotational period of four months after the month of delivery (unless price fixed with the offtaker once final assays are known).

**Liquidity risks**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who oversee a liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring there are appropriate plans in place to finance these future cash flows.

The totals for each category of financial instruments at 31 December 2020 were as follows:

<i>Financial assets and liabilities</i>	31-Dec-20 USD	31-Dec-19 USD
<b>Financial assets</b>		
Cash and cash equivalents	752,658	529,686
Equity investments through profit or loss	3,066	1,101
Trade and other receivables - current	1,679,355	2,131,995
Trade and other receivables – non current	32,651	69,993
Total Financial Assets	<b>2,467,670</b>	2,732,775
<b>Financial Liabilities</b>		
Trade and other payables	3,010,763	2,957,820
Borrowings	94,354	1,258,160
Lease liability	-	30,987
Derivatives	-	125,695
Total Financial Liabilities	<b>3,105,117</b>	4,372,662

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 21. FINANCIAL INSTRUMENTS (continued)

## (i) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months	6-12 months	Total contractual	Carrying amount of liabilities
<i>Financial liabilities</i>	USD	USD	USD	USD
<b>As at December 2020</b>				
<b>Non-derivatives</b>				
Non-interest bearing	3,010,763	-	3,010,763	3,010,763
Interest bearing	94,354	-	94,354	94,354
<b>Total non-derivatives</b>	<b>3,105,117</b>	<b>-</b>	<b>3,105,117</b>	<b>3,105,117</b>
<b>As at December 2019</b>				
<b>Non-derivatives</b>				
Non-interest bearing	2,957,820	-	2,957,820	2,957,820
Interest bearing	1,485,666	4,501	1,490,167	1,490,167
<b>Total non-derivatives</b>	<b>4,443,486</b>	<b>4,501</b>	<b>4,447,987</b>	<b>4,447,987</b>

## Credit risk

The Group's maximum exposures to credit risk in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of financial position. Credit risk arises from the non-performance by counterparties of contractual financial obligations. Credit risk arises from cash and cash equivalents, deposits with banks, credit exposures to customers, any outstanding receivables and committed transactions.

Management assesses the credit quality of the customer by taking into account its financial position, past experience and other factors. For banks and financial institutions, management considers independent ratings. If there is no independent rating, risk control assesses the credit quality of the parties, taking into account its financial position, past experience and other factors.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of financial position and notes to the financial statements.

<i>Credit risk</i>	31-Dec-20 USD	31-Dec-19 USD
Indirect taxes receivable in foreign jurisdictions	1,194,848	1,220,022
Trade receivables	249,464	617,682
	<b>1,444,312</b>	<b>1,837,704</b>

The Group has a material credit risk exposure to indirect taxes received from the Mexican Government.

The Group is also exposed to the risk of having a single offtake customer for all each of its zinc and lead concentrates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 21. FINANCIAL INSTRUMENTS (continued)

## (b) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair values of the Group's non-derivative financial assets and financial liabilities approximate their carrying values.

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Weighted effective interest rate
	USD	1 year or less USD	USD	USD	%
<b>At 31 December 2020</b>					
<b>Financial assets</b>					
Cash	752,658	-	-	752,658	-
Investments held for trading	-	-	3,006	3,006	-
Trade and other receivables - current	-	-	1,679,355	1,679,355	-
Trade and other receivables - non-current	-	-	32,651	32,651	-
<b>Total non-derivative financial assets</b>	<b>752,658</b>	<b>-</b>	<b>1,715,012</b>	<b>2,467,670</b>	
<b>Financial liabilities</b>					
Trade and other payables	-	-	3,010,763	3,010,763	-
Borrowings (excluding lease liability)	-	94,354	-	94,354	10
Lease liability	-	-	-	-	-
<b>Total non-derivative financial liabilities</b>	<b>-</b>	<b>94,354</b>	<b>3,010,763</b>	<b>3,105,117</b>	
<b>At 31 December 2019</b>					
<b>Financial assets</b>					
Cash	529,686	-	-	529,686	-
Investments held for trading	-	-	1,101	1,101	-
Trade and other receivables - current	-	-	2,131,995	2,131,995	-
Trade and other receivables - non-current	-	-	69,993	69,993	-
<b>Total non-derivative financial assets</b>	<b>529,686</b>	<b>-</b>	<b>2,203,089</b>	<b>2,732,775</b>	
<b>Financial liabilities</b>					
Trade and other payables	-	-	2,957,820	2,957,820	-
Borrowings (excluding lease liability)	-	1,258,160	-	1,258,160	10
Lease liability	-	30,987	-	30,987	-
<b>Total non-derivative financial liabilities</b>	<b>-</b>	<b>1,289,147</b>	<b>2,957,820</b>	<b>4,246,967</b>	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****22. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

Other than set out below, no matters or circumstances have arisen since end of the year, which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods:

- On 19 January 2021, the Company announced it had executed an agreement with Penoles to reduce the transport costs/allowances for 100% of the Plomosas zinc concentrate delivered and sold to Penoles under an extended offtake agreement. As part of the agreement, the Company granted Penoles an additional 1 year option to extend the zinc offtake agreement to 31 December 2023;
- On 19 January 2021, the Company announced Angela Pankhurst, a non-executive Director of the Company had been appointed as an Executive Director on a part time basis of 1 day per week; and
- On 15 February 2021, the company completed a placement to raise A\$2.550 million (before costs) through the issue of 63,750,000 shares at \$0.04 per share to fund increased inventory levels and working capital during the delayed completion of the Plomosas processing plant.

## DIRECTORS' DECLARATION

In the directors' opinion:

- (a) The financial statements and notes set out on pages 26 to 61 are in accordance with the *Corporations Act 2001*, including:
  - (i) Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the year ended on that date and
- (b) There are reasonable grounds to believe that Consolidated Zinc Limited 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 directors.



Brad Marwood  
Managing Director  
Perth  
30 March 2021

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Consolidated Zinc Limited for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia  
30 March 2021



**M R Ohm**  
**Partner**

**hlb.com.au**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

**T:** +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

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## **INDEPENDENT AUDITOR'S REPORT**

To the members of Consolidated Zinc Limited

### **Report on the Audit of the Financial Report**

#### *Opinion*

We have audited the financial report of Consolidated Zinc Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 2020 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia.

We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Material uncertainty related to going concern*

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* paragraph above, we have determined the matter described below to be the key audit matters to be communicated in our report.

#### **hlb.com.au**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

**T:** +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

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Key Audit Matter	How our audit addressed the key audit matter
<p><b>Recoverability of Mine and Development Property</b> Refer to Note 10(c)</p> <p>As at 31 December 2020, the Group had a balance of \$1,180,972 in relation to mine and development property.</p> <p>An impairment assessment was conducted by management due to the existence of impairment indicators arising under AASB 136 <i>Impairment of Assets</i>.</p> <p>The impairment assessment conducted under AASB 136 involved a comparison of the recoverable amount of the cash generating unit to which the balance was allocated to the carrying amount of the related items in the balance sheet. Recoverable amount is based upon the higher of fair value less costs of disposal and value-in-use.</p> <p>The evaluation of recoverable amount is considered a key audit matter as it was based upon a value-in-use calculation which required significant judgement and estimation. In addition, the balance is material to the users of the financial statements and involved the most communication with management.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>- Critically evaluating management's methodology in the value-in-use model and the basis for key assumptions;</li> <li>- Reviewing the mathematical accuracy of the value-in-use model;</li> <li>- Performing sensitivity analyses around the key inputs used in the model such as operating costs, recoveries, grade and commodity prices;</li> <li>- Considering the appropriateness of the discount rate used;</li> <li>- Ensuring the carrying value of the cash-generating unit had been correctly determined;</li> <li>- Comparing value-in-use to the carrying amount of the cash-generating unit; and</li> <li>- Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.</li> </ul>

*Information other than the financial report and auditor's report thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors for the financial report*

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

*Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Consolidated Zinc Limited for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

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.

*HLB Mann Judd*

**HLB Mann Judd**  
**Chartered Accountants**

**Perth, Western Australia**  
**30 March 2021**



**M R Ohm**  
**Partner**

Additional information required by the Australian Securities Exchange Limited Listing Rules, and not disclosed elsewhere in this report.

#### CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement can be found on the Company's website at [www.consolidatedzinc.com.au](http://www.consolidatedzinc.com.au).

#### SHAREHOLDINGS

The names of the substantial shareholders listed on the Company's register as at 11 March 2021:

Shareholder	Number	Percentage of issued capital held
Copulos Group	82,052,851	27.92%
Retzos Group	18,081,608	6.15%

#### CLASS OF SHARES AND VOTING RIGHTS

The voting rights attached to the Fully Paid Ordinary shares of the Company are:

- At a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and
- On a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

There are no voting rights attached to any Options on issue.

#### SECURITIES EXCHANGE LISTING

Quotation has been granted for 293,857,802 ordinary shares of Consolidated Zinc Limited on all member exchanges of the *Australian Securities Exchange* and trade under the symbol CZL.

#### RESTRICTED SECURITIES

There are currently no restricted securities on issue.

#### ON MARKET BUYBACK

There is currently no on-market buy-back program for any of the Company's securities.

#### DISTRIBUTION OF SHAREHOLDERS (as at 26 March 2021)

Shares Range	No of Holders	Units	%
100,001 and above	292	265,253,950	90.27
10,001 – 100,000	677	26,134,917	8.89
5,001 – 10,000	214	1,622,197	0.55
1,001 – 5,000	289	794,553	0.27
1 – 1,000	250	52,185	0.02
<b>Total</b>	<b>1,722</b>	<b>293,857,802</b>	<b>100.00</b>

There are 804 holders of unmarketable parcels comprising a total of 3,040,417 ordinary shares.



## Optionholders (as at 26 March 2021)

Unlisted Options	Listed/Unlisted	No of Holders	Units on issue
Exercisable at \$0.30 on or before 30 September 2021	Unlisted	8	1,333,330
Exercisable at \$0.90 on or before 30 June 2023	Unlisted	1	166,666
Exercisable at \$0.90 on or before 30 September 2023	Unlisted	1	83,333
Exercisable at \$0.09 on or before 1 June 2023	Listed (CZLOB)	423	68,118,999
<b>Total</b>			<b>69,702,328</b>

**TWENTY LARGEST ORDINARY SHAREHOLDERS**  
 (As at 11 March 2021)

	Name	Number of Shares	%
1	EYEON INVESTMENTS PTY LTD	29,604,356	10.07
2	COPULOS SUPERANNUATION PTY LTD	14,379,839	4.89
3	EYEON NO 2 PTY LTD	13,971,953	4.75
4	OODACHI PTY LTD	12,729,804	4.33
5	WESTPARK OPERATIONS PTY LTD	10,515,627	3.58
6	BNP PARIBAS NOMINEES PTY LTD	9,529,474	3.24
7	SPACETIME PTY LTD	9,302,379	3.17
8	CITYWEST CORP PTY LTD	8,119,386	2.76
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,010,836	2.39
10	RETZOS EXECUTIVE PTY LTD	6,780,907	2.31
11	CHRIKIM PTY LTD	6,553,973	2.23
12	AKG (MIDLAND) PTY LTD	5,188,052	1.77
13	CITICORP NOMINEES PTY LIMITED	5,119,534	1.74
14	MR BASIL CATSIPORDAS	5,000,000	1.70
15	SUPERMAX PTY LTD	4,333,333	1.47
16	FARJOY PTY LTD	4,200,000	1.43
17	MISS BELINDA LEES	3,375,000	1.15
18	SHAYDEN NOMINEES PTY LTD	2,758,905	0.94
19	NATIONAL NOMINEES LIMITED	2,500,000	0.85
20	ZW 2 PTY LTD	2,370,881	0.81
		163,344,239	55.59

**TWENTY LARGEST LISTED OPTIONHOLDERS**  
 (As at 11 March 2021)

	Name	Number of Shares	%
1	EYEON INVESTMENTS PTY LTD	5,743,869	8.43
2	COPULOS SUPERANNUATION PTY LTD	3,851,742	5.65
3	OODACHI PTY LTD	3,808,083	5.59
4	ZW 2 PTY LTD	3,139,185	4.61
5	GAZUMP RESOURCES PTY LTD	3,009,199	4.42
6	SPACETIME PTY LTD	2,491,708	3.66



7	WESTPARK OPERATIONS PTY LTD	2,341,950	3.44
8	CITYWEST CORP PTY LTD	2,174,835	3.19
9	AKG (MIDLAND) PTY LTD	1,703,908	2.50
10	EYEON NO 2 PTY LTD	1,351,239	1.98
11	MR JASON TANG	1,300,000	1.91
12	MR CHRISTOPHER LINDSAY BOLLAM	1,172,455	1.72
13	DOW DOW LIMITED	1,117,132	1.64
14	CHRIKIM PTY LTD	1,111,957	1.63
15	MR STEPHEN JOHN DONALD	1,005,772	1.48
16	MR MARK ANDREW TKOCZ	1,000,000	1.47
17	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	913,282	1.34
18	MRS ANJANA NANDHA	909,000	1.33
19	RETZOS EXECUTIVE PTY LTD	885,585	1.30
20	MR MOHAN SINGH NANDHA	833,000	1.22
		39,863,901	58.52

The schedule of tenements and concessions held by the Company as at 30 March 2021 are summarised in the Table below.

Consolidated Zinc Limited – Tenement schedule						
Lease	Project	Name	Type	Lease Status	Expiry Date	CZL Equity
<b>Mexico</b>						
217641	Plomosas	La Falla	Mining	Granted	05/08/2052	100%
218242	Plomosas	La Verdad	Mining	Granted	16/10/2052	100%
225527	Plomosas	El Olvido	Exploitation	Granted	19/09/2055	100%
224880	Plomosas	Pronto	Exploitation	Granted	20/06/2055	100%
218272	Plomosas	Ripley	Exploitation	Granted	16/10/2052	100%
216882	Plomosas	La México	Exploitation	Granted	04/06/2052	100%
227077	Plomosas	Don Lucas	Exploitation	Granted	03/05/2056	100%
227078	Plomosas	Don Lucas II	Mining	Granted	03/05/2056	100%
227664	Plomosas	Don Lucas III	Mining	Granted	27/07/2056	100%
230175	Plomosas	Don Lucas IV	Mining	Granted	26/07/2057	100%
235942	Plomosas	Don Sebastain	Exploration	Granted	19/04/2060	100%