



CONSOLIDATED ZINC LIMITED

And its Controlled Entities

Annual Report 2017

ABN 27 118 554 359

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CORPORATE DIRECTORY

DIRECTORS

Mr Stephen Copulos – Non-Executive Chairman
Mr William Dix – Managing Director
Mr Andrew Richards – Executive Director
Mr Luis Rogelio Martinez Valles – Non-Executive Director

COMPANY SECRETARY

Mr Andrew Beigel

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

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AUDITORS

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Unit 16, First Floor
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STOCK EXCHANGE

Australian Securities Exchange
Exchange Plaza
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Perth, Western Australia 6000

(ASX: CZL)

CHAIRMAN'S REVIEW

Dear Fellow Consolidated Zinc Shareholders

It is my pleasure to be writing this letter in my capacity as your Chairman and the major shareholder in Consolidated Zinc Limited.

This year has seen some major and exciting developments for the Company at our flagship Plomosas zinc-lead-silver mine in northern Mexico. On the technical side our continued drilling success has led to the release of our Maiden Resource Estimate during the year and a Mineral Resource update post June 30 has the Company well positioned with almost 1M tonnes @ 16%Zn+Pb on the books. The instigation of a Scoping Study into the re-commencement of mining using an upgraded version of the pilot plant that exists on site will be delivered later in the 2017 calendar year which we are confident will lead to a decision to re-start the mothballed operation.

The Plomosas Project covers 11 Exploration and Exploitation Concessions totalling 3,019 ha in area and has an extensive history of exploration and development in base metal operations. Records show the Plomosas project to be in the global zinc industry's upper quartile for grade, with approx. 1.7mt of ore having been mined since 1943, with average historical grades of 15-25% Zinc (Zn) + Lead (Pb) with 40-60 g/t Silver (Ag) and clean mineralogy.

Preliminary metallurgical testwork on samples from the Tres Amigos mineralisation during the year indicate that very high zinc recoveries to concentrate of over 90% could be achieved using conventional processing methods. This will feed into the afore mentioned Scoping Study as a key input and the previous track record of concentrate sales from the project give us great confidence that we will be able to concentrate a highly sought after product for sale.

I am also pleased to report that under the guidance of our Managing Director, Mr Will Dix, Exploration Manager, Mr Steve Boda and the team on the ground in Mexico, we have continued to develop and enforce improved safety protocols and work practices; identified new areas of mineralisation such as Carola South and Las Espadas, commenced regional exploration with detailed geophysics surveys and follow up geological mapping, completed the refurbishment of all the areas of the mine currently of interest and completed the dewatering program and established around 12 underground drilling stations to continue resource definition and exploration drilling,

As mentioned, we remain confident of delivering a positive Scoping Study later in 2017 and we will develop plans for mining and processing utilising parts of the plant on site and extensive underground mine development in order to facilitate early access for relatively modest capital expenditure.

On the corporate side we have been able to attract significant funds through Rights Issues and capital raisings during the year, totalling \$5.9M before costs and I am pleased to have attracted some experienced and notable investors to the company's share register.

The zinc price is currently high and market fundamentals are expected to maintain that price momentum. Global zinc supplies are being depleted and the supply side pressure should continue for some time along with a forecast increase in demand. This will continue to drive up the global zinc price which has already increased in the last 12 months by 32% from US\$2,104 to US\$2,760 per tonne. This trend has continued strongly post 30 June 2017.

We hope the value we have created for CZL shareholders to become reflected in the share price and I am personally very excited about the future of the Company.

The next 12 months will be a turning point for the Company as we work towards recommencing mining operations and be recognised by the market as an established zinc producer. It is an exciting time to be a Consolidated Zinc shareholder as we work toward our goals of production and steady cash flow.

I would like to thank you for your continued support as shareholders of Consolidated Zinc.

Yours sincerely

Stephen Copulos

Stephen Copulos
Chairman

REVIEW OF OPERATIONS

During the reporting year Consolidated Zinc focussed entirely on northern Mexico where the Company's flagship, the high grade zinc-lead-silver Plomosas Project, is located in the state of Chihuahua. Efforts were directed towards drilling and confirming the extent of mineralisation, establishing a Mineral Resource and undertaking mining and metallurgical studies as part of a Scoping Study aimed at restarting production at Plomosas.

MEXICO – The Plomosas Zinc-Lead-Silver Project

Background:

The Plomosas Project covers 11 Exploration and Exploitation Concessions totalling 3,019Ha in area with an extensive history of exploration and development in base metal operations. Plomosas is located in the northern Mexican state of Chihuahua, which neighbours Texas, USA, and is accessed by a two hour flight from Dallas (Figures 1 to 3).

The Project comprises an historic mine located within Chihuahua's prolific Zinc-Lead Mineralised Belt whose operations have been put on hold by the Company while resources and reserves are defined and a comprehensive minelife plan is established.

Plomosas comprises remarkably high grades of Zinc and Lead (approximately 15% - 20% combined) with silver credits up to 2 oz Ag and contains low iron mineralisation which has historically provided a clean, attractive concentrate.

Mineralisation in the Plomosas district exists as stratiform sheets of manto style mineralisation with cross cutting "chimneys" influenced by the location of crosscutting 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 cross cut 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.

At Plomosas, the average thickness of the manto style mineralisation is around 3m within a thicker sequence up to 25m thick containing limestone + shale ± marble that dips shallowly (10° – 40°) to the north east. Mining has extensively focused on the limestone units and shown the ore to be highly visible with sharp contacts.

Plomosas has been mined in several stages since 1943 down to approximately 240 metres below surface via room and pillar stopes using traditional air leg drill and blast techniques. In places, historical production realised approximately 20,000 tonnes mineralisation per vertical metre with remnant material remaining. The mineralisation continues at depth and there is over 6km strike of prospective stratigraphic horizon within the tenement package providing for excellent exploration potential and drill targeting outside the mine environment.

In 2015 Consolidated Zinc Ltd acquired a 51% equity ownership of Plomosas with the option of increasing that equity to 90% or more. Arising from work subsequently undertaken by the Company, a JORC 2012 resource estimate totalling 568,000 tonnes at 12.3% zinc, 4.6% lead and 28.4 g/t silver in both indicated and inferred categories was announced to the ASX on 15 December 2016.



Figure 1. Location of Plomosas mine in northern Chihuahua State, Mexico

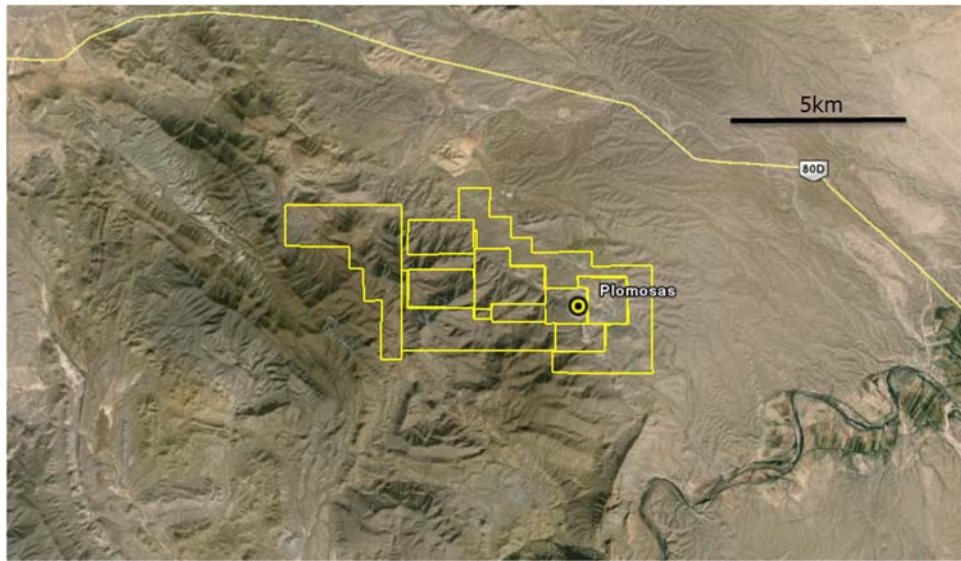


Figure 2. Plomosas project tenement plan.



Figure 3. Aerial view of Plomosas mine in northern Chihuahua State, Mexico

EXPLORATION SUMMARY 2017

MINE EXPLORATION AND RESOURCE DEFINITION

The Company completed a successful year to June 30, 2017 in terms of:

- Estimating a maiden JORC (2012) resource totalling 568,000 tonnes at 12.3% zinc, 4.6% lead and 28.4 g/t silver in both indicated and inferred categories. This resource incorporated mineralisation from Level 7 Deeps and Tres Amigos areas, both of which are accessible from existing underground development.
- Ongoing underground drilling that returned intercepts that are expected to increase the resource as well as identifying new areas of mineralisation;

MANAGING DIRECTOR'S REPORT

- Undertaking mapping and sampling to identify new high grade zones in the Las Espadas and Carola South areas among others;
- Completing the first regional exploration program including a gravity and magnetic surveys over the extended Plomosas mine tenement areas that commenced in the last quarter of the 2016FY, and
- Commencing Scoping Studies to investigate the recommencement of mining at Plomosas by utilising the existing mine infrastructure and processing plant on site.

Geological mapping and interpretation occurred throughout the year in conjunction with ongoing mine dewatering and drive rehabilitation.

In the year ending June 30, 2017, a total of 69 diamond holes had been drilled from underground positions for a total of 8,559.6 metres.

PLOMOSAS MAIDEN JORC RESOURCE

On 15 December, 2016, the Company announced its maiden JORC (2012) Mineral Resource estimate for the Plomosas zinc-lead-silver project in northern Mexico which is summarised in Table 1.

The resource estimate, independently completed by Runge Pincock Minarco Limited (RPM), is reported in accordance with the JORC (2012) reporting guidelines, and contains **568,000 tonnes @ 16.9% Zn+Pb and 28.4 g/t Ag for 96,000 tonnes of contained Zn+Pb metal in both Indicated and Inferred categories**. The mineral resource comes from the extensions both down dip and down plunge from existing mine development at Level 7 (Figures 4, 5) and the 2015 discovery of mineralisation at Tres Amigos. The ASX announcement of 15 December, 2016 contains the details of the JORC resource estimate.

Notably mineralisation within the Tres Amigos areas have comprised coarser grained sulphides and are low in lead (galena). Zn/Pb ratios range from 8:1 to 12:1 in contrast to Level 7 mineralisation hosted by the Mina Vieja unit which is closer to 2:1. This augers well for metallurgical recoveries and production of high quality zinc concentrates.

The greater understanding of geological controls and the geometry of the mineralisation established during the resource definition studies have led to the identification of numerous immediate drill targets when compared with the results of recent geophysical surveys and historical drillings. These features are discussed further below but these drill targets aim to identify resource extensions and additions as well assisting the renewed focus on regional exploration.

**Table 1. Plomosas Project Mineral Resource
December 2016 Mineral Resource Estimate (3% Zn Cut-off)**

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

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

Prospect	Total Mineral Resource						
	Tonnage t	Zn %	Pb %	Ag g/t	Zn t	Pb t	Ag Oz
Level 7	318,000	13.6	6.4	40.0	43,000	20,000	409,000
Tres Amigos	250,000	11.3	1.7	13.7	28,000	4,000	110,000

MANAGING DIRECTOR'S REPORT

Total	568,000	12.6	4.3	28.4	71,000	25,000	519,000
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Note:

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

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

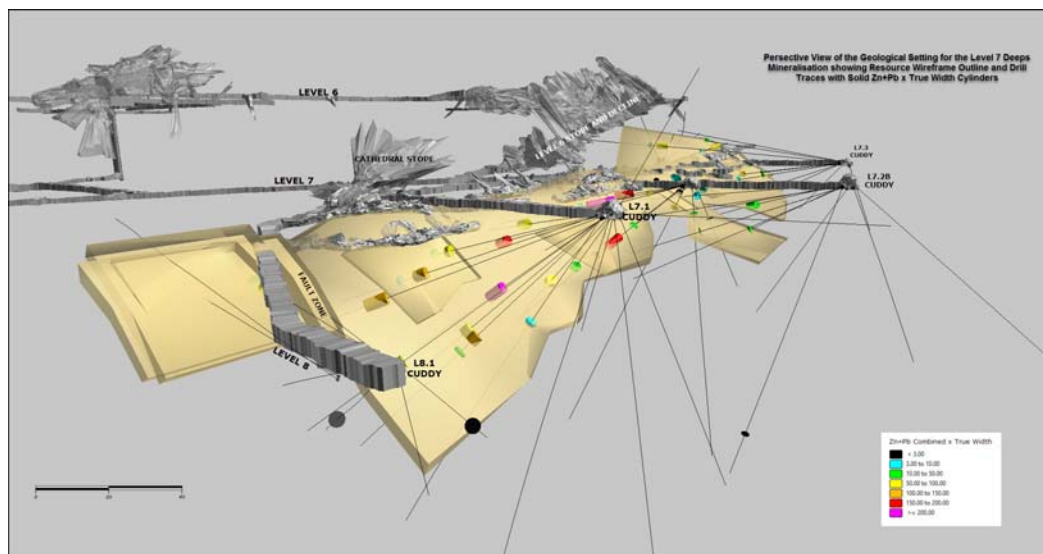


Figure 4: Oblique view of Level 7 Deeps mineral resource wireframed solids showing drillhole traces looking NW

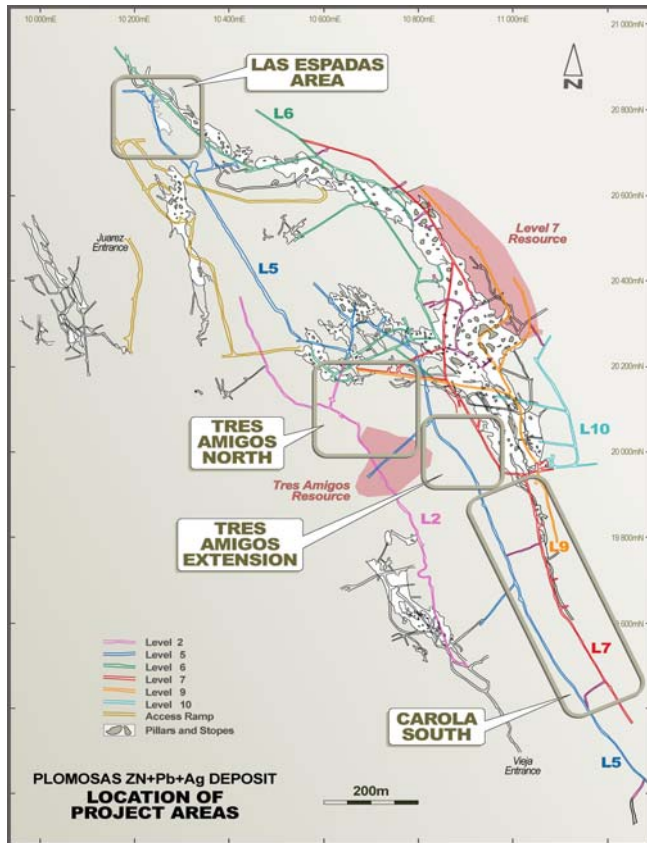


Figure 5. Plan view of the Plomosas mine showing location of the work areas referred to in the text. The December 2016 Mineral Resource outlines are highlighted for Tres Amigos and Level 7 Deeps.

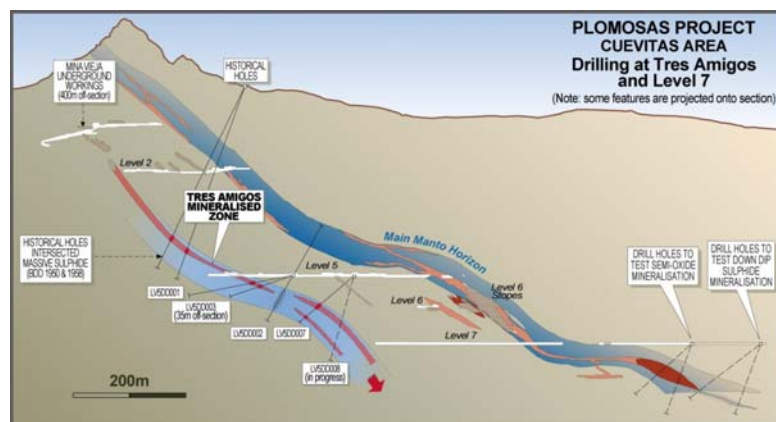


Figure 6. Section view of the Plomosas mine showing the Tres Amigos zone in the Juarez Limestone unit, historical drilling and the drilling of the Main Manto Horizon below Level 7. Figures 7 and 8 illustrate drill sections through Tres Amigos and Level 7 Deeps.

MANAGING DIRECTOR'S REPORT

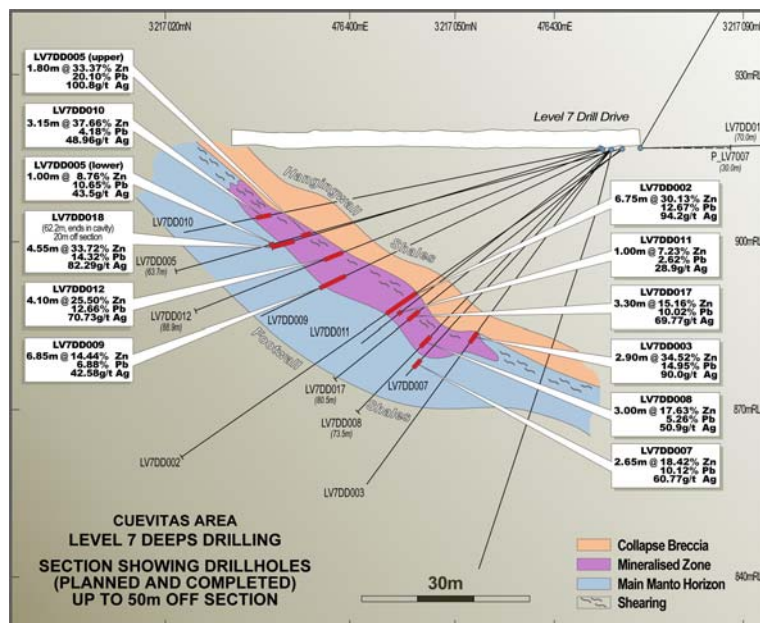


Figure 7. Cross section through Level 7, Cuddy 7.1 showing intercepts and stratigraphy.

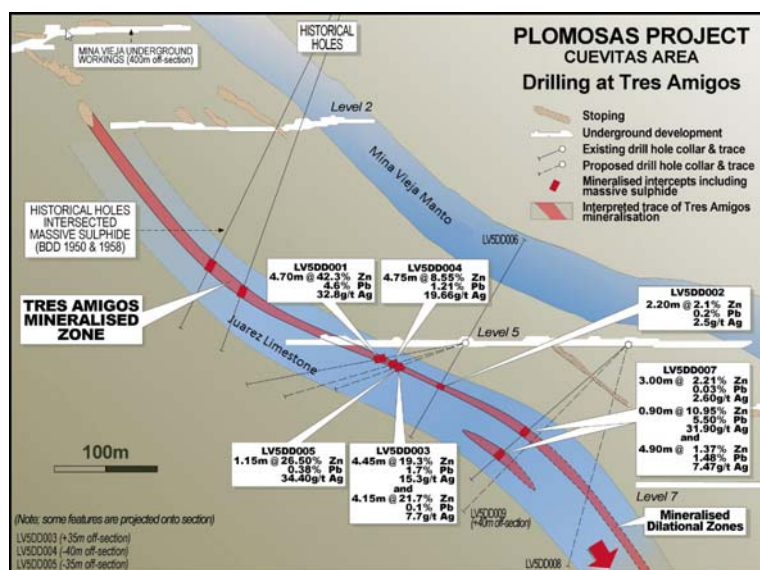


Figure 8. Cross section through Tres Amigos mineralisation, Level 5, showing intercepts and stratigraphy.

NEW AREAS OF HIGH GRADE MINERALISATION

Underground mapping and sampling along the Level 7 drives has outlined new areas of significant high grade mineralisation at **Tres Amigos North** and **Carola South** areas while mapping and face sampling along Level 5 has encountered very high grades up to 58.58% Zn+Pb at **Las Espadas** (Figure 12). These are immediately accessible from underground development on Levels 5 and 7 respectively and located outside the existing JORC (2012) Mineral Resource.

MANAGING DIRECTOR'S REPORT

- Drilling and exploration mapping continued to confirm the potential of high grade areas at Tres Amigos North, Carola South and identified additional areas at Las Espadas, all outside of and adding potential to extend the current JORC resource;
- Drilling of the Tres Amigos North area has intersected results up to 1.5m @ 26.92% Zn+Pb, 52.05g/t Ag and 1.85m @ 32.88% Zn+Pb, 11.07g/t Ag;
- Tres Amigos North drilling confirms potential for repetitions of ore grade mineralisation associated with the Juarez Limestone;
- Face sampling at Las Espadas over 150m strike returned very high grades including 14 samples from a massive sulphide horizon between 0.5m and 1.4m width which:
 - Averaged 32.1% Zn with a peak of 40.43% Zn;
 - Averaged a combined grade of 47.0% Zn+Pb with a peak of 58.58% Zn+Pb;
 - 9 of the 14 samples contained >30% Zn and 5 contained over 50% Zn+Pb;

Tres Amigos North

High grade zinc and lead mineralisation was intersected in the Company's initial six drillholes completed at the Tres Amigos North zone (LV5013 to LV5018). This zone is found in the immediate hanging wall to the Juarez Limestone Unit, outside of the current JORC resource envelope, and confirms the potential for repetitions of ore grade mineralisation associated within the Juarez Limestone (Figures 9 and 10).

Several samples from within wider intersections returned grades higher than 30% for zinc with overall composite intercepts returning results up to 32.6% Zn as illustrated by LV5016 and LV5018.

LV5016	1.50m at	26.33% Zn,	0.59% Pb,	52.05 g/t Ag
LV5018	1.85m at	32.60% Zn,	0.28% Pb,	11.07 g/t Ag

The position of hole LV5018 and the mineralisation it intersected suggests a down-dip continuation of the mineralisation defined by the Tres Amigos resource envelope, and is estimated to be 140 metres in length. This area will be further drill tested for additional extensions of mineralisation which will assist the Company in modelling the nature of mineralisation in this area and in drill targeting.

Face mapping and sampling also obtained significant results as highlighted in Figure 9. Subsequent drill results are shown in Figures 10 and 11.

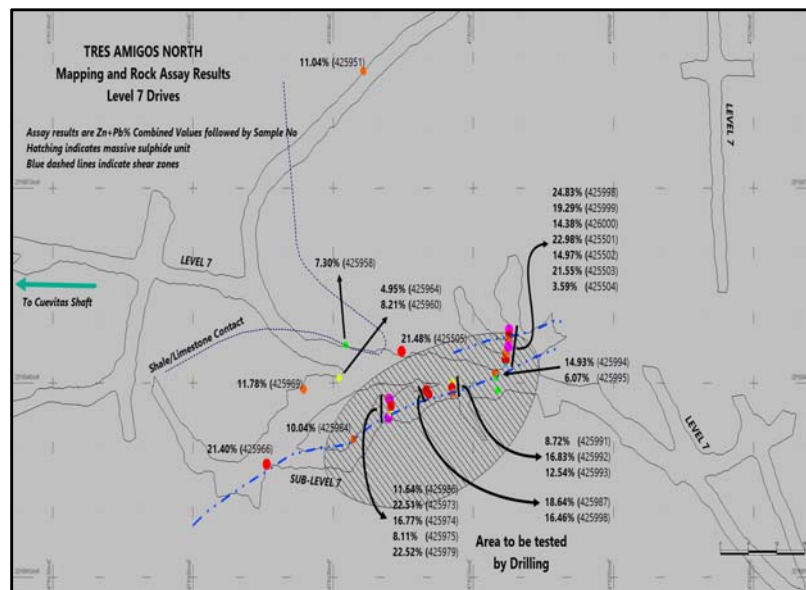


Figure 9. Location and assay results from the rock sampling program completed on Level 7 targeting the Tres Amigos North Area

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The Tres Amigos North area represents an exciting opportunity for the Company as it is a previously untested and unmined horizon stratigraphically below the mineralised Mina Vieja Manto, and located in an area that is immediately accessible by existing workings.

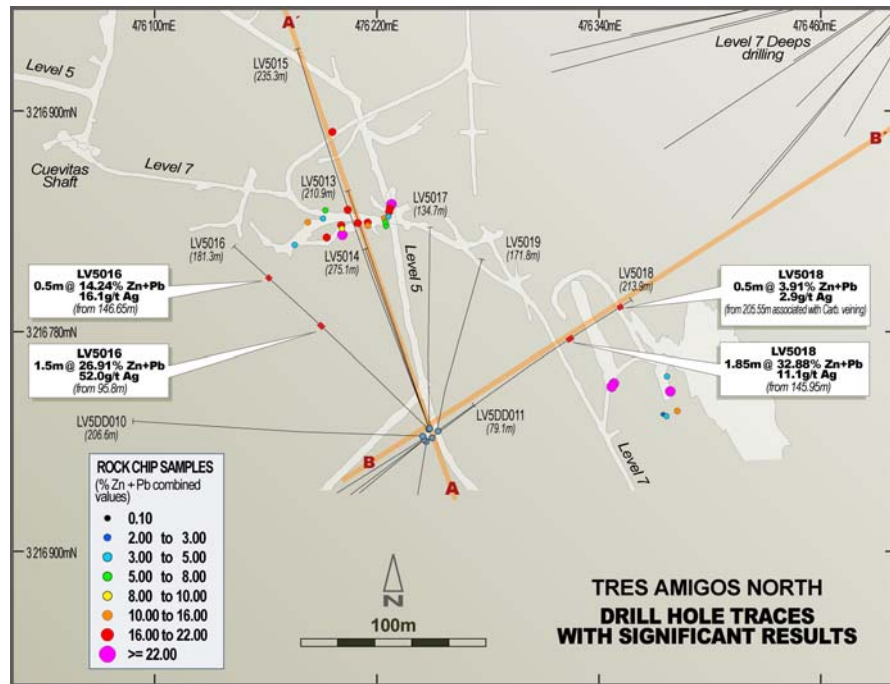


Figure 10. Drill traces and preliminary assay results from drillholes targeting Tres Amigos North and the face sampling grades shown in Figure 3. Cross section B – 'B is shown in Figure 11.

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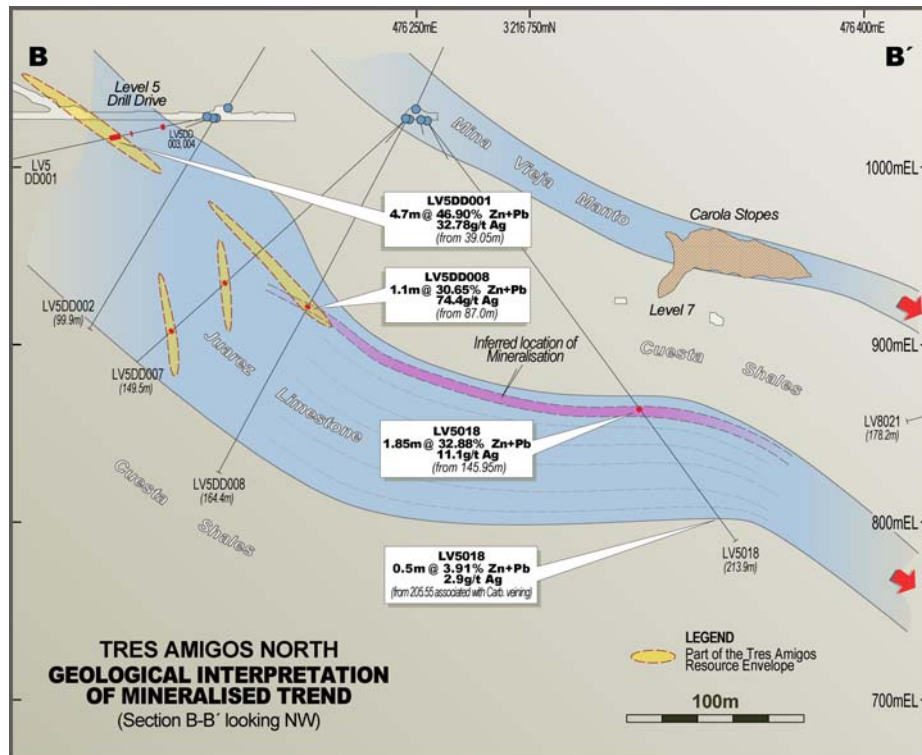


Figure 11. Schematic interpretation through the Tres Amigos North zone, extending out to LV5018, which intersected mineralisation 140 metres down dip of the known mineralisation at Tres Amigos resource.

Las Espadas

Las Espadas is currently being outlined in underground workings to the northern end of the Plomosas mine. The Las Espadas East and West areas have been exposed and mapped in workings on Level 5 but were largely untouched by historical mining.

Las Espadas contains high grade, massive sphalerite and galena mineralisation over intervals up to 1.4m exposed as remnant mineralisation over a strike length of approximately 150 metres. It was identified during mapping and rock chip channel sampling to test the possible extension of mineralisation to the north (Figures 5, 12).

An initial 14 rock channel chip samples were taken specifically in the massive sulphide horizon:

- varying in width from 0.5m to 1.4m (average 0.95m),
- they returned average zinc grades of 32.1% Zn with combined grades of 47.0% Zn+Pb.
- Of the 14 samples, 9 returned over 30% Zn (peak 40.43% Zn) and 5 contained over 50% Zn+Pb (peak 58.58%).

Geological mapping and modelling suggests there may be a mineralised trend association between the El Lagos Dos and Las Espadas areas and this is another area that warrants further testing, (Figures 12, 13). Drilling is planned to test this area as well as at depth to pick up the location of the underlying Juarez Limestone and any potential mineralisation.

The identification of additional mineralisation, this time to the north of the main mining area, continues to validate the model that CZL has developed and highlights the likelihood of further resource tonnages being identified within the existing mine infrastructure.

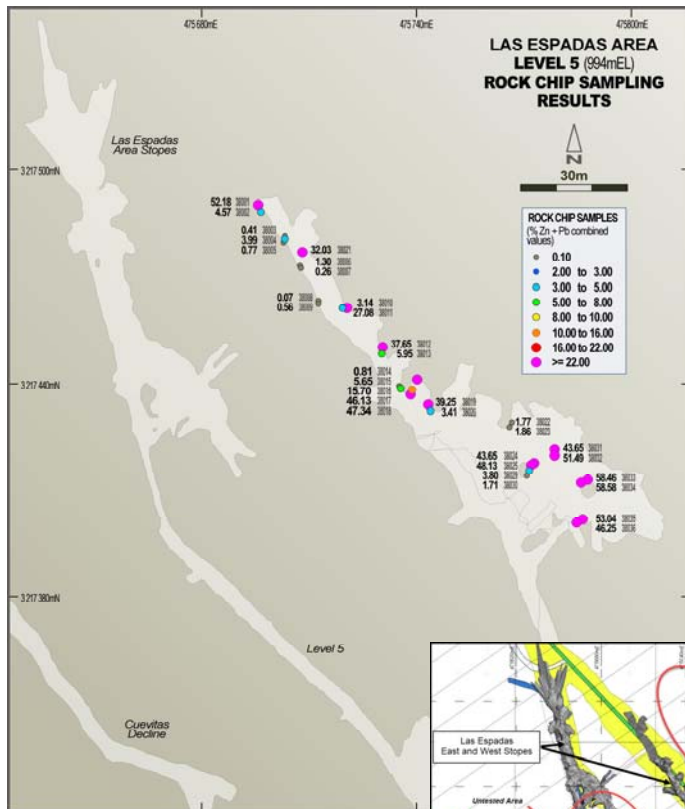
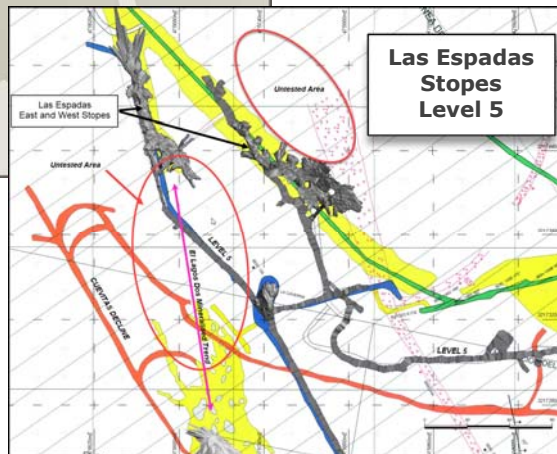


Figure 12. Las Espadas plan and sample locations in the eastern stope. Remnant mineralisation is exposed over 150 m strike with potential for significant tonnage to be defined up and down dip.

Figure 13. Las Espadas plan of underground development and untested area along the trend to El Lagos



Carola South

Excellent assay results from Carola South have been received with grades ranging up to 53.62% combined zinc and lead (Zn+Pb) (sample 425611) and a median of 20.69% Zn+Pb within the mineralised zone. 14 of 40 samples within the mineralised sequence returned over 30% Zn+Pb.

The mineral exposure is a typical pinch and swell structure averaging approximately 1.5m in thickness and extending over 522m in this area which is located 300m south of the Mineral Resource. Table 2 summarises the assay statistics from 40 samples taken along the exposure in the drive and stope. Mineralisation here has similar attributes to the mine sequence recognised in Level 7 Deeps which comprises massive sulphides, oxidised in places, and occurring on the hanging wall to a leached marble unit.

Table 2. Summary of assay results from within Carola South mineralised zone (40 samples)				
	Zn+Pb% (Combined)	Zn%	Pb%	Ag g/t
Range	0.02% - 56.32%	0.02% - 41.36%	0.01% - 15.40%	6.3 – 83.4
Median	20.69%	14.23%	5.71%	34.75
Average (all)	20.38%	14.45%	5.94%	35.98
Average (Top 75%)	27.02%	19.16%	7.86%	38.34

MANAGING DIRECTOR'S REPORT

Mineralisation in the Carola South area is an extension to the south of the massive sulphides previously mined by Asarco. No large scale mining was undertaken but an exploration drive was developed with only occasional, minor mining from this drive when mineralisation was encountered (Figure 5). The Carola South exploration drive does not encounter the footwall or hanging wall contacts of the Mina Vieja Manto, which elsewhere are the main areas of mineralisation occurrence.

SCOPING STUDY COMMENCES

On 22 February 2017, the Company announced that it had commenced a Scoping Study, led by RungePincokMinarco Ltd and BatteryLimits Pty Ltd to investigate the potential for fast-tracking development utilising the immediate access to the high grade ore in Level 7 and the refurbishment of the small scale plant on-site. The study will assess mining and infrastructure options, including the possible re-establishment of past mine operations, and refurbishment and potential future expansion of an existing onsite pilot processing plant, targeting a throughput of between 200 to 400 tonnes per day, or approximately 75,000 to 150,000 tonnes per annum.

Independent global consultant RungePincokMinarco Pty Ltd ("RPM"), which has intimate knowledge of Plomosas from previous work completed with Consolidated Zinc, has been appointed to manage the study. In addition, BatteryLimits Pty Ltd will continue metallurgical testwork and develop the metallurgical and process engineering options. The focus of the Study was amended to provide greater emphasis on the Tres Amigos mineralisation, which can be accessed at shallower levels from existing infrastructure, following positive metallurgical results that returned high zinc recoveries over 90% to a single high grade concentrate. Work is progressing in line with the expected timetable in that the Company anticipates being able to make a decision upon receipt of the Scoping Study on restarting mining operations in the 2nd half of 2017.

REGIONAL EXPLORATION PROGRESS

As detailed in the ASX announcement of November 3, 2016, an expansive regional exploration program was completed over the main mineralised corridor. Geophysical surveys were conducted to acquire both gravity and airborne magnetics data and these datasets coupled with geological mapping and widespread sampling identified numerous targets for follow-up.

The highest priority targets are outlined in Figure 14 and detailed in the following bullet points.

- The Los Alfonsitos area warrants further mapping and sampling, particularly to define the extents of the anomalous gossanous horizons which may be analogous to footwall mineralisation seen within the mine;
- The El Fenomino Marble appears to be a possible fold or thrust repeat of the mine sequence. Since the samples have returned anomalous Pb and Zn results, further work in line with the interpretation of the aeromagnetics and gravity is planned;
- The subtle coincident magnetic anomalies that occur in the mine sequence and associated with the mineralisation are found elsewhere in the tenements and can be targeted for further work. Figure 14 shows at least six different targets generated from this work for immediate follow-up;
- Further enhancement work on the gravity will strengthen the current targets and generate additional targets for further work.

MANAGING DIRECTOR'S REPORT

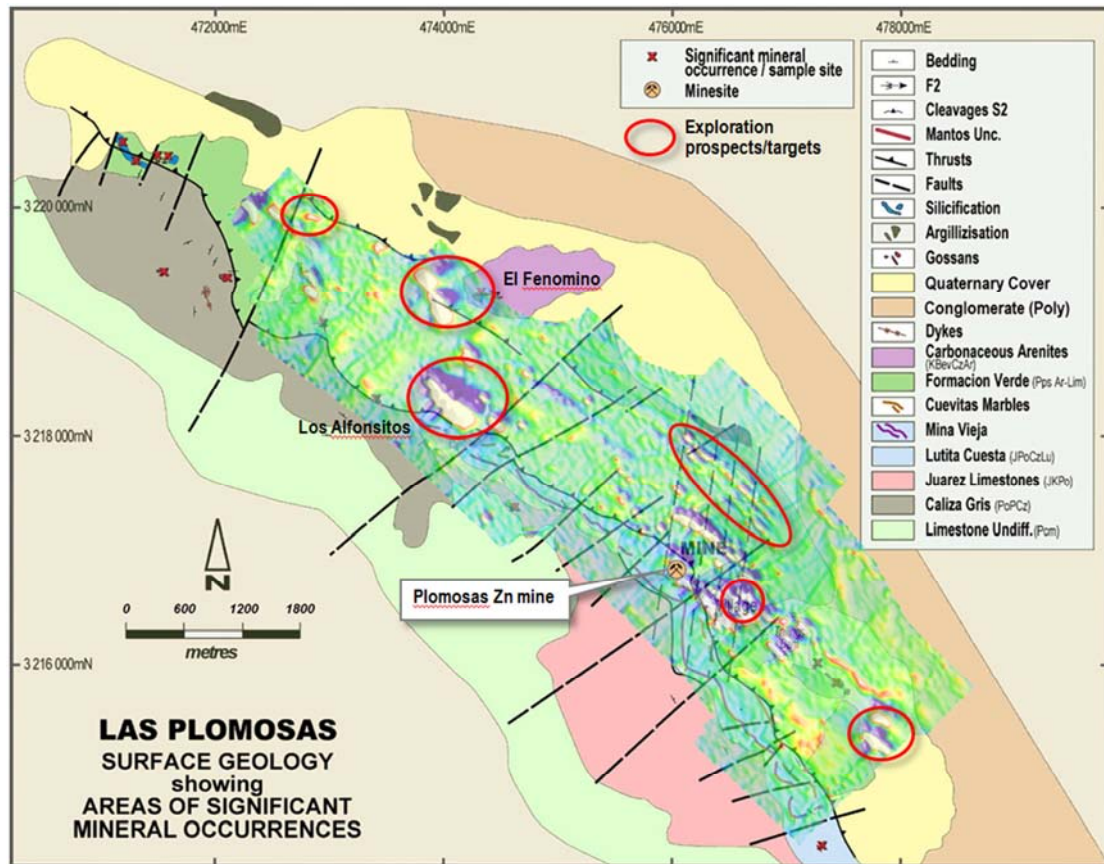


Figure 14: Plan view of regional geology overlain on recent aeromagnetic survey results. First pass near mine exploration program defined prospective geology including the mine sequence extending from the Plomosas mine site along with encouraging anomalous rock chip samples. Several priority areas have been highlighted that warrant further follow up.

COMPETENT PERSONS STATEMENT

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

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

DIRECTORS' REPORT

The Directors of Consolidated Zinc Limited present their report, together with the financial statements of the Group, being the Company and its controlled entity, for the financial year ended 30 June 2017.

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS DURING THE FINANCIAL YEAR

Directors in office as at the end of the year are:

- Mr Stephen Copulos
- Mr William Dix
- Mr Andrew Richards
- Mr Luis Rogelio Martinez Valles

COMPANY SECRETARY

- Mr Andrew Beigel

INFORMATION ABOUT THE DIRECTORS

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

Names

Particulars

Stephen Copulos (Chairman)

Mr Copulos joined Consolidated Zinc as a Non-Executive Chairman and is the Company's major shareholder and financial supporter. Mr Copulos has over thirty five years' experience in a variety of businesses and investments across a wide range of industries including mining, manufacturing, property development, food and hospitality. He has been the Managing Director of the Copulos Group of companies, a private investment group, since 1997 and has extensive experience as a company director of both listed and unlisted public companies in Australia, New Zealand, the UK and USA.

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

Name	Date Appointed	Date Resigned
Collins Foods Limited	April 2013	October 2014
Crusader Resources Limited	March 2013	Current
Black Rock Mining Ltd	January 2015	Current
Restaurant Brands Ltd	April 2016	Current

Will Dix (Managing Director)

Mr Dix is a geologist with more than 20 years' experience in base metal, uranium and gold exploration and mining. He holds a BSc and MSc (Geology) from Monash University and is a member of AusIMM.

In his previous roles, Mr Dix has been Managing Director of Fitzroy Resources and unlisted private mining ventures. He also spent 9 years with LionOre Mining International where he was a District Supervising Geologist in Western Australia. During his time with LionOre Mining International, Mr Dix was part of the team that discovered the Waterloo Nickel Mine and delineated the 2 million ounce Thunderbox Gold Project.

Mr Dix has a proven track record of successful project and team management and also has extensive experience in commercial activities including capital raisings, mergers, acquisitions and divestments.

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

DIRECTORS' REPORT

Name	Date Appointed	Date Resigned
BBX Minerals Limited	10 October 2012	Current
Credo Resources Limited	3 December 2010	21 June 2016
Fitzroy Resources Limited	4 August 2010	8 May 2015

Andrew Richards
(Executive Director)

Mr Richards is a geologist with over 30 years' 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 also 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	Date Resigned
Hunter Resources plc	4 July 2014	Current
Southern Hemisphere	1 December 2013	1 May 2015
Mining Ltd		
Intermet Resources Ltd	17 January 2013	9 October 2014

Luis Rogelio Martinez Valles
(Non-Executive Director)

Mr Martinez is a mining entrepreneur with more than 40 years' experience in industrial minerals, base and precious metals. He holds an Industrial Engineer qualification from Chihuahuas Tech, with a Masters in Business Administration from Nuevo León University, and a Member of the Mining Association of Chihuahua.

Mr Martinez has a proven record of successfully operating in different mine projects such as barite, silica sand, lead zinc, gold and silver, from exploration to exploitation and sale of ores and concentrates, from startups, to mill installation. Mr Martinez has a background in dealings with local governments as well as experience in negotiations and diligences to be arranged in all areas involving mining including but not limited to mergers and joint ventures.

Other than disclosed above, Luis has not held directorships with any other ASX-listed companies over the last three years.

PRINCIPAL ACTIVITIES

Consolidated Zinc Limited is an Australian based, diversified minerals Exploration Company holding projects in Mexico. The Company's principal activities are to acquire exploration tenements holding potential for high demand mineral commodities, explore those tenements, discover economic mineral deposits and proceed to upgrade and develop those deposits into economically viable mining projects.

The Company's primary focus is on the Plomosas Project in Mexico where the directors believe the company is seeking to become a producer of high grade Zinc in the short term. This may lead to significant cashflow and will transform the company within a short space of time from an explorer to a producer.

DIRECTORS' REPORT

REVIEW AND RESULTS OF OPERATIONS AND ACTIVITIES

RESULTS

The loss of the Group after providing for income tax amounted to \$1,482,918 (2016: \$1,827,856).

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.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The exploration 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.

FUNDING

On 22 June 2016, the Company:

- Completed the final tranche of a capital raising announced on 6 May 2016 with a placement of 7,300,000 fully paid ordinary shares at \$0.04 per share with free 1 for 2 option (exercisable at \$0.06, expiring 31 December 2018) to raise \$292,000 before costs.
- Issued 23,572,000 Options (exercisable at \$0.06, expiring 31 December 2018) to advisors being part consideration for capital raising activities, and
- Issued 11,884,222 fully paid ordinary shares at \$0.045 and 5,611,111 free attaching option (exercisable at \$0.06, expiring 31 December 2018) for the conversion of debt to equity.

On 4 January 2017, the Company completed a non-rennouncable rights issue placing 31,436,701 fully paid ordinary shares at \$0.03 per share to raise \$943,101 before costs.

On 29 May 2017, the Company completed a rennouncable rights issue placing 184,504,438 fully paid ordinary shares at \$0.016 per share to raise \$2,952,071 before costs. A placement to sophisticated investors was also complete at that time issuing 80,445,621 fully paid ordinary shares at \$0.016 per share to raise \$1,287,130 before costs

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The state of affairs of the Group was not affected by any significant changes during the financial period not otherwise stated in the report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Consolidated Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

EVENTS AFTER THE REPORTING DATE

There were no events subsequent to the reporting date that had a material financial effect on the group.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS

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

Current Director	Number of ordinary shares	Number of options granted	Number of options vested	Number of options unvested	Expiry date	Exercise price	Performance Rights
Stephen Copulos	145,187,488	-	-	-	-	-	-
- Unlisted Options	-	15,613,889	15,613,889	-	31 Dec 2018	\$0.06	-
- Performance Rights	-	-	-	-	-	-	2,000,000
Will Dix	2,730,000	-	-	-	-	-	-
- Unlisted Options	-	5,000,000	-	5,000,000	5 June 2020	\$0.06	-
- Performance Rights	-	-	-	-	-	-	2,666,666
Andrew Richards	2,370,000	-	-	-	-	-	-
- Unlisted Options	-	2,500,000	-	2,500,000	5 June 2020	\$0.06	-
- Performance Rights	-	-	-	-	-	-	2,000,000
Luis Rogelio Martinez Valles	-	-	-	-	-	-	-
- Unlisted Options	-	-	-	-	-	-	-
- Performance Rights	-	-	-	-	-	-	-

MEETINGS OF DIRECTORS

During the financial year, 9 formal meetings of Directors (including committees of directors) were held. Attendances by each Director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number Attended
Directors		
Stephen Copulos	6	6
William Dix	6	6
Andrew Richards	6	6
Luis Rogelio Martinez Valles	6	-

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 year, 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.

DIRECTORS' REPORT

INDEMNITY AND INSURANCE OF AUDITOR

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

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) bonus - executive directors and nominated senior managers are eligible to participate in a bonus or profit participation plan if deemed appropriate;
- c) long term incentives - executive directors may participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option 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 to executives outside of approved employee option 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.

Remuneration of other executives consists of the following:

- a) salary - senior executives receive a sum payable monthly in cash;
- b) bonus - each executive is eligible to participate in a bonus or profit participation plan if deemed appropriate;
- c) long term incentives - each senior executive may, where appropriate, participate in share option schemes which have been approved by shareholders; and
- d) other benefits - senior executive are eligible to participate in superannuation schemes and other appropriate additional benefits.

DIRECTORS' REPORT

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 \$150,000.

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 of the Group during or since the end of the financial year:

Mr. S. Copulos	Chairman (Non-Executive)
Mr. William Dix	Managing Director
Mr. Andrew Richards	Director (Executive)
Mr. Luis Rogelio Martinez Valles	Director (Non-Executive)
Mr. Andrew Beigel	Company Secretary

Details of Remuneration for year ended 30 June 2017

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

2017

Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remuneration Represented by Options	Performance Related
	Cash, salary & commissions	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Performance Rights (i)	Options (iii)			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Stephen Copulos	100,000	-	-	-	-	-	33,500	-	133,500	-	25
William Dix	219,996	-	-	-	-	-	44,667	-	264,663	-	17
Andrew Richards	100,000	-	-	-	-	-	33,500	-	133,500	-	25
Luis Rogelio Martinez Valles	30,000	-	-	-	-	-	-	-	30,000	-	-
Andrew Beigel	54,795	-	-	-	5,205	-	-	-	60,000	-	-
	504,791	-	-	-	5,205	-	111,667	-	621,663		

2016

Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remuneration Represented by Options	Performance Related
	Cash, salary & commissions	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Performance Rights (i)	Options (iii)			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Stephen Copulos	81,909	-	-	-	-	-	19,429	-	101,338	-	19
William Dix	219,996	-	-	-	-	-	25,905	31,674	277,575	11	9

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DIRECTORS' REPORT

Andrew Richards	91,667	-	-	-	-	-	19,429	15,837	126,933	12	15
Luis Rogelio Martinez Valles	7,500	-	-	-	-	-	-	-	7,500	-	-
Andrew Beigel	36,530	-	-	-	3,470	-	-	-	40,000	-	-
Chris Watts	40,000	-	-	-	-	-	-	-	40,000	-	-
	477,602	-	-	-	3,470	-	64,763	47,511	593,346		

(i) Directors received shares in lieu of fees during the year.

(ii) Directors received performance rights.

(iii) Directors received incentive options.

Details of Shares Held by Key Management Personnel

2017

Key Management Person	Balance 1.7.2016	Received as Compensation	On Appointment	Conversion of loan/notes ¹	Acquired	Balance on Resignation	Balance 30.6.2017
Stephen Copulos	73,189,554	-	-	7,177,778	64,820,156	-	145,187,488
William Dix	1,625,000	-	-	-	1,105,000	-	2,730,000
Andrew Richards	1,680,000	-	-	-	690,000	-	2,370,000
Luis Rogelio Martinez Valles	25,000,000	-	-	-	(25,000,000)	-	-
	101,494,554	-	-	7,177,778	41,615,156	-	150,287,488

2016

Key Management Person	Balance 1.7.2015	Received as Compensation	On Appointment	Conversion of loan/notes ¹	Acquired	Balance on Resignation	Balance 30.6.2016
Stephen Copulos	41,739,554	-	-	-	31,450,000	-	73,189,554
William Dix	1,250,000	375,000	-	-	-	-	1,625,000
Andrew Richards	1,225,000	-	-	-	455,000	-	1,680,000
Luis Rogelio Martinez Valles	25,000,000	-	-	-	-	-	25,000,000
	69,214,554	375,000	-	-	31,905,000	-	101,494,554

Details of Options Held by Key Management Personnel

2017

Key Management Person	Balance 1.7.2016	Granted as Compensation	Conversion of loan/notes ¹	Net Change Other	Balance 30.6.2017	Total Vested 30.6.2017	Total Exercisable 30.6.2017	Total Unexercisable 30.6.2017
Stephen Copulos	17,675,000	-	-	(2,061,111)	15,613,889	15,613,889	15,613,889	-
William Dix	5,000,000	-	-	-	5,000,000	-	-	5,000,000
Andrew Richards	2,500,000	-	-	-	2,500,000	-	-	2,500,000
Luis Rogelio Martinez Valles	-	-	-	-	-	-	-	-
	25,175,000	-	-	(2,061,111)	23,113,889	15,613,889	15,613,889	7,500,000

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DIRECTORS' REPORT

2016

Key Management Person	Balance 1.7.2015	Granted as Compensation	Conversion of loan/notes ¹	Net Change Other	Balance 30.6.2016	Total Vested 30.6.2016	Total Exercisable 30.6.2016	Total Unexercisable 30.6.2016
Stephen Copulos	5,450,000	-	-	12,225,000	17,675,000	17,675,000	17,675,000	-
William Dix	5,000,000	-	-	-	5,000,000	-	-	5,000,000
Andrew Richards	2,500,000	-	-	-	2,500,000	-	-	2,500,000
Luis Rogelio Martinez Valles	-	-	-	-	-	-	-	-
	12,950,000	-	-	12,225,000	25,175,000	17,675,000	17,675,000	7,500,000

No options were exercised during 2016 and 2017

¹ Holding on appointment

² Includes non-renounceable issue of shares and options

³ Balance on resignation

Performance Rights issued as part of remuneration

A Total of 5,000,000 Performance Rights Options were issued to the Directors on approval on 30 November 2016 as follows:

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

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

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

- Mr Will Dix
 1. 666,667 Class A Performance Rights.
 2. 666,667 Class B Performance Rights.
 3. 666,666 Class C Performance Rights.
- Mr Stephen Copulos
 1. 500,000 Class A Performance Rights.
 2. 500,000 Class B Performance Rights.
 3. 500,000 Class C Performance Rights.
- Mr Andrew Richards
 1. 500,000 Class A Performance Rights.
 2. 500,000 Class B Performance Rights.
 3. 500,000 Class C Performance Rights.

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

Class of Performance Rights	Performance Condition	Expiry Date
Class A Performance Rights	(a) Upon the Company announces a JORC Code compliant resource of not less than 1,200,000 tonnes of mineralisation at a combined grade of at least 17% (Zn+Pb);	30 September 2019

DIRECTORS' REPORT

	(b) A Takeover Event occurs.	
Class B Performance Rights	(a) Upon the commencement of construction of a mine at the Company's Plomosas Project; or (b) A Takeover Event occurs	30 September 2019
Class C Performance Rights	(a) Upon the Company's shares achieving a 10 day VWAP of \$0.15 or more for a period of 10 consecutive trading days; or (b) A Takeover Event occurs	30 September 2019

Total value of \$111,667 was expensed as share based payments for the financial period.

Shares Issued on Exercise of Compensation Options

No options granted as compensation in prior years were exercised through the year or the previous year.

Employment contracts of directors and senior executives

The employment of the Non-Executive Chairman, Mr Stephen Copulos, is under a letter of appointment and is on an ongoing basis unless he resigns from office or otherwise ceases to hold office, if not re-elected at any annual general meeting as which he is offered for re-election, or a disqualifying events prescribed in the constitution occurs.

The employment of the Managing Director, Mr William Dix and Executive Director, Mr Andrew Richards, are under service agreements. The terms are for a period of 3 years and in the event their employment is terminated, they are entitled to 3 months notice. Within 4 months before the end of the term of employment, the Company has the right to seek an extension of the term by an additional 3 years.

The employment of the Company Secretary, Mr Andrew Beigel, is under a letter of appointment and is on an ongoing basis unless he resigns from office or otherwise ceases to hold office.

Consolidated entity performance and link to remuneration

There is no director remuneration directly linked to performance of the consolidated entity. A portion of bonus and incentive payments are at the discretion of the Board.

Voting and comments made at the Company's 2016 Annual General Meeting ("AGM")

The 2016 Remuneration Report was voted for without any commentary or discussion at the 2016 AGM, on a show of hands with proxy votes for of 49,644,913, 2,578,558 votes against with 65,891,936 votes abstaining.

[End of Remuneration Report - Audited]

OPTIONS

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

Grant Date	Date of Expiry	Exercise Price	Number Under Option
Various	6 Mar 2018	\$0.064	22,437,500
20 July 2018	20 July 2018	\$0.06	4,000,000
Various	31 December 2018	\$0.06	126,172,002
5 June 2015	5 June 2020	\$0.06	7,500,000
Total			160,109,502

DIRECTORS' REPORT

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 year.

NON-AUDIT SERVICES

No non-audit services were performed during the year.

Officers of the company who are former audit partners of Butler Settinieri (Audit) Pty Ltd

There are no officers of the company who are former audit partners of Butler Settinieri (Audit) Pty Ltd.

Auditors

Butler Settinieri (Audit) Pty Ltd were appointed as auditors at the AGM on 28 November 2014 and continues in office in accordance with section 327 of the Corporations Act 2001.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and is included within this annual report.

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

Signed in accordance with a resolution of the Board of Directors.



WILLIAM DIX
Managing Director

DATED this 29th day of September 2017

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Consolidated Zinc Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

The declaration is in respect of Consolidated Zinc Limited and the entities it controlled during the year.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 29 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR YEAR ENDING 30 JUNE 2017

	Note	2017 \$	2016 \$
Revenue			
Interest revenue		110	3,156
Unrealised gain / (loss) on financial assets		-	-
Other revenue		-	-
Expenses			
Administrative expenses		(137,911)	(109,332)
Consultancy and legal expenses		(227,780)	(285,624)
Compliance and regulatory expenses		(76,274)	(131,325)
Communication expenses		(4,527)	(5,010)
Depreciation and amortisation		(412)	(6,904)
Director and employee related expenses		(511,028)	(441,085)
Occupancy related expenses		(4,274)	(11,318)
Exploration expenditure		(750)	(16,498)
Travel and accommodation related expenses		(172,910)	(171,612)
Exploration expenditure written off		-	(300,001)
Impairment of assets held for sale		(400)	(3,000)
Interest and finance expense		(34,237)	(140,602)
Foreign exchange losses		(200,858)	(83,044)
Equity based payment expense		(111,667)	(125,657)
Loss before income tax expense		(1,482,918)	(1,827,856)
Income tax expense	4	-	-
Loss for the year after income tax expense		(1,482,918)	(1,827,856)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Translation difference on foreign exchange		(995,271)	(457,216)
Total comprehensive loss for the year		(2,478,189)	(2,285,072)
Net loss is attributable:			
Owners of Consolidated Zinc Limited		(1,442,417)	(1,742,218)
Non-controlling interests		(40,501)	(85,638)
Net loss for the period		(1,482,918)	(1,827,856)
Total comprehensive loss is attributable to:			
Owners of Consolidated Zinc Limited		(1,869,276)	(2,206,791)
Non-controlling interests		(608,913)	(78,281)
Net loss for the period		(2,478,189)	(2,285,072)
Earnings per share			
Basic and diluted loss per share (cents)	5	(0.32)	(0.73)

The accompanying notes form part of these financial statements

CONSOLIDATED ZINC LIMITED

ABN 27 118 554 359

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	6	3,083,992	4,582,756
Trade and other receivables	8	631,344	226,750
Financial assets	7	2,400	2,800
TOTAL CURRENT ASSETS		3,717,736	4,812,306
NON CURRENT ASSETS			
Trade and other receivables	8	1,313,189	624,532
Plant and equipment	10	51,138	28,541
Exploration expenditure	11	11,995,894	8,078,016
TOTAL NON CURRENT ASSETS		13,360,221	8,731,089
TOTAL ASSETS		17,077,957	13,543,395
CURRENT LIABILITIES			
Trade and other payables	12	890,940	654,030
Equity refundable		469,849	-
Borrowings	13	1,000,000	1,505,000
TOTAL CURRENT LIABILITIES		2,369,789	2,159,030
TOTAL LIABILITIES		2,369,789	2,159,030
NET ASSETS		14,717,168	11,384,365
EQUITY			
Issued capital	14	32,106,372	26,719,651
Reserves	15	231,205	233,793
Accumulated losses		(16,933,215)	(15,490,798)
Total capital and reserves attributable to the owners of Consolidated Zinc Limited.		15,404,362	11,462,646
Non-controlling Interests		(687,194)	(78,281)
TOTAL EQUITY		14,717,168	11,384,365

The accompanying notes form part of these financial accounts

CONSOLIDATED ZINC LIMITED

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDING 30 JUNE 2017

	Note	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,996,242)	(1,309,111)
Interest received		110	3,156
Net cash used in by operating activities	18	<u>(1,996,132)</u>	<u>(1,305,955)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(30,423)	(35,226)
Payment for exploration expenditure		(4,689,595)	(4,521,298)
Net cash used in investing activities		<u>(4,720,018)</u>	<u>(4,556,524)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		5,474,420	7,624,749
Proceeds from refundable equity		469,849	-
Proceeds from borrowings		-	1,505,000
Payment of capital raising expenses		(309,883)	(403,824)
Net increase in provided by financing activities		<u>5,634,386</u>	<u>8,725,925</u>
Net increase/(decrease) in cash held		(1,081,764)	2,863,446
Foreign currency translation		(417,000)	(83,047)
Cash and cash equivalents at the beginning of the financial year		4,582,756	1,802,357
Cash and cash equivalents at the end of the financial year	18	<u>3,083,992</u>	<u>4,582,756</u>

The accompanying notes form part of these financial accounts

CONSOLIDATED ZINC LIMITED

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDING 30 JUNE 2017

Note	Issued Capital \$	Accumulated Losses \$	Option & Performance Shares Reserve \$	Foreign Currency Translation Reserve \$	Owners of The Parent \$	Non Controlling Interest \$	Total \$
Balance at 1 July 2015	19,188,726	(13,748,580)	468,811	103,898	6,012,855	-	6,012,855
Loss for the year after income tax	-	(1,742,218)	-	-	(1,742,218)	(85,638)	(1,827,856)
Other comprehensive (loss) for the year net of tax	-	-	-	(464,573)	(464,573)	7,357	(457,216)
Total comprehensive loss for the year	-	(1,742,218)	-	(464,573)	(2,206,791)	(78,281)	(2,285,072)
Transactions with owners							
Shares issued during the year (net of capital raising costs)	7,530,925	-	-	-	7,530,925	-	7,530,925
Performance rights	-	-	16,152	-	16,152	-	16,152
Options issued - Share based payment	-	-	109,505	-	109,505	-	109,505
Balance at 30 June 2016	26,719,651	(15,490,798)	594,468	(360,675)	11,462,646	(78,281)	11,384,365

The accompanying notes form part of these financial accounts

CONSOLIDATED ZINC LIMITED

ABN 27 118 554 359

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDING 30 JUNE 2017

Note	Issued Capital \$	Accumulated Losses \$	Option & Performance Shares Reserve \$	Foreign Currency Translation Reserve \$	Owners of The Parent \$	Non Controlling Interest \$	Total \$
Balance at 1 July 2016	26,719,651	(15,490,798)	594,468	(360,675)	11,462,646	(78,281)	11,384,365
Loss for the year after income tax	-	(1,442,417)	-	-	(1,442,417)	(40,501)	(1,482,918)
Other comprehensive (loss) for the year net of tax	-	-	-	(426,859)	(426,859)	(568,412)	(995,271)
Total comprehensive loss for the year	-	(1,442,417)	-	(426,859)	(1,869,276)	(608,913)	(2,478,189)
Transactions with owners							
Shares issued during the year (net of capital raising costs)	4,851,931	-	-	-	4,851,931	-	4,851,931
Conversion convertible notes to shares	534,790	-	-	-	534,790	-	534,790
Performance rights	-	-	111,667	-	111,667	-	111,667
Options issued - Share based payment	-	-	312,604	-	312,604	-	312,604
Balance at 30 June 2017	32,106,372	(16,933,215)	1,018,739	(787,534)	15,404,362	(687,194)	14,717,168

The accompanying notes form part of these financial accounts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2017

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements were authorised for issue on 29 September 2017 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 Australian dollars which is considered to be the groups 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.

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.

As disclosed in the financial statements, the consolidated entity incurred losses of \$1,482,918 (2016: \$1,827,856) and the consolidated entity had net cash outflows from operating activities of \$1,995,731 (2016: \$1,305,955) for the year ended 30 June 2017. As at that date, the consolidated entity had net current assets of \$1,347,947 (2016: \$2,653,276).

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report, after consideration of the following factors:

- The company has the ability to issue additional shares in accordance with the Corporations Act 2001 to raise further working capital and has been successful in doing this previously, as evidenced by the successful capital raisings in the financial year ended 30 June 2017;
- The directors have prepared a budget until 30 September 2018 that shows significant discretionary expenditure which can be reduced to match timing of inflows from funding alternatives.

a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Consolidated Zinc Limited as at 30 June 2017 and the results of all subsidiaries for the year then ended. Consolidated Zinc Limited and its subsidiaries together are referred to in these financial statements as the 'group'.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2017

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

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

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

b) Income Tax

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

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 year as well as unused tax losses.

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

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

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

c) Plant and Equipment

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

Plant and equipment

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 annually 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	33%
Office equipment	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 retained earnings.

d) Exploration and Development Expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided for over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the Consolidated Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the years in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017****f) Financial Instruments****Recognition and Initial Measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

iv. Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

v. *Financial Liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset or a Group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

g) 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 annually for goodwill and intangible assets with indefinite lives.

h) 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 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 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.

i) 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 annual leave and long service leave not expected to be settled within 12 months of the reporting date are 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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017**

the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

j) Equity-settled compensation

The entity operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

k) 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.

l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

n) 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.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

o) Revenue

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of goods and services tax (GST).

p) Borrowing costs

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

q) 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.

r) Dividends

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

s) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Consolidated Zinc Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

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.

t) Fair value measurement

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

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

u) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO").

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017**

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

v) Comparative Figures

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

w) 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.

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Taxation

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

Key Judgements – Deferred exploration and evaluation expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at reporting date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(d).

Key Judgements – Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 22.

x) Operating segments

Identification and measurement of segments – AASB 8 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.

y) Foreign Currency Transactions and balances*Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

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 year-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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

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.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed of.

z) Adoption of New and Revised Standards

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Consolidated Entity has applied a number of amendments to AASBs and a new interpretation issued by the Australian Accounting Standards Board (AASB) that is mandatorily effective from an accounting period on or after 1 July 2015.

The application of these amendments and interpretation does not have any material impact on the Consolidated Entity's consolidated financial statements.

Standards and Interpretations in issue not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

The Consolidated Entity does not anticipate that there will be a material effect on the financial statements from the adoption of these standards.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	30 June 2018
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2018	30 June 2019
AASB 2017-2 'Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle'	1 January 2017	30 June 2018
AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share Based Payments transactions'	1 January 2018	30 June 2019
AASB 2017-1 'Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 cycle and other amendments'	1 January 2018	30 June 2019

CONSOLIDATED ZINC LIMITED

ABN 27 118 554 359

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2017

AASB Interpretation 22 'Foreign Currency Transactions and Advanced Consideration'	1 January 2018	30 June 2019
AASB 16 'Leases –Accounting for leases'	1 January 2019	30 June 2020
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

NOTE 2. KEY MANAGEMENT PERSONNEL COMPENSATION

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

Mr. S. Copulos	Chairman (Non-Executive)
Mr. William Dix	Managing Director
Mr. Andrew Richards	Director (Executive)
Mr. Luis Rogelio Martinez Valles	Director (Non-Executive)
Mr. Andrew Beigel	Company Secretary

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

	2017	2016
	\$	\$
Short terms benefits	509,996	481,072
Share based payments	111,667	112,247
	<u>621,663</u>	<u>593,346</u>

Other transactions with key management personnel

Transactions are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated:

Key management personnel balances

Fees Outstanding	2017	2016
	\$	\$
Director fees payable to WRECKT Pty Ltd, a company of which William Dix is a director (+)	18,333	18,333
Director fees payable to Arc Resources Pty Ltd, a company of which Andrew Richards is a director (+)	8,333	8,333
Director fees payable to The Eyeon Investments Family Trust, a company of which Stephen Copulos is a director (+)	25,000	10,036

+ These amounts are included in the remuneration report in the directors' report.

For further details refer to the Remuneration Report in the Directors Report.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2017

NOTE 3. AUDITORS' REMUNERATION

	2017 \$	2016 \$
Remuneration of the auditor for:		
i. Auditing and reviewing the financial report	30,562	21,501
ii. Taxation services and corporate services	-	-
	30,562	21,501

NOTE 4. INCOME TAX

	2017 \$	2016 \$
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Reconciliation of income tax expense to prima facie tax payable

The prima facie tax payable on (benefit) from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax benefit on operating loss at 27.5% (2016: 30%)	(407,802)	(548,357)
Add Tax effect of:		
Non-deductible items	21,695	90,000
Deferred tax asset not brought to account	386,107	458,357
Income tax attributable to operating loss	-	-

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward, amounts to approximately \$11,465,444 (2016: \$9,982,526) have not been brought to account at 30 June 2017 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 if:

- 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 continues to comply with conditions for deductibility imposed by law; and
- iii. 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 30 June 2017.

NOTE 5. EARNINGS PER SHARE

	2017 \$	2016 \$
a) Loss used to calculate basic EPS	(1,482,918)	(1,742,218)
	Number of Shares	Number of Shares
b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	467,141,430	239,968,686

NOTE 6. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	3,083,992	4,582,756
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CONSOLIDATED ZINC LIMITED

ABN 27 118 554 359

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2017

NOTE 7. FINANCIAL ASSETS

Financial assets at fair value through profit and loss

Held for trading listed shares	2,400	2,800
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NOTE 8. TRADE AND OTHER RECEIVABLES

	2017 \$	2016 \$
<i>Current</i>		
Trade receivables	56,718	61,050
Prepayments Other	574,626	165,700
	<u>631,344</u>	<u>226,750</u>
<i>Non-Current</i>		
Loan to related party (Note 19)	78,513	78,513
Other	1,234,676	546,019
	<u>1,313,189</u>	<u>624,532</u>

NOTE 9.	CONTROLLED ENTITIES	Country of Incorporation	Percentage Owned (%)	
			2017	2016
	<i>Subsidiaries of Consolidated Zinc Limited:</i>			
	Arena Exploration Pty Ltd	Australia	100	100
	Newera Resources Mongolia LLC	Mongolia	100	100
	Minera Latin American Zinc	Mexico	51	51

NOTE 10. PLANT AND EQUIPMENT

	2017 \$	2016 \$
PLANT AND EQUIPMENT		
At cost	66,744	35,226
Accumulated depreciation	(15,606)	(6,685)
Total plant and equipment	<u>51,138</u>	<u>28,541</u>

a. Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	2017 \$	2016 \$
Plant and Equipment		
Balance at beginning of year	28,541	-
Additions	30,423	35,226
Depreciation expense	(412)	(6,904)
Depreciation expense transferred to exploration expenditure	(8,124)	-
Foreign exchange effect	710	219
Balance at end of year	<u>51,138</u>	<u>28,541</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

NOTE 11. EXPLORATION EXPENDITURE

	2017 \$	2016 \$
Exploration expenditure	11,995,894	8,078,016
Opening balance	8,078,016	4,314,153
Exploration incurred during the year	3,796,847	4,063,864
Foreign exchange effect	121,031	-
Impairment	-	(300,001)
Exploration and evaluation phase expenditure capitalised	11,995,894	8,078,016

The value of Group interest in exploration expenditure is dependent upon the:

- the continuance of the consolidated entity rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploration of the areas of interest, or alternatively, by their sale.

NOTE 12. TRADE AND OTHER PAYABLES

	2017 \$	2016 \$
Trade creditors	865,355	637,434
Other payables and accruals	25,585	16,596
	890,940	654,030

Trade creditors are expected to be paid on 30 day terms.

NOTE 13. BORROWINGS

	2017 \$	2016 \$
Convertible notes	1,000,000	1,505,000
	1,000,000	1,505,000

The convertible notes were unsecured.

Refer note 23 for terms of Convertible notes issued and non related party loans.

NOTE 14. ISSUED CAPITAL

	2017 \$	2016 \$
726,211,447 (2016: 410,639,291) Fully paid ordinary shares	32,106,372	26,719,651

CONSOLIDATED ZINC LIMITED

ABN 27 118 554 359

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2017

a) Ordinary Shares

	2017		2016	
	Number of Shares	\$	Number of Shares	\$
At the beginning of the year	410,639,291	26,719,651	216,030,958	19,188,726
Shares issued during the year				
1 July 2015 – Capital Raising	-	-	2,500,000	100,000
1 July 2015 – Shares issued in lieu of Directors fees	-	-	375,000	15,000
5 Aug 2015 – Shares issued in lieu of fees	-	-	750,000	30,000
31 Dec 2015 – Capital Raising	-	-	14,083,334	633,750
31 Dec 2015 – Shares issued in lieu of fees	-	-	1,305,555	55,000
31 Dec 2015 – Shares issued in lieu debt facility fee	-	-	3,000,000	135,000
8 Feb 2016 – Capital Raising	-	-	16,444,444	740,000
5 April 2016 – Capital Raising	-	-	1,000,000	45,000
13 May 2016 – Capital Raising	-	-	35,000,000	1,400,000
30 June 2016 – Capital Raising	-	-	120,150,000	4,806,000
22 July 2016 – Capital Raising	7,300,000	292,000	-	-
22 July 2016 – Convertible Note	11,884,222	534,790	-	-
29 July 2016 – Conversion of options	1,174	117	-	-
4 January 2017 – Capital Raising	31,436,701	943,101	-	-
29 May 2017 – Capital Raising	264,950,059	4,239,201	-	-
Share issue costs	-	(622,488)	-	(428,825)
At the end of the year	726,211,447	32,106,372	410,639,291	26,719,651

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The Groups objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. The capital risk management policy remains unchanged from the 30 June 2016 Annual Report.

b) Capital management

The working capital position of the Group as follows:

	2017 \$	2016 \$
Cash and cash equivalents	3,083,992	4,582,756
Financial assets	2,400	2,800
Trade and other receivables	631,344	226,750
Trade and other payables	(890,940)	(654,030)
Equity refundable	(469,849)	-
Borrowings	(1,000,000)	(1,505,000)
Working capital position	1,356,947	2,653,276

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

NOTE 15. RESERVES

	2017	2016
	\$	\$
a) Option & Performance Shares Reserve		
Balance at the beginning of the year	594,468	468,811
Performance rights issued during year	111,667	16,152
Options issued during year	312,604	109,505
Balance at the end of the year	1,018,739	594,468

The option reserve records items recognised on valuation of share options issued to employees, directors and consultants as part of their remuneration. Refer to Note 22.

b) Foreign Currency Translation Reserve

Balance at the beginning of the year	(360,675)	103,898
Movement during the year	(426,859)	(464,573)
Balance at the end of the year	(787,534)	(360,675)

The foreign currency translation reserve is created on the consolidation of the Mongolian subsidiary as this is accounted for in US dollars and the Mexican subsidiary which is accounted for in Mexican Pesos and converted at balance date to Australian dollars.

NOTE 16. COMMITMENTS

a) The Group has tenements rental and expenditure commitments of:

	2017	2016
	\$	\$
Payable:		
– not later than 12 months	219,057	220,978
– between 12 months and 5 years	876,230	883,912
– greater than 5 years	7,049,554	7,332,341
	8,144,841	8,437,232

b) Operating Lease

The Company has a corporate services agreement which includes access to office facilities at Suite 1, Level 1, 35 Havelock Street, West Perth.

Payable:		
– not later than 12 months	11,680	11,680
– between 12 months and 5 years	-	-
	11,680	11,680

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2017

NOTE 17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or assets.

NOTE 18. CASH FLOW INFORMATION

	2017	2016
	\$	\$
a) Reconciliation of Cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash at bank and in hand	3,083,992	4,582,756
Reconciliation of Cash Flow from Operations with Operating Loss after Income Tax		
Operating loss after income tax	(1,482,918)	(1,827,856)
Non-cash flows in loss after income tax		
Share-based payment	111,667	125,657
Shares in lieu of payment	-	75,000
Depreciation and amortisation	412	6,904
Interest on convertible notes	29,790	135,000
Exploration written down	-	300,001
Foreign currency translation	200,858	83,044
<i>Changes in assets and liabilities</i>		
Increase in current trade and other receivables	(404,594)	(166,369)
Decrease)/(increase) in other assets	400	3,709
Increase in non-current trade and other receivables	(688,657)	(546,018)
Increase/(decrease) in trade and other payables	236,910	504,973
<i>Net Cash Flow used in Operating Activities</i>	(1,996,132)	(1,305,955)
b) Non Cash Financing and Investing Activities		
	2017	2016
	\$	\$
Included in capital raising fees are the following:		
Issue of 555,555 shares in lieu of fees	-	25,000
Issue of 375,000 shares in lieu of Directors Fees	-	15,000
Issue of 1,500,000 shares to consultants in lieu of payment	-	60,000
Issue of 4,000,000 unlisted options to consultant in lieu of payment	-	90,400
Issue of 3,000,000 shares in relation to provision of Convertible Notes	-	135,000
Issue of 7,500,000 unlisted incentive options to Directors	-	19,105
Issue of 5,000,000 Performance Rights to Directors	-	16,152
Issue of 5,000,000 Performance Rights to Directors	111,667	-
Issue of 23,572,000 unlisted options to consultant in lieu of payment	312,604	-
Issue of 11,884,222 shares in relation to provision of Convertible Notes	534,790	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

NOTE 19. RELATED PARTY TRANSACTIONS

Other than remuneration disclosed in the Remuneration Report section of the Directors report, there has been the following transactions:

On 14 October 2015, the Company announced a \$1,000,000 convertible loan facility with a related entity, the Copulos Group, to be converted subject to shareholder approval at \$0.045 per share.

On 22 March 2016, the Company announced that to maintain drilling momentum an interim funding package was in place this included a convertible loan facility with a related entity, the Copulos Group, which were converted to shares 22 July 2016 as follows:

- Convertible loan facility of \$305,000 with the Copulos Group to be converted subject to shareholder approval on the same terms as recent placements, 6,777,778 shares at \$0.045 per share (with a free 1 for 2 unlisted option, \$0.06, 31 December 2016 expiry). 400,000 ordinary shares were issued as consideration for fees and interest at \$0.045 totalling \$18,000.

At 30 June 2017, a loan was outstanding from a company associated with Luis Rogelio Martinez Valles totalling \$78,513. This will be repayable upon re-commencement of mining operations at Plomosas.

These transactions have been entered into on normal commercial terms and conditions no more favourable than those available to other parties.

NOTE 20. FINANCIAL INSTRUMENTS

a) Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts receivable and payable.

The main purpose of non-derivative financial instruments is to raise finance for the Group's operations.

Derivatives are not currently used by the Group for hedging purposes. The Group does not speculate in the trading of derivative instruments.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Financial Assets	2017	2016
	\$	\$
Cash and cash equivalents	3,083,992	4,582,756
Financial assets at fair value through profit or loss		
Held for trading	2,400	2,800
Trade and other receivables - current	631,344	226,750
Trade and other receivables – non current	1,313,189	624,532
Total Financial Assets	5,030,925	5,436,838
Trade and other payables	890,940	654,030
Equity refundable	469,849	-
Borrowings	1,00,000	1,505,000
Total Financial Liabilities	2,360,790	2,159,030

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2017

i. Treasury Risk Management

The full board meet on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii. Financial Risks

The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts receivable and payable. The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk, and market risk (being equity price risk).

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.

Sensitivity analysis

If interest rates on cash balances had weakened/strengthened by 1% at 30 June, there would be no material impact on the statement of profit or loss and other comprehensive income. There would be no material effect on the equity reserves other than those directly related to the statement of profit or loss and other comprehensive income movements.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk by preparing forward looking cash flow analysis in relation to its operational, investing and financing activities and monitoring its cash assets and assets readily convertible to cash in the context of its forecast future cash flows. The Group continually monitors its access to additional equity capital should that be required, maintains a reputable credit profile and manages the credit risk of its financial assets.

Foreign Currency risk

The Group is exposed to foreign currency risk from investments and borrowings held in a currency other than the Group's functional currency. The Group's exposure to foreign currency risk relates to financial instruments held in Mexican Pesos and US Dollars.

Credit risk

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 balance sheet and notes to the financial statements. The Group does not have any material credit risk exposure to any single receivable or Group of receivables under financial instruments entered into by the Group.

	2017	2016
	\$	\$
Cash and cash equivalents	3,083,992	4,582,756
	3,083,992	4,582,756

Market Risk – Equity/Securities Price Risk

The Group is also exposed to securities price risk on investments held for trading or for medium to longer terms. Such risk is managed through diversification of investments and by seeking the advice of suitably qualified specialist advisers

b) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their carrying amount.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2017

	Floating Interest Rate		Fixed Interest Rate				Non-Interest Bearing		Total		Weight Effective Interest Rate	
			1 Year or Less		1 to 5 Years							
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 %	2016 %
Financial Assets												
Cash	3,083,992	4,582,756	-	-	-	-	-	-	3,083,992	4,582,756	0.00	0.99
Investments held for trading	-	-	-	-	-	-	2,400	2,800	2,400	2,800	-	-
Trade and other receivables - current	-	-	-	-	-	-	631,344	226,750	631,344	226,750	-	-
Trade and other receivables – non current	-	-	-	-	-	-	1,313,189	624,532	1,313,189	624,532	-	-
Total Financial Assets	3,083,992	4,582,756	-	-	-	-	1,946,933	854,082	5,030,925	5,436,838		
Financial Liabilities												
Trade and other payables	-	-	-	-	-	-	890,400	654,030	890,400	654,030	-	-
Equity refundable	-	-	-	-	-	-	469,849	-	469,849	-	-	-
Borrowings	-	-	-	-	-	-	1,000,000	1,505,000	1,000,000	1,505,000	-	-
Total Financial Liabilities	-	-	-	-	-	-	2,360,790	2,159,030	2,360,790	2,159,030	-	-

NOTE 21. OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of business category and geographical areas. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Segment assets

Where an asset is used across multiple segments, the asset is allocated proportionately to the applicable segments based on its use. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location. Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2017

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

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

The Group operates as a single segment which is mineral exploration, and there were no major customers. The Group is domiciled in Australia. All revenue from external parties is generated from Australia only. Segment revenues are allocated based on the country in which the party is located.

Segment assets are allocated to countries based on where the assets are located. Refer to table below for allocations.

Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

	2017	2016
	\$	\$
Australia	7,340,467	4,359,631
Mexico	9,730,631	9,176,679
Mongolia	6,860	7,085
Total assets	17,077,958	13,543,395

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

NOTE 22. SHARE-BASED PAYMENTS

During the year 23,572,000 options were issued as share based payments (2016: 11,500,000), and 5,000,000 performance rights options were issued to directors as share based payments (2016: 5,000,000)

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Group with full dividend and voting rights. Details of the options granted can be found below;

	2017		2016	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	151,126,533	0.03	46,887,642	1.0
Granted – unlisted options issued free attached to shares issued for conversion of convertible loans	5,611,111	0.06	-	-
Granted – unlisted options share based payment to advisors	23,572,000	0.06	4,000,000	0.06
Granted – unlisted options free attached to share issue	3,650,000	0.06	93,338,891	0.06
Granted – unlisted options director options	-	-	7,500,000	0.06
Exercised	(1,174)	0.10	-	-
Expired	(23,848,968)	0.10	(600,000)	1.00
Outstanding at year-end	160,109,502	0.06	151,126,533	0.03
Exercisable at year-end	152,609,502	0.06	143,626,533	0.03

*pre-consolidation

The weighted average remaining contractual life of options outstanding at year end was 17.6 months.

Expenses arising from share-based payment transactions

a)

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

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

Details of these issues are below or outlined in the remuneration report:

Options

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

Item	Advisor Options
Number of Options	23,572,000
Exercise price (\$)	0.06
Valuation (grant) date	22 July 2016
Expiry Date	31 December 2016
Expiration period (years)	2.44
Vesting date	Nil
Exercise conditions	Nil
Value	\$0.0133

NOTE 23. CONVERTIBLE NOTES

	2017 \$	2016 \$
Movement in convertible notes		
Issued during the year	1,505,000	1,505,000
Converted during the year	(505,000)	-
	1,000,000	1,505,000

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

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

On 22 March 2016, the Company announced that to maintain drilling momentum an interim funding package was in place this included convertible notes totalling \$505,000 which were converted to shares 22 July 2016 as follows:

- Convertible loan facility of \$305,000 with the Copulos Group to be converted subject to shareholder approval on the same terms as recent placements, 6,777,778 shares at \$0.045 per share (with a free 1 for 2 unlisted option, \$0.06, 31 December 2015 expiry). 400,000 ordinary shares were issued as consideration for fees and interest at \$0.045 totalling \$18,000.
- Convertible loan facility of \$200,000 with the Retzos Group to be converted subject to shareholder approval on the same terms as recent placements, 4,444,444 shares at \$0.045 per share (with a free 1 for 2 unlisted option, \$0.06, 31 December 2015 expiry). 262,000 ordinary shares were issued as consideration for fees and interest at \$0.045 totalling \$11,790.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2017

NOTE 24. PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australia Accounting Standards.

	2017 \$	2016 \$
Current Assets	3,110,403	4,359,631
Non-Current Assets	16,322,311	10,552,205
TOTAL ASSETS	19,432,714	14,911,836
Current Liabilities	1,682,195	1,635,516
TOTAL LIABILITIES	1,682,195	1,635,516
NET ASSETS	17,750,519	13,276,320
EQUITY		
Issued capital	32,106,372	26,719,651
Reserves	1,018,739	594,470
Accumulated losses	(15,374,592)	(14,037,801)
TOTAL EQUITY	17,750,519	13,276,320
STATEMENT OF COMPREHENSIVE INCOME		
Total Loss	(1,336,830)	(1,643,986)
Total Comprehensive Income	(1,336,830)	(1,643,986)

Consolidated Zinc Limited does not hold any deed of cross guarantee for the debts of its subsidiary company as at 30 June 2017 (2016: Nil).

Consolidated Zinc Limited has no contingent liabilities at 30 June 2017 (2016: Nil).

Consolidated Zinc Limited has no commitments for the acquisition of property, plant and equipment as at 30 June 2017 (2016: Nil).

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1.

NOTE 25. GROUP DETAILS

The registered office and principal place of business of the Group is:

Suite 1, Level 1
35 Havelock Street
WEST PERTH WA 6005

NOTE 26. EVENTS AFTER THE REPORTING DATE

There were no events subsequent to the end of the reporting date that had a material financial effect on the group.

DIRECTORS' DECLARATION

The directors of the Company declare that:

- (a) the financial statements and notes thereto are in accordance with the Corporations Act 2001 and;
 - (i) comply with Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards; and
 - (ii) give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (b) In the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
- (c) The directors have been given the declarations required by s 295A of the Corporations Act 2001; and
- (d) As at the date of this declaration, in the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors:



WILLIAM DIX
Managing Director

DATED this 29th day of September 2017

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

Report on 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 30 June 2017 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:

- i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We have 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 ethical requirements 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.

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.

Key Audit Matter

How our audit addressed the key audit matter

Exploration expenditure

(refer note 11)

The Group operates as an exploration entity and as such its primary activities entail expenditure focussed on the exploration for and evaluation of economically viable mineral deposits. These activities are currently limited to the Plomosas Project located in Chihuahua, Mexico.

All exploration and evaluation expenditure incurred has been capitalised and recognised as an asset in the Statement of Financial Position. The closing value of this asset is \$11,995,894 as at 30 June 2017.

The carrying value of exploration and evaluation assets is subjective based on the Group's intention, and ability, to continue to explore the asset. The carrying value may also be affected by the results of ongoing exploration activity indicating that the mineral reserves and resources may not be commercially viable for extraction. This creates a risk that the asset value included within the financial statements may not be recoverable.

Going Concern

(refer note 1)

The directors have concluded that there are reasonable grounds to believe that the Group has the ability to pay its debts as and when they fall due. Accordingly they have prepared the financial statements on a going concern basis.

The Group is dependent on its ability to continue to raise capital in order to finance its planned exploration, evaluation and corporate activities.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the 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.

Our audit procedures included the following:

- ensuring the Group's continued right to explore in the relevant exploration area including assessing documentation such as exploration and mining licences
- enquiring of management and the directors as to the Group's intentions and strategies for future exploration activity and reviewing budgets and cash flow forecasts
- assessing the results of recent exploration activity to determine whether there are any indicators suggesting a potential impairment of the carrying value of the asset
- assessing the Group's ability to finance the planned exploration and evaluation activity.

Our audit procedures included the following:

- challenging management's assumptions in the preparation of the cash flow forecast
- ensuring that key inputs into the forecast were consistent with other financial and operational information

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 the 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 Group's ability 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 Company 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 the 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 the 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 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 significant in the audit of the financial report of the current period and are therefore 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 public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included on pages 19 to 23 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Consolidated Zinc Limited, for the year ended 30 June 2017, 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.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 29 September 2017

SHAREHOLDER INFORMATION

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

SHAREHOLDINGS

The names of the substantial shareholders listed on the Company's register as at 28 September 2017:

Shareholder	Number	Percentage of issued capital held
Copulos Group	155,187,488	21.37
Farjoy Pty Ltd	68,460,000	9.43
Chris Retzos	67,349,224	9.27
Jetosea Pty Ltd	38,286,369	5.27

CLASS OF SHARES AND VOTING RIGHTS

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

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

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

DISTRIBUTION OF SHAREHOLDERS (as at 28 September 2017)

Shares Range	No of Holders	Units	%
1 – 1,000	481	698,787,399	37.11
1,001 – 5,000	585	27,034,950	45.14
5,001 – 10,000	24	186,459	1.85
10,001 – 100,000	65	161,303	5.02
100,001 and above	141	41,336	10.88
Total	1,296	726,211,447	100.00

There are 427 holders of unmarketable parcels comprising a total of 4,122,548 ordinary shares.

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

There are currently no restricted securities on issue.

Unlisted options

Unlisted Options	No of Holders	Units on issue
Exercisable at \$0.20 on or before 6 March 2017	2	500,000
Exercisable at \$0.06 on or before 20 July 2018	1	4,000,000
Exercisable at \$0.06 on or before 31 December 2018	1053	126,172,002
Exercisable at \$0.06 on or before 5 June 2020	2	7,500,000
Total		160,609,502

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS
(As at 28 September 2017)

	Name	Number of Shares	%
1	COPULOS SUPERANNUATION PTY LTD	104,467,147	14.39
2	FARJOY PTY LTD	68,460,000	9.43
3	RETZOS EXECUTIVE PTY LTD	40,783,012	5.62
4	JETOSEA PTY LTD	29,365,572	4.04
5	SUPERMAX PTY LTD	26,591,541	3.66
6	WESTPARK OPERATIONS PTY LTD	26,566,212	3.66
7	MR ANDREW GIANKOS	15,267,055	2.10
8	SPACETIME PTY LTD	14,200,000	1.96
9	BNP PARIBAS NOMINEES PTY LTD	12,913,763	1.78
10	GLENEAGLE SECURITIES NOMINEES PTY LIMITED	12,500,000	1.72
11	BLAMNCO TRADING PTY LTD	10,000,000	1.38
12	NERO RESOURCE FUND PTY LTD	9,490,994	1.31
13	MR KEVIN BANKS-SMITH & MRS KATRINA FRANCES BANKS-SMITH	9,150,000	1.26
14	UBS NOMINEES PTY LTD	8,750,000	1.20
15	SPACETIME PTY LTD	8,668,800	1.19
16	LEET INVESTMENTS PTY LIMITED	8,383,788	1.15
17	LEET INVESTMENTS PTY LIMITED	7,800,000	1.07
18	TONKA TRADING PTY LTD	6,797,363	0.94
19	MITROPOULOS NOMINEES PTY LTD	6,600,000	0.91
20	NERO RESOURCE FUND PTY LTD	6,134,002	0.84
		432,889,249	59.61

TENEMENT SCHEDULE

The schedule of tenements and concessions held by the Company as at 28 September 2017 are summarised in the Table below.

Consolidated Zinc Ltd Tenement schedule				
Lease	Project	Type	Lease Status	Equity
Mexico				
235942	Plomosas	Mining	Granted	51%
230175	Plomosas	Mining	Granted	51%
217641	Plomosas	Exploitation	Granted	51%
218242	Plomosas	Exploitation	Granted	51%
225527	Plomosas	Exploitation	Granted	51%
218272	Plomosas	Exploitation	Granted	51%
216882	Plomosas	Exploitation	Granted	51%
227664	Plomosas	Mining	Granted	51%
227078	Plomosas	Mining	Granted	51%
227077	Plomosas	Mining	Granted	51%
224880	Plomosas	Exploration	Granted	51%
Mongolia				
12323X*	Ulaan Tolgoi	Exploration	Granted	51%

* In process of relinquishment