ABN 27 118 554 359

Annual Financial Report

Year ended 31 December 2021

CORPORATE DIRECTORY

DIRECTORS	Brad Marwood – Managing Director Andrew Richards – Non-executive Chairman Angela Pankhurst – Non-executive Director (Executive Director 19 January 2021 to 31 January 2022)
COMPANY SECRETARY	Anthony Italiano
PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE	Ground Floor 25 Richardson Street WEST PERTH WA 6005
SHARE REGISTRY	Automic Level 5, 191 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) 6400 6222 Website: www.consolidatedzinc.com.au Email: info@conzinc.com.au

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CHAIRMAN'S LETTER

Dear Fellow Consolidated Zinc Shareholders

As you are aware 2021 continued to be a difficult year with the significant challenges caused by the COVID-19 pandemic and its impacts on global supply chains continuing. Consolidated Zinc has addressed the threats posed by the COVID -19 pandemic, through the implementation of a high level of precaution and PCR/rapid antigen testing to protect its employees and the local communities it operates within from COVID-19

Plomosas commissioned the refurbished concentrator during the Q2 2021, and completion the transition of consolidating its operations at Plomosas by Q3 2021, with all ore now processed through the on-site concentrator.

The Plomosas concentrator was originally designed to operate at 100 tonnes per day however, through modest additional capital expenditure, the concentrator capacity was upgraded to be able to process up to 150 tonnes per day. This was clearly demonstrated in daily operating performance during Q4 2021 when mined ore supply to the plant was unaffected.

The challenge for Plomosas has been to maintain mining rates to feed the concentrator at the higher throughput rates. Mining was significantly impacted in Q3 2021 by major maintenance and spare parts availability for the mobile mining fleet and again in Q4 2021 by a critical failure of the main dewatering pump and associated power generators. The result was an increase in water levels in the mine due to a loss of dewatering pumping capacity that restricted access to mining stopes in the lower levels of the mine.

The Company's executive team was restricted in travel to Plomosas through the West Australian government travel restrictions and as a result the Company commissioned an expert mining consultancy to provide on the ground support at Plomosas to remedy the equipment maintenance and logistical challenges at Plomosas. It was only in March 2022 that senior executive management were able to travel to site for hands-on management.

On a brighter note, the Mineral Resource being mined has been shown to be robust and conservative as recent reconciliations have shown that of ore mined to date, a significant amount has been obtained from outside the resource envelopes. This suggest the resource is conservative and future remodelling will modify the resource envelopes to include additional mineralisation seen during mining activities.

Mine based exploration has also identified the prospectivity for additional mineralisation immediately north of Las Espada and Juarez where historical mining ceased due to the belief that the ore had pinched out. In fact it appears the mineralisation was faulted and offset by 130m and additional exploration is planned for 2022 to follow this up.

The base metal exploration within the Plomosas tenements has identified significant potential at the Mina Mexico prospect. Mina Mexico contains large open stopes of historical mining and recent mapping and sampling has identified the potential to define additional significant and economic mineralisation from an open-cut mining operation. In addition, the Alfonsito 1,2,3 and 4 anomalies are also high priority exploration targets for 2022.

Over the past year the Company has looked to diversify from a single operation with complementary projects and sought projects in the base metal/critical metals sector which has become so important in battery and other technologies.

Consolidated Zinc recently announced it has executed non-binding indicative offers to acquire ~1,400km^2 exploration licenses applications that are highly prospective for lithium, rare earths and base metals in the Pilbara and Gascoyne regions of Western Australia, and an exploration license prospective for both nickel-copper-PGE/base metal and titanium (ilmenite) mineralisation, located within an underexplored greenstone belt which parallels the Ravenswood Nickel Belt that hosts the Forrestania, Carlingup and Ravensthorpe nickel projects.

Subject to completion of due diligence, the acquisition of these critical metals projects will complement our Plomosas Zinc Mine in Mexico and diversify our project portfolio. Their acquisition will provide the Company with two growth projects delivering commodity and geographical diversification as we seek to increase exposure to the battery metals markets

Yours sincerely,

Andrew Richards

Non-executive Chairman

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. 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.

Exploration activities focused on surface and near surface historical mining areas such as Mina Mexico and Alfonsitos 1,2,3&4.

Underground exploration was focused on defining the fault La Cata at the northern end of the Plomosas mine. This exciting development has now been confirmed and opens up the opportunity for discovery of similar mineralisation north of the La Cata fault as has been mined south of the fault, 2.2mt has been mined south of the fault.

MINING OPERATIONS

During 2021, CZL's production, ore mined was 33,002 tonnes at 14.2% zinc and 8.0% lead.

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 Tres Amigos mined above the level 7 (917m RL) in the last quarter of 2021.

Owner-operated mining has proven to be challenging with supply chain logistical issues and equipment availability lower than expected, limiting mining productivity. The mine operated for all 12 months during the year. The third quarter of 2021 was the best mining production quarter, with the COVID-19 status of Chihuahua State changing decreased from Red Alert level, which severely limited non-essential activities and mine operational management changes.

During the year, an additional 4 tonne underground haulage truck was added to the mining fleet, however, the 12 tonne Jarvis haul truck required an overhaul and was not returned to site until March 2022, reducing ore haulage capacity during the second half of 2021.

The mine dewatering system was budgeted to reduce the water level from 885mRL to 810mRL, however, this was not achieved due to unexpected damage to the mine dewatering pumps and piping in Q4 2021. New pumps and pipes were purchased and installed to restore pumping from the end of 2021. At the end of 2021 the water level in the mine was 909m RL.

A comprehensive internal audit was completed for all workplace safety and environmental practises. There were a number of deficiencies identified, with corrective actions complete and new procedures introduced to minimise the environmental impact and maximise the social impacts of a positive nature with sustainable commitments to community at Plomosas now and into the future.

PROCESSING

A total of 31,695 tonnes of ore were processed during the year, with sales of 2,442 tonnes of payable zinc, 599 tonnes of payable lead and 9,584 ounces of payable silver.

The Plomosas concentrator was commissioned in Q2 2021, with the successful ramp up of the Plomosas concentrator completed in Q3 2021. The Plomosas concentrator was developed with a nameplate design of 100 tonnes per day, but on occasions has regularly processed ore in excess of 150 tonnes per day in Q4 2021.

Third party ore processing ceased in Q3 2021 under the toll treatment 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 ceased .

EXPLORATION

Exploration during 2021 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 recognisance works for gold. The base metal exploration work involved a review of all historical reports 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 Plomosas mineralisation.

At the end of 2021 Mina Mexico and Alfonsitos 1,2,3&4 prospects had been reviewed with potential to deliver commercial production from the surface. This would supplement the underground production and increase profitability of the Plomosas Operations.

The Northern extension of the Plomosas mine has been subject to a transverse fault with an off-set of 130m approximately. North of the La Cata fault Juarez North Extension, Las Espadas and Lagos mineralised units have been mapped and are the extensions of the Juarez, Tres Amigos and Level 7 orebody 32.

These exploration successes will be further investigated during 2022 and are expected to substantially add to the current resources.

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 2021 (the "reporting period").

DIRECTORS

Andrew Richards –Non-Executive Chairman

Brad Marwood – Managing Director

Angela Pankhurst – Non-executive Director (Executive Director from 19 January 2021 to 31 January 2022)

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

COMPANY SECRETARY

Mr Anthony Italiano, *Bachelor of Commerce, ICAA and GAICD*

Mr Italiano is a Chartered Accountant with over 18 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, Bachelor of Applied Science (Mining Engineering)*

Mr Marwood 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
Middle Island Resources Limited	December 2019	Current
Ionic Rare Earths Limited	December 2020	July 2021

DIRECTORS' REPORT

Andrew Richards, *Non-executive Chairman, Bachelor of Science (Hons), Dip Ed*

Mr Richards 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, *Non-executive Director, Bachelor of Business*

Ms Pankhurst 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 5 to 6 of this Annual Financial Report.

DIRECTORS' 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 2021 of $1.891 million (31 December 2020: loss of $2.415 million), representing a loss per share of 0.65 cents (31 December 2020: loss of 1.57 cents).

Statement of Financial Position

Total current assets decreased by $0.976 million, mainly through decreases in cash of $0.437 million and trade and other receivables of $0.273 million and inventory of $0.265m.

Total non-current assets increased by $0.971 million, primarily by an increase in property, plant and equipment of $1.011 million, this was partly offset by a decrease in mine properties of $0.008 million (net of additions).

Total liabilities decreased by $0.113 million to $2.992 million primarily due to a decrease in in trade and other payables of $0.170 million.

Total equity interests attributable to the Company's shareholders increased by $0.108 million to $2.294 million, primarily through a capital raising, partly offset by the net loss attributable to the owners for the year.

Cashflow

As at 31 December 2021, the Group held cash on hand and deposit of $0.316 million (31 December 2020: $0.752 million).

Net cash outflows from operations and investing activities were $1.017 million and $1.266 million respectively. Financing activities raised $1.846 million, comprising net proceeds from a capital raising.

Financing

In February 2021 a total of A$2.550 million was raised through a placement of 63,750,000 shares at A$0.04 per share to fund increased inventory levels and working capital during the delayed completion of the Plomosas processing plant.

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

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 2022 with an option, at Penoles election, to be extended for a further 1 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. 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.

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.

Working Capital Deficiency

As at balance date, the consolidated entity had a net working capital deficiency of $0.707 million. Included in the working capital deficiency are current liabilities of $2.938 million, which include borrowings and associated accrued interest payable, more fully described in Note 12.

In relation to the working capital deficiency as at the balance date:

- Current creditors include a net amount of $0.993 million in relation to a disputed claim by Caminos y Construcciones Ganti S.A. de C.V. (Ganti), the mining contractor at the Plomosas Project who was terminated in 2019, more fully described in Note 11.

DIRECTORS' REPORT

The cash flow forecasts which the directors have relied upon for the purposes of the going concern assumptions, makes certain assumptions regarding zinc price ($3,300/tonne), lead price ($2,200/tonne), production volumes and operating costs which reflect current market conditions and indicate surplus cashflow can be generated by mining. The assumptions utilised in the cashflow forecast are an improvement from 2021, reflecting improved operating performance of the Plomosas concentrator and an improvement in the availability of the mobile mining equipment and power generation and restoration of mining areas that were not accessible in Q4 2021 due to a temporary increase in the mine water level due to power generation equipment outages.

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 ($1,173,174) and a significant proportion of its property, plant & equipment ($1,881,536) and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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 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;
- 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;
- On 22 October 2021, the Company announced Penoles exercised its option to purchase 100% of the zinc concentrates produced from Plomosas for calendar year 2022; and
- On 31 January 2022, the Company announced Angela Pankhurst had returned to the role of non-executive Director, having completed the additional works and supported the Executive during the difficult impacts of travel restrictions related to COVID-19.

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:

DIRECTORS' REPORT

- On 30 March 2022, the Company completed a placement to raise A$1.250 million (before costs) through the issue of 50,000,000 shares at $0.025 per share with 1 free attaching CZLOB listed option for every 2 new shares subscribed fund the cash purchase consideration of Westoz and Pyramid, due diligence and costs associated with the potential acquisition of Westoz and Pyramid and general working capital. In addition, major shareholder, the Copulos Group, has subscribed for 12.0 million shares on the same terms as the Placement, subject to shareholder approval;

- On 30 March 2022, the Company announced it had executed a non-binding indicative term sheet granting a 60-day exclusivity period to completed due diligence on the acquisition of Westoz Lithium Pty Ltd ("Westoz") for a total purchase consideration of A$740,000 with A$140,000 payable in cash and A$600,000 in CZL fully paid ordinary shares; and

- On 30 March 2022, the Company announced it had executed a non-binding indicative term sheet granting an exclusivity period to 1 June 2022 to completed due diligence on the acquisition of Pyramid Metals Pty Ltd ("Pyramid") for a total purchase consideration of A$990,000 with $40,000 payable in cash and A$950,000 in CZL fully paid ordinary shares.

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					
- Ordinary Shares	1,442,423	-	-	-	-
- Listed Options	-	310,696	1 June 2023	$0.09	-
- Performance Rights	-	-	-	-	1,500,000
Brad Marwood					
- Ordinary Shares	247,417	-	-	-	-
- Listed Options	-	3,387	1 June 2023	$0.09	
- Performance Rights	-	-	-	-	3,500,000
Angela Pankhurst					
- Ordinary Shares	46,195	-	-	-	-
- Listed Options	-	12,373	1 June 2023	$0.09	-
- Performance Rights	-	-	-	-	1,500,000

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

During the reporting period, 10 formal meetings of Directors (including committees of directors) were held. Attendances by each Director during the period were as follows:

	Directors' Meetings	
Directors	**Eligible to attend**	**Attended**
Brad Marwood	10	10
Andrew Richards	10	9
Angela Pankhurst	10	10

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:

<u>Directors</u>

Andrew Richards	Chairman (Non-Executive, appointed 1 January 2020)
Angela Pankhurst	Director (appointed Executive from 19 January 2021, returned to Non-executive Director from 1 February 2022)
Brad Marwood	Managing Director

<u>Key Management Personnel</u>

Anthony Italiano	Company Secretary and Chief Financial Officer

DIRECTORS' REPORT
Remuneration Report (Audited)

Details of Remuneration for the period ended 31 December 2021

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	Short-term Benefits Bonus	Post-employment Benefits			
	USD	USD	USD	USD	USD	%
31 December 2021						
Andrew Richards	45,512	-	4,437	8,842	58,791	15
Angela Pankhurst	61,612	-	6,012	8,842	76,466	12
Brad Marwood	218,403	33,750	-	11,789	263,942	4
Anthony Italiano	179,550	24,638	17,491	20,631	242,310	9
	505,077	58,388	27,940	50,104	641,509	
31 December 2020						
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	

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[1]	Held at year end
31 December 2021						
Andrew Richards	1,442,423	-	-	-	-	1,442,423
Angela Pankhurst	46,195	-	-	-	-	46,195
Brad Marwood	247,417	-	-	-	-	247,417
Anthony Italiano	-	-	-	-	-	-
	1,736,035	-	-	-	-	1,736,035
31 December 2020						
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)	1,736,035

[1] 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.

DIRECTORS' REPORT

Remuneration Report (Audited)

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[1]	Held at year end
31 December 2021						
Andrew Richards	310,696	-	-	-	-	310,696
Angela Pankhurst	12,373	-	-	-	-	12,373
Brad Marwood	3,387	-	-	-	-	3,387
Anthony Italiano	-	-	-	-	-	-
	326,456	-	-	-	-	326,456
31 December 2020						
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

[1] Other changes include options: capital consolidation as approved by shareholders in December 2020.

Unlisted Options over ordinary shares held by KMP

Key Management Person	Held at start of year	Granted as compensation	Lapsed or expired	Other changes	Held at the end of year	Vested and exercisable at the end of the year
31 December 2021						
Andrew Richards	-	-	-	-	-	-
Angela Pankhurst	-	-	-	-	-	-
Brad Marwood	-	-	-	-	-	-
Anthony Italiano	-	-	-	-	-	-
	-	-	-	-	-	-
31 December 2020						
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)	-	-	-

No options were exercised during the twelve months ended 31 December 2021.

DIRECTORS' REPORT
Remuneration Report (Audited)

Performance Rights held by KMP

Key Management Person	Held at start of year	Granted as compensation	Exercised	Lapsed or expired	Other changes[1]	Held at the end of year	Vested and exercisable at the end of year
31 December 2021							
Andrew Richards	1,250,000	1,500,000	-	(1,250,000)	-	1,500,000	-
Angela Pankhurst	-	1,500,000	-	-	-	1,500,000	-
Brad Marwood	3,333,333	3,500,000	-	(3,333,333)	-	3,500,000	-
Anthony Italiano	1,666,666	2,000,000	-	(1,666,666)	-	2,000,000	-
	6,249,999	8,500,000	-	(6,249,999)	-	8,500,000	-
31 December 2020							
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	-

[1] 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.

Shares Issued on Exercise of Compensation Options and Performance Rights

During the year no performance rights were exercised or converted.

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 2021 Annual General Meeting ("AGM")

The 31 December 2020 Remuneration Report was voted for without any commentary or discussion at the 2021 AGM, on a show of hands with proxy votes for of 119,616,607 and votes against of 408,971.

[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	1 June 2023	$0.09	68,118,988
Total options over ordinary shares			68,368,987

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

Date of Expiry	Number of performance rights
31 December 2023	8,500,000
	8,500,000

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.

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 audit of the financial report. This Independence Declaration is set out on page 57 and forms part of the Directors' report for the year ended 31 December 2021.

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 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	Year ended 31-Dec-21 USD	Year ended 31-Dec-20 USD
Sales revenue	5(a)	7,665,773	4,525,066
Cost of sales		(8,304,526)	(4,806,994)
		(638,753)	(281,928)
Other income		202,774	164,484
Exploration and evaluation expenses		(275,671)	(307,805)
Administrative expenses	5(b)	(322,838)	(644,757)
Personnel expenses	5(b)	(689,593)	(655,520)
Foreign exchange gain/(loss)		(183,455)	(94,010)
Fair value of financial instruments through profit or loss	5(c)	-	138,929
Interest expense		16,837	(734,309)
Loss from continuing operations before income tax expense		(1,890,699)	(2,414,916)
Income tax expense		-	-
Loss from continuing operations after income tax expense		(1,890,699)	(2,414,916)
Net loss for the year		(1,890,699)	(2,414,916)
Other comprehensive income, net of tax		-	-
Total comprehensive loss attributed to members of the parent entity		**(1,890,699)**	**(2,414,916)**
Loss per share for loss attributable to the ordinary equity holders of the parent entity:			
Basic and diluted loss per share (cents per share)	7(a)	(0.648)	(1.574)

The accompanying notes form part of these financial accounts

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	As at 31-Dec-21 USD $	As at 31-Dec-20 USD $
Assets			
Current assets			
Cash & cash equivalents	21	315,681	752,658
Trade & other receivables	8	1,406,585	1,679,355
Inventory	9	507,169	772,111
Financial assets		1,977	3,006
Total current assets		2,231,412	3,207,130
Non-current assets			
Trade & other receivables	8	-	32,651
Property, plant & equipment	10(a)	1,881,536	870,185
Right of use assets	10(b)	-	-
Mine and development property	10(c)	1,173,174	1,180,972
Total non-current assets		3,054,710	2,083,808
Total assets		**5,286,122**	**5,290,938**
Liabilities			
Current liabilities			
Trade & other payables	11	2,840,513	3,010,763
Borrowings	12	98,237	94,354
Total current liabilities		2,938,750	3,105,117
Non-current liabilities			
Provisions	13	53,559	-
Total non-current liabilities		53,559	-
Total liabilities		**2,992,309**	**3,105,117**
Net assets		**2,293,813**	**2,185,821**
Equity			
Issued capital	14(a)	36,684,091	34,838,110
Reserves	15	(7,215,039)	(7,076,099)
Accumulated losses		(27,175,239)	(25,576,190)
Total equity		**2,293,813**	**2,185,821**

The accompanying notes form part of these financial accounts

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Issued capital	Accumulated losses	Share-based Payments Reserve	Foreign Currency Translation Reserve	NCI Reserve	Total
	USD	USD	USD	USD	USD	USD
For the year ended 31 December 2021						
At 31 December 2020	34,838,110	(25,576,190)	437,304	(1,007,123)	(6,506,280)	2,185,821
Loss for the year after income tax from continuing operations	-	(1,890,699)	-	-	-	(1,890,699)
Total comprehensive income for the year	-	(1,890,699)	-	-	-	(1,890,699)
Transactions with owners in their capacity as owners:						
Issue of new shares net of issuance costs	1,845,981	-	-	-	-	1,845,981
Share based payments – expiry of unvested options	-	291,650	(291,650)	-	-	-
Share based payments	-	-	152,710	-	-	152,710
	1,845,981	291,650	(138,940)	-	-	1,998,691
At 31 December 2021	36,684,091	(27,175,239)	298,364	(1,007,123)	(6,506,280)	2,293,813

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021 (continued)

	Issued capital	Accumulated losses	Share-based Payments Reserve	Foreign Currency Translation Reserve	NCI Reserve	Total
	USD	USD	USD	USD	USD	USD
For the year ended 31 December 2020						
At 31 December 2019	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)
Total comprehensive income for the year	-	(2,414,916)	-	-	-	(2,414,916)
Transactions with owners in their capacity as owners:						
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
At 31 December 2020	34,838,110	(25,576,190)	437,304	(1,007,123)	(6,506,280)	2,185,821

The accompanying notes form part of these financial accounts

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Note	For the twelve months ended 31-Dec-21 USD	For the twelve months ended 31-Dec-20 USD
Cash flows from operating activities			
Receipts from customers		7,594,685	5,323,760
Payments to suppliers and employees		(8,693,259)	(7,115,746)
Payment of interest		-	(50,037)
Refunds of VAT and other indirect taxes		81,579	189,374
Net cash (outflow) from operating activities	21	**(1,016,995)**	**(1,652,649)**
Cash flows from investing activities			
Payment for property, plant and equipment		(1,265,964)	(538,105)
Net cash (outflow) from investing activities		**(1,265,964)**	**(538,105)**
Cash flows from financing activities			
Proceeds from issue of shares		1,980,050	2,716,964
Proceeds from borrowings		-	261,000
Repayment of convertible notes		-	(249,505)
Payment of capital raising expenses		(134,068)	(314,733)
Net cash inflow from financing activities		**1,845,982**	**2,413,726**
Reconciliation of cashflow movement for the year			
Cash and cash equivalents at the beginning of the year		752,658	529,686
Foreign currency translation		-	-
Net (decrease)/increase in cash		(436,977)	222,972
Cash and cash equivalents at the end of the year		**315,681**	**752,658**

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 24 March 2022 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.

Working Capital Deficiency

As at balance date, the consolidated entity had a net working capital deficiency of $0.707 million. Included in the working capital deficiency are current liabilities of $2.938 million, which include borrowings and associated accrued interest payable, more fully described in Note 12.

In relation to the working capital deficiency as at the balance date:

- Current creditors includes a net amount of $0.993 million in relation to a disputed claim by Caminos y Construcciones Ganti S.A. de C.V. (Ganti), the mining contractor at the Plomosas Project who was terminated in 2019, more fully described in Note 11.

The cash flow forecasts which the directors have relied upon for the purposes of the going concern assumptions, makes certain assumptions regarding zinc price ($3,300/tonne), lead price ($2,200/tonne), production volumes and operating costs which reflect current market conditions and indicate surplus cashflow can be generated by mining. The assumptions utilised in the cashflow forecast are an improvement from 2021, reflecting improved operating performance of the Plomosas concentrator and an improvement in the availability of the mobile mining equipment and power generation and restoration of mining areas that were not accessible in Q4 2021 due to a temporary increase in the mine water level due to power generation equipment outages.

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 ($1,173,174) and a significant proportion of its property, plant & equipment ($1,881,536) 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 2021 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 deconsolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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 unused tax losses.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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, 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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 instruction 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 Group generates sales revenue from the sale of zinc and lead concentrate and sales revenue is based on the concentrates sold to the buyer, 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 Group 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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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 a combination of internal and external sources using a Black-Scholes option pricing model and independent third-party valuations which comprised of a trinomial barrier option 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 2021, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT CHANGES DURING THE YEAR

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 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;
- 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;
- On 22 October 2021, the Company announced Penoles exercised its option to purchase 100% of the zinc concentrates produced from Plomosas for calendar year 2022; and
- On 31 January 2022, the Company announced Angela Pankhurst had returned to the role of non-executive Director, having completed the additional works and supported the Executive during the difficult impacts of travel restrictions related to COVID-19.

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 2021.

5. PROFIT AND LOSS INFORMATION

(a) Revenue from contracts with customers

Concentrate sales agreements

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 2022 with an option, at Penoles election, to be extended for a further 1 year.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. PROFIT AND LOSS INFORMATION (continued)

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.

	Year ended 31-Dec-21 $	Year ended 31-Dec-20 $
Zinc revenue	7,324,350	5,143,973
Lead revenue	1,327,885	1,322,262
Silver revenue	204,000	26,199
Treatment Charge - Zinc Concentrate	(921,121)	(1,546,159)
Treatment Charge - Lead Concentrate	(269,341)	(420,300)
Refining charge - Silver	-	(909)
	7,665,773	4,525,066

(b) Expenses

	Year ended 31-Dec-21 USD	Year ended 31-Dec-20 USD
Administrative expenses		
Administration	(77,188)	(72,352)
Consultancy and legal expenses	(5,408)	(22,201)
Compliance and regulatory expenses	(127,056)	(72,847)
Communication	(9,154)	(19,633)
Covid-19 suspension costs	-	(372,577)
Depreciation and amortisation	(222)	(18,457)
Occupancy	(12,687)	2,281
Travel and accommodation	(11,046)	(36,974)
Audit fees	(80,077)	(31,997)
	(322,838)	(644,757)
Personnel expenses		
Directors' salaries and fees	(340,297)	(534,073)
Employee expenses	(166,776)	(116,251)
Superannuation expenses	(29,810)	(20,413)
Share-based payments	(152,710)	15,217
	(689,593)	(655,520)
(c) Fair value through profit or loss		
Movement in fair value of derivatives	-	138,929
	-	138,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. INCOME TAX

	Year ended 31-Dec-21 USD	Six months ended 31-Dec-21 USD
Profit/(Loss) before income tax	(1,890,699)	(2,414,916)
Tax benefit at the 30% income tax rate	567,210	724,475
Non-deductible temporary differences	-	41,679
Non-deductible permanent differences	45,933	(4,445)
Income tax benefit not bought to account	(613,143)	(761,709)
Income tax attributable to operating loss	-	-

Potential deferred tax assets attributable to tax losses and exploration expenditure expensed as incurred, amount to approximately $17,354,501 (2020: $17,012,314) and capital losses of $887,488 (2020: $887,488) have not been brought to account at 31 December 2021 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:

i. 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;
ii. the Group has a history of reporting profitability 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 2021.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. LOSS PER SHARE

		Year ended 31-Dec-21	Year ended 31-Dec-2020
a)	Basic loss per share attributable to the ordinary equity holders of the Company (cents per share)	(0.648)	(1.574)
	Basic loss per share from continuing operations attributable to the ordinary equity holders of the Company (cents per share)	(0.648)	(1.574)
b)	Net loss for the year	(1,890,699)	(2,414,916)
	Loss from continuing operations	(1,890,699)	(2,414,916)
c)	Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share	291,607,809	153,417,072

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.

8. TRADE AND OTHER RECEIVABLES

	31-Dec-21 USD	31-Dec-20 USD
Current		
Trade receivables	480,926	249,042
Other receivable	3,027	629
Prepayments	71,296	224,969
Indirect taxes receivable[1]	821,336	1,164,715
Receivable from the Plomosas Project former joint venture partner[2]	30,000	40,000
	1,406,585	1,679,355
Non-current		
Receivable from the Plomosas Project former joint venture partner[2]	-	32,651
	-	32,651

[1] 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.

[2] 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 Guaru 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVENTORY

	31-Dec-21 USD	31-Dec-20 USD
Warehouse inventory – at cost	219,568	143,484
Ore stockpiles – at the lower of cost or net realisable value	180,825	372,180
Zinc and lead concentrates – at the lower of cost or net realisable value	106,776	256,447
	507,169	772,111

An impairment charge of $150,925 included in cost of sales was recognised to record the Ore Stockpiles and Zinc and Lead concentrates at the lower of cost or net realisable value.

10. NON-CURRENT ASSETS

a) Property, plant and equipment	31-Dec-21 USD	31-Dec-20 USD
Plant and Equipment		
At cost	2,216,309	1,022,468
Accumulated depreciation	(334,772)	(152,283)
	1,881,537	870,185
Movement in carrying amount		
Balance at the beginning of the year	870,185	416,273
Additions	1,217,090	525,451
Depreciation	(205,738)	(71,539)
Balance at the end of the year	1,881,537	870,185

b) Right of use asset	31-Dec-21 USD	31-Dec-21 USD
Right of use asset	-	114,572
Accumulated depreciation	-	(114,572)
	-	-
Movement in carrying amount		
Carrying value at start of the period	-	28,356
Additions	-	-
Depreciation	-	(28,356)
Carrying value at the end of the year	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. NON-CURRENT ASSETS (continued)

c) Mine and development property	31-Dec-21 USD	31-Dec-20 USD
Mine and development property		
At cost	1,664,673	1,625,872
Accumulated depreciation	(491,499)	(444,900)
	1,173,174	1,180,972
Movement in carrying amount		
Balance at the beginning of the year	1,180,972	1,472,767
Additions	-	153,105
Rehabilitation obligation	38,801	-
Amortisation	(46,599)	(444,900)
Balance at the end of the year	1,173,174	1,180,972

Impairment

The Group identified an impairment indicator on its Plomosas Zinc-Lead-Silver Project given the loss for the year ending 31 December 2021.

Accordingly, a comparison has been made between the recoverable amount of the Plomosas cash-generating unit and its carrying amount. There were no changes to the composition of the cash-generating unit during the year. 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-21 USD	31-Dec-20 USD
Trade creditors	(i)	2,313,006	2,533,650
Other payables and accruals		432,834	382,698
Employee leave provisions		94,673	94,415
		2,840,513	3,010,763

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 with a net amount (after deduction of theft of inventory and refundable VAT) of US$0.993 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. BORROWINGS

	31-Dec-21 USD	31-Dec-20 USD
Short-term loans from related parties		
Loan principal	72,560	77,020
Interest payable	25,677	17,334
	98,237	94,354
Reconciliation of movement		
Movement in loans from related parties		
Balance at the beginning of the year	77,020	560,480
Repayment of loan to related parties	-	(481,320)
Effect of foreign currency translation at period end	(4,460)	(2,140)
	72,560	77,020
Movement in interest on loans from related parties		
Balance at the beginning of the year	17,334	49,067
Interest for the period	9,414	34,864
Interest converted into fully paid shares	-	(67,679)
Effect of foreign currency translation at period end	(1,071)	1,082
	25,677	17,334
	98,237	94,354

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 2022.

13. PROVISIONS

	31-Dec-21 USD	31-Dec-20 USD
Provisions for long service leave	14,758	-
Provision for rehabilitation	38,801	-
	53,559	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. ISSUED CAPITAL

a) Share capital

	31-Dec-21 Number of shares	31-Dec-21 USD	31-Dec-20 Number of shares	31-Dec-20 USD
Ordinary shares paid net of costs	301,357,813	36,684,091	237,607,802	34,838,110

	Reconciliation of movement in Issued capital	Issue price (A$ cents)	Number of shares	USD
	Balance at 1 January 2020		**1,669,808,313**	**30,931,000**
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)
	Balance at 31 December 2020		**237,607,802**	**34,838,110**
	Balance at 1 January 2021		**237,607,802**	**34,838,110**
15-Feb-21	Placement shares	4.0	56,250,000	1,748,778
18-May-21	Placement shares	4.0	7,500,000	231,270
18-May-21	Exercise of options (CZLOB)	9.0	11	1
	Issuance costs		-	(134,068)
	Balance at 31 December 2021		**301,357,813**	**36,684,091**

b) Options over ordinary shares

Options over ordinary shares	31-Dec-21 Number of options	31-Dec-21 Exercise price per option (A$)	31-Dec-20 Number of options	31-Dec-20 Exercise price per option (A$)
Outstanding at the beginning of the period	69,702,325	0.09	8,218,921	-
Granted – Listed options	-		68,118,999	0.09
Exercised – Listed options	(11)		-	-
Expired – unlisted options	(1,333,333)		(6,635,595)	0.59
Outstanding at the end of the period	68,368,981		69,702,325	-
Exercisable at the end of the period	**68,368,981**		**69,702,325**	-

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 17.0 months (31 December 2020: 30.9 months).

Weighted average price of the remaining options is A$0.09 (31 December 2020: A$0.09) per option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. ISSUED CAPITAL (continued)

c) Capital management

The Group's 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-21 USD	31-Dec-20 USD
Cash and cash equivalents	315,681	752,658
Financial assets	1,977	3,006
Inventory	507,169	772,111
Trade and other receivables	1,406,585	1,679,355
Trade and other payables	(2,840,513)	(3,010,763)
Borrowings	(98,237)	(94,354)
Working capital position	**(707,338)**	**102,013**

15. RESERVES

		31-Dec-21 USD	31-Dec-20 USD
Share-based payments reserve	*(i)*	298,364	437,304
Foreign currency translation reserve		(1,007,123)	(1,007,123)
Non-controlling interest reserve		(6,506,280)	(6,506,280)
		(7,215,039)	**(7,076,099)**

(i) Movement in Share-based payments reserve	31-Dec-21 USD	31-Dec-20 USD
Balance at the beginning of the period	437,304	463,196
Reclassification to share capital for exercised options	-	(28,198)
Reclassification to accumulated losses for performance rights lapsed or expired	(291,650)	-
Share-based payment expense	152,710	(2,306)
Balance at the end of the period	**298,364**	**437,304**

The share-based payment reserve is in relation to the recognition of share-based payment expenses.

The foreign currency translation reserve represented the translation of Group's Mexican subsidiary functional currency of Mexican Pesos translated to Australian Dollars. The Group changes its functional and presentation currency to United States Dollars on 1 January 2019.

The non-controlling interest reserve represents the former Plomosas joint venture partner's interest. The Group acquired a 100% interest in its Mexican subsidiary on 1 October 2019, eliminating any future non-controlling interest movements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. KEY MANAGEMENT PERSONNEL

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

Mr. Andrew Richards	Chairman (Non-Executive)
Ms. Angela Pankhurst	Non-executive Director (Executive from 19 January 2021 to 31 January 2022)
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-21 USD	31-Dec-20 USD
Short term benefits	563,465	630,066
Share-based payments	50,104	136,170
Post-employment benefits	27,940	17,998
	641,509	784,234

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 2021, the outstanding balances regarding the unsecured loans are as follows:

KMP	Loan 31-Dec-21 USD	Interest on loan 31-Dec-21 USD	Loan 31-Dec-20 USD	Interest on loan 31-Dec-20 USD
Andrew Richards	72,560	25,677	77,020	17,334
	72,560	25,677	77,020	17,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. 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.

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, $152,710 was recognised as a share-based payment expense (31 December 2020: ($2,306)).

d) Shares granted as compensation

No shares were granted as compensation during the year.

e) Performance rights granted

During the period, 8,500,000 Class Q performance rights were granted. The Class Q performance rights vesting on meeting the performance criteria of the Group's share price exceeding a 20 day volume weighted average price of A$0.12 per share prior to the expiry date of 31 December 2023.

f) Options over ordinary shares granted

No options were granted during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. RELATED PARTIES

The consolidated entity in this report consists or Consolidated Zinc Limited, a company domiciled in Australia, and the entities it controlled at the end of, or during the year ended 31 December 2021.

a) Group entities

Subsidiaries of Consolidated Zinc Limited	Country of Incorporation	Percentage Owned (%) 31-Dec-21	31-Dec-20
Arena Exploration Pty Ltd	Australia	100	100
Minera Latin American Zinc ("MLAZ")	Mexico	100	100
LAZ Holdings Pty Ltd	Australia	100	100

19. PARENT INFORMATION

	31-Dec-21 $	31-Dec-20 $
Statement of Financial Position		
Current assets	1,224,696	744,840
Non-current assets	1,423,743	1,805,676
Total assets	2,648,439	2,550,516
Current liabilities	354,626	364,695
Total liabilities	354,626	364,695
Net assets	2,293,813	2,185,821
Issued capital	36,684,091	34,838,110
	298,364	437,304
Reserves		
Accumulated losses	(34,688,642)	(33,089,593)
Total equity	2,293,813	2,185,821
Statement of Comprehensive Income		
Total loss	(1,599,049)	(2,414,915)
Total comprehensive loss	(1,599,049)	(2,414,915)

20. COMMITMENTS AND CONTINGENCIES

a) Commitments

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

	31-Dec-21 USD	31-Dec-20 USD
Not later than 12 months	148,155	161,288
Between 12 months and 5 years	592,621	806,441
Greater than 5 years	3,882,049	4,527,774
	4,622,825	5,495,503

b) Contingencies

Contingent Assets

There are no contingent assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. COMMITMENTS AND CONTINGENCIES (continued)

Contingent Liabilities

Pandion

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.

Former Ganti Employees

Former employees of Ganti are claiming unpaid wages and termination benefits in a legal action against MLAZ and Ganti.

Under the Mexican labour laws, MLAZ would only be liable for the Ganti employee costs if the claimants can prove an exclusive labour relationship between the companies. It is the understanding of MLAZ that there was no such relationship between Ganti and MLAZ, as Ganti operated at multiple sites as a contractor within Mexico, however, this will be subject to judgements by the Mexican legal system.

The Ganti employees have made an ambit claim against MLAZ and Ganti, which MLAZ is vigorously defending. MLAZ also has indemnity for these costs under the mining contract with Ganti, however, the solvency of Ganti is uncertain.

21. CASH FLOW INFORMATION

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

	31-Dec-21 USD	31-Dec-20 USD
Reconciliation of (loss)/profit after income tax to net cash outflow from operating activities		
Loss after income tax	(1,890,699)	(2,414,916)
Share-based payment expense	152,710	(15,217)
Depreciation and amortisation	252,559	544,745
(Gain)/Loss on foreign currency translation	(54,309)	94,010
Interest/Finance expense	(16,837)	235,309
NRV write-down in inventory	150,938	-
Fair value through profit and loss	-	(138,929)
Change in assets and liabilities		
Decrease/(Increase) in current trade and other receivable	272,770	452,640
Decrease/(Increase) in inventories	264,942	(330,101)
Decrease/(Increase) in other assets	1,030	(1,905)
Decrease/(Increase) in non-current trade and other receivable	32,651	19,998
Increase/(Decrease) in trade and other payable	(182,750)	(115,627)
Net cash flow used in operating activities	(1,016,995)	(1,652,649)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. CASH FLOW INFORMATION (continued)

b) Non-cash financing and investing activities

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

	31-Dec-21 USD	31-Dec-20 USD
Conversion of convertible notes		
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
	-	1,226,161

Reconciliation of movement in borrowings	31-Dec-21 $	31-Dec-20 $
Balance at the beginning of the year	94,354	1,258,160
Proceeds from borrowings	-	261,000
Repayment of borrowings	-	(246,818)
Net cash movement		-
Non-cash movement:		
Equity-settled liabilities	-	(1,290,864)
Effect of change in foreign currency rates	3,883	(54,301)
Capitalised interest and change in embedded derivative	-	167,177
	98,237	94,354

22. 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 ("$)"; 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. FINANCIAL INSTRUMENTS (continued)

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

	31-Dec-21 USD	31-Dec-20 USD
Cash and cash equivalents held in MXN	6,143	1,502
Cash and cash equivalents held in AUD	8,944	19,477
Trade and other receivables in MXN	487	629
Trade and other receivables in AUD	5,197	55,768
Indirect taxes receivable in MXN	818,679	1,148,947
Trade and other payables in MXN	(1,427,846)	(1,573,682)
Trade and other payables in AUD	(118,490)	(91,529)
Borrowings in AUD	(98,237)	(94,354)
	(805,123)	(533,242)

Group sensitivity

Based on the financial instruments held at 31 December 2021, 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 $80,512 higher/$80,512 lower (31 December 2020: $53,324 higher/$53,324 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 2021, the Group had open quotational pricing risk for December zinc concentrate sales which average over the month of January 2022 and lead concentrate sales for December 2021 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. FINANCIAL INSTRUMENTS (continued)

The totals for each category of financial instruments at 31 December 2021 were as follows:

Financial assets and liabilities	31-Dec-21 USD	31-Dec-20 USD
Financial assets		
Cash and cash equivalents	315,681	752,658
Equity investments through profit or loss	1,976	3,066
Trade and other receivables - current	1,406,585	1,679,355
Trade and other receivables – non current	-	32,651
Total Financial Assets	1,724,242	2,467,670
Financial Liabilities		
Trade and other payables	2,840,513	3,010,763
Borrowings	98,237	94,354
Total Financial Liabilities	2,938,750	3,105,117

(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.

Financial liabilities	Less than 6 months USD	6-12 months USD	Total contractual USD	Carrying amount of liabilities USD
As at December 2021				
Non-derivatives				
Non-interest bearing	2,840,513	-	2,840,513	2,840,513
Interest bearing	98,237	-	98,237	98,237
Total non-derivatives	2,938,750	-	2,938,750	2,938,750
As at December 2020				
Non-derivatives				
Non-interest bearing	3,010,763	-	3,010,763	3,010,763
Interest bearing	94,354	-	94,354	94,354
Total non-derivatives	3,105,117	-	3,105,117	3,105,117

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. FINANCIAL INSTRUMENTS (continued)

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.

Credit risk	31-Dec-21 USD	31-Dec-20 USD
Indirect taxes receivable in foreign jurisdictions	832,451	1,194,848
Trade receivables	320,551	249,464
	1,153,002	1,444,312

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.

(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 USD	Fixed interest rate 1 year or less USD	Non-interest bearing USD	Total USD	Weighted effective interest rate %
At 31 December 2021					
Financial assets					
Cash		-	315,681	315,681	
Investments held for trading	-	-	1,976	1,976	
Trade and other receivables - current	-	-	1,406,585	1,406,585	
Trade and other receivables - non-current	-	-	-	-	
Total non-derivative financial assets	**-**	**-**	**1,724,242**	**1,724,242**	
Financial liabilities					
Trade and other payables	-	-	2,840,513	2,840,513	
Borrowings	-	98,237	-	98,237	10
Total non-derivative financial liabilities	**-**	**98,237**	**2,840,513**	**2,938,750**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. FINANCIAL INSTRUMENTS (continued)

At 31 December 2020					
Financial assets					
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	-
Total non-derivative financial assets	**752,658**	**-**	**1,715,012**	**2,467,670**	
Financial liabilities					
Trade and other payables	-	-	3,010,763	3,010,763	-
Borrowings	-	94,354	-	94,354	10
Total non-derivative financial liabilities	**-**	**94,354**	**3,010,763**	**3,105,117**	

23. 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 30 March 2022, the Company completed a placement to raise A$1.250 million (before costs) through the issue of 50,000,000 shares at $0.025 per share with 1 free attaching CZLOB listed option for every 2 new shares subscribed fund the cash purchase consideration of Westoz and Pyramid, due diligence and costs associated with the potential acquisition of Westoz and Pyramid and general working capital. In addition, major shareholder, the Copulos Group, has subscribed for 12.0 million shares on the same terms as the Placement, subject to shareholder approval;

- On 30 March 2022, the Company announced it had executed a non-binding indicative term sheet granting a 60-day exclusivity period to completed due diligence on the acquisition of Westoz Lithium Pty Ltd ("Westoz") for a total purchase consideration of A$740,000 with A$140,000 payable in cash and A$600,000 in CZL fully paid ordinary shares; and

- On 30 March 2022, the Company announced it had executed a non-binding indicative term sheet granting an exclusivity period to 1 June 2022 to completed due diligence on the acquisition of Pyramid Metals Pty Ltd ("Pyramid") for a total purchase consideration of A$990,000 with $40,000 payable in cash and A$950,000 in CZL fully paid ordinary shares.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) The financial statements and notes set out on pages 21 to 55 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 2021 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 2022

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2021, 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	**M R Ohm**
30 March 2022	**Partner**

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HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2021, 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 2021 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* section. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
Recoverability of Mine and Development Property Refer to Note 10(c)	
As at 31 December 2021, the Group had a balance of $1,173,174 in relation to mine and development property. An impairment assessment was conducted by management due to the existence of impairment indicators arising under AASB 136 *Impairment of Assets.* 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. 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.	Our procedures included but were not limited to: - Critically evaluating management's methodology in the value-in-use model and the basis for key assumptions; - Reviewing the mathematical accuracy of the value-in-use model; - Performing sensitivity analyses around the key inputs used in the model such as operating costs, recoveries, grade and commodity prices; - Considering the appropriateness of the discount rate used; - Ensuring the carrying value of the cash-generating unit had been correctly determined; - Comparing value-in-use to the carrying amount of the cash-generating unit; and - Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.

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 2021, 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 2021.

In our opinion, the Remuneration Report of Consolidated Zinc Limited for the year ended 31 December 2021 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

M R Ohm
Partner

Perth, Western Australia
30 March 2022