



ALTA ZINC LIMITED

ABN 63 078 510 988

AND CONTROLLED ENTITIES

**HALF YEARLY REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2019**

Results for announcement to the market

This half-year information is given to the ASX under *Listing Rule 4.2A*

**The information contained in this report should be read in conjunction with
the Annual Report for the year ended 30 June 2019**

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DIRECTORS' REPORT

The Directors of Alta Zinc Limited (Alta Zinc, Alta or the Company) submit herewith the financial report of Alta Zinc Limited and its subsidiaries (the Group) for the half-year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names of the Directors of the Company during or since the end of the half-year are:

Name

Mr Alexander Burns

Mr Stephen Hills

Mr Marcello Cardaci

Mr Campbell Olsen

Mr Geraint Harris – appointed 16 September 2019

The Directors were in office for the entire period unless stated otherwise.

Review of Operations

This review summarises the Company's activities for the six months to 31 December 2019. During the half-year, the key focus was to define additional zones of high-grade mineralisation at the Gorno Zinc Project in accordance with the Company's revitalised brownfield exploration and resource growth strategy.

Mr Geraint Harris was appointed as Managing Director of Alta Zinc with effect from 16 September 2019. He is a mining engineer with over 24 years of mining industry involvement across production and development operations, technical consultancy, funds management and project finance.

On 25 October 2019 the Company completed a Placement to raise approximately \$1.9 million, with funds to be principally used for an underground diamond drilling program of the Pian Bracca Zone at Gorno.

Throughout the half year, site activities at Gorno focused principally on exploration activities including channel sampling, commencement of the 2,200m drilling program at Pian Bracca and submission of applications to extend the tenure of exploration licences and to renew the existing mining licence at Gorno (the Monica Mining Licence).

Gorno Zinc Project, Italy

Drilling Program – Pian Bracca

Drilling plans at Pian Bracca were designed using a three-dimensional geological model developed using data from high-grade channel samples and historical structural and exploration data.

On 14 October 2019, Alta reported results from two channel samples from underground drives within the Pian Bracca zone which returned high grade assays of up to 47.8% Zn and 10.5% Pb over significant thicknesses.

Name	Easting (m)	Northing (m)	RL (m)	Length (m)	Zn (%)	Pb (%)	Ag (g/t)	Comments
C8	560,718	5,085,012	1,030	0.8	0.0	0.0	1	
				1.2	25.9	5.8	127	
				0.7	29.2	7.2	275	Mineral in floor
Wt. Ave				2.7	19.1	4.4	128	
C9	560,627	5,085,017	1,030	0.6	47.8	10.5	171	Mineral in roof
				0.8	41.8	9.7	110	
				0.6	28.1	8.1	109	Mineral in floor
Wt. Ave				2.0	39.5	9.4	128	

Table 1: 2019 Pian Bracca sampling results (as per ASX release dated 14 October 2019)

In November 2019, local contractors Edilmac Srl mobilised and commenced a diamond drilling program from drill pad locations in the underground tunnels.

The first two holes drilled intercepted mineralisation over significant thicknesses and in addition also intersected a highly mineralised lower lens.

The mineralisation contains sphalerite and galena, which are hosted within the Metallifero Formation found extensively throughout the Gorno district where it is consistently a host to zinc and lead mineralisation.

Hole ID	From m	To m	Intercept m	Pb %	Zn %	Pb+Zn %	Ag g/t
PBD01	18.0	20.0	2.0	2.9	13.3	16.1	23.4
PBD01	36.6	47.2	10.6	2.3	7.2	9.5	34.1

Table 2: Drill hole results from PBD01, drilling intersections are angled approximately 70 degrees to horizontal, meaning true thickness is interpreted to be 1.9m & 10.0m respectively

Figures 1 and 2 below show the position of the holes and the mineralisation contained. Figure 3 shows the mineralised core from the lower lens of the second hole, PBD02, which demonstrates the clearly visible zinc sphalerite mineralisation.

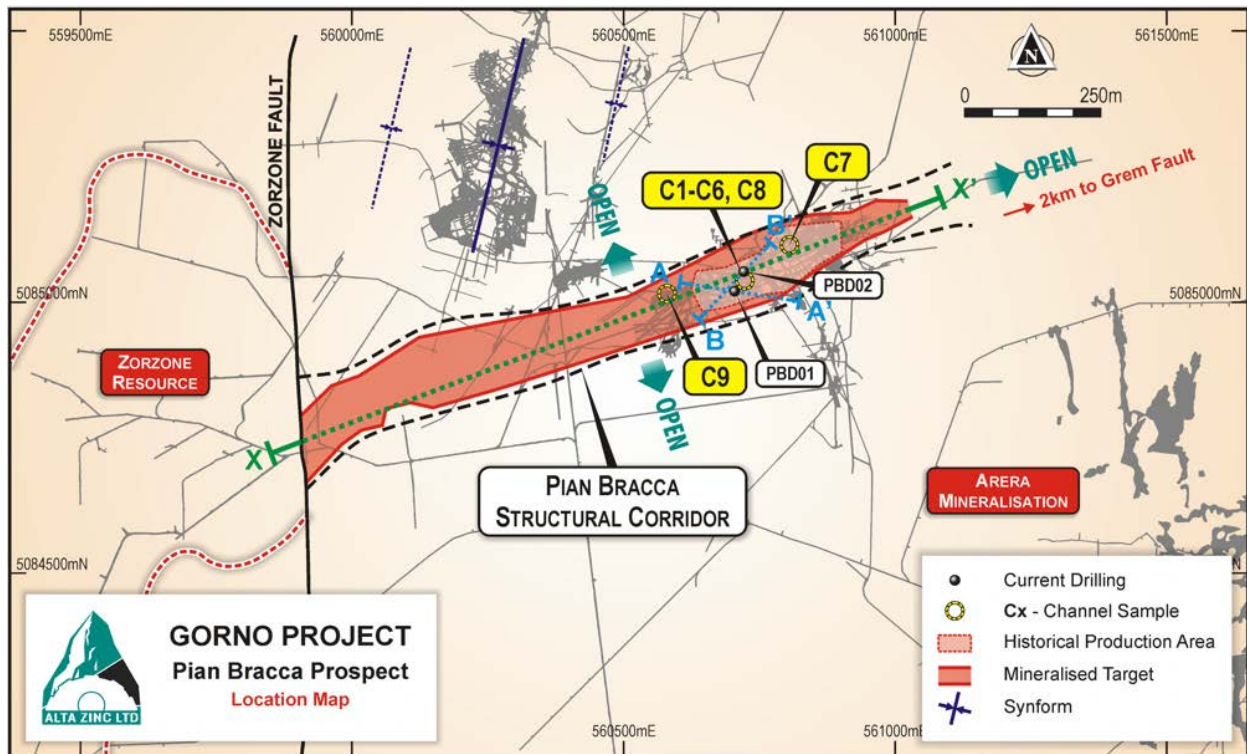


Figure 1: Plan view showing location of drill holes (PBD01, PBD02) & channel samples (C1-C9)

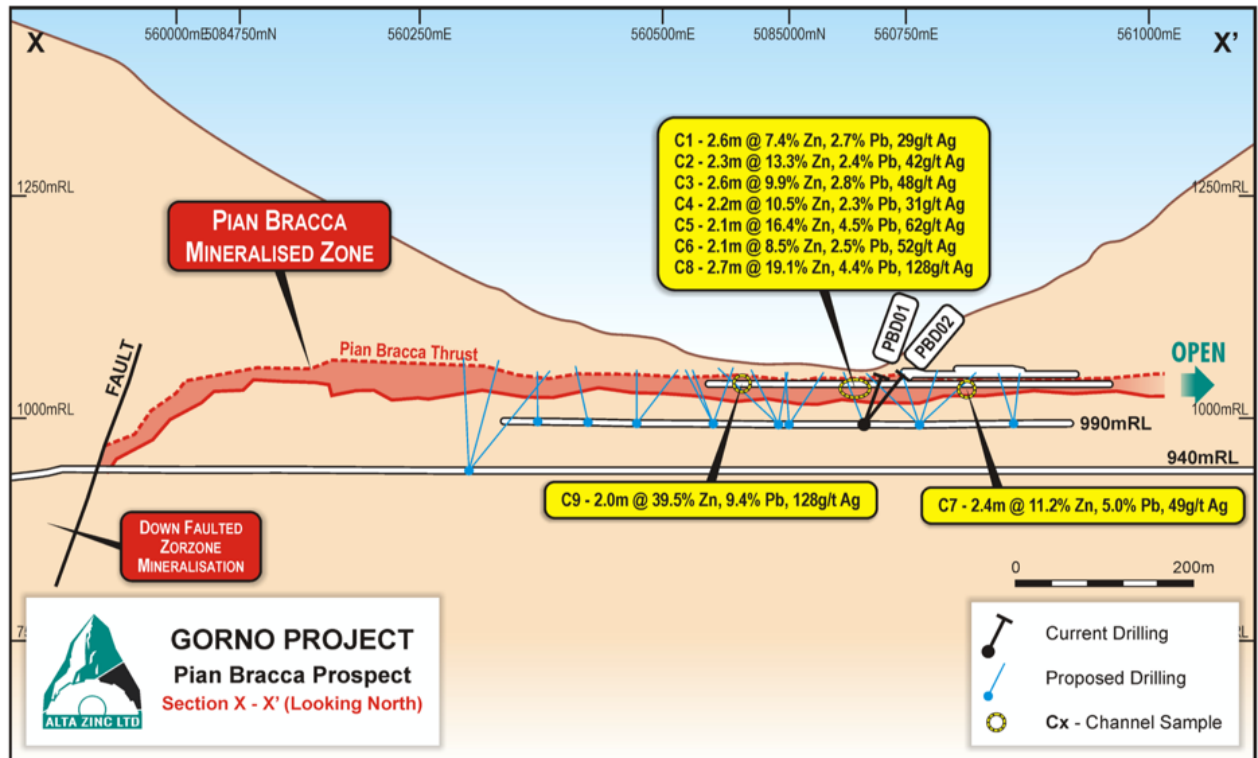


Figure 2: Long-section through the Pian Bracca zone showing drill holes (PBD01, PBD02) central to the (C1-C9) channel sample results & the proposed drilling of the zone

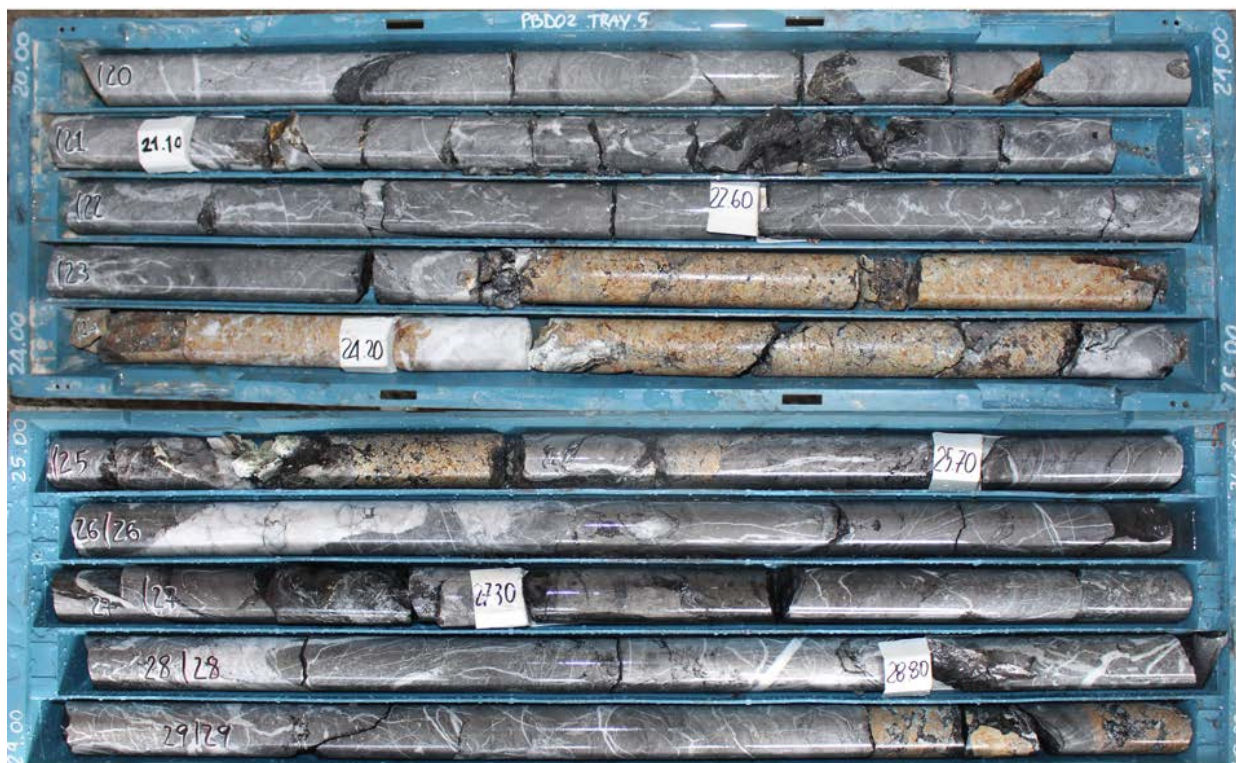


Figure 3: Core photography of hole PBD02, showing the lower mineralised lens (sphalerite distinctly visible as light brown rock)

Subsequent to the end of the half-year, on 21 January 2020 Alta announced the results of a further four drill-holes (PBD02 to PBD05) drilled during the month of December, with highlights as follows:

- 12.1% Zn+Pb and 38g/t Ag over 12m from 56.9m (PBD02)
- 14.8% Zn+Pb and 52g/t Ag over 10.7m from 58.0m (PBD03)
- 19.4% Zn+Pb and 60g/t Ag over 12.1m from 59.5m (PBD05)

These drilling results also demonstrate the continuity of a second layer of high-grade mineralisation beneath the Pian Bracca mineralisation, including an intercept of 19.1% Zn+Pb and 19g/t Ag over 8.5m from 23.4m (PBD02).

Environmental Studies and Permitting Activities

During the half-year Alta Zinc continued to advance work to extend the tenure of the current exploration licences, which will eventually allow for application and conversion to an expanded mining licence footprint at Gorno. A significant milestone was achieved with the official submission of the application for the renewal and expansion of the existing mining licence at Gorno (the Monica Mining Licence). This highly detailed application contains a full Environmental and Social Impact Assessment and baseline data analysis and demonstrates that the permitting process for the Gorno Project mine is well advanced.

Punta Corna Cobalt Project, Piedmont, Italy

The Punta Corna Cobalt Project includes two granted exploration licences, Punta Corna and Balme, which cover a combined area of 29.8km² encompassing the historic Usseglio cobalt mining area and the northern strike of the mineralised lineaments. The project area is located approximately 300km from Alta Zinc's flagship Gorno Zinc Project. Sampling and mapping fieldwork was undertaken during the July-September field season. Technical studies were initiated in association with the University of Milan to provide a better understanding of the mineralisation in preparation for further exploration activities.

Paterson Project, Western Australia

The Paterson Project comprises of two granted exploration licences (E45/4534 and E45/4543) covering 219km². The two tenements cover highly prospective parts of the Broadhurst Formation and include the Eva Well prospect. Alta continued to evaluate possible exploration activities to follow up on targets identified by a detailed interpretation study of open file geophysical and satellite data over the tenement area.

McArthur River Project, Northern Territory

Alta Zinc has one granted exploration licence (Nathan River EL31045) and two applications for exploration licences (McArthur EL25272 and Bauhinia EL31046) totalling 1,238km² in the McArthur River region of the Northern Territory. The grant of the remaining two applications is pending the outcome of future discussions with Traditional Owners and given this situation no further work was carried out during the half-year.

Operating Results for the Half-Year

The consolidated net loss of the Group for the half-year ended 31 December 2019 was \$1,910,517 after tax (2018: \$2,214,904).

Exploration expenditure for the period was \$1,660,681 (2018: \$1,575,527).

Cash on Hand

As at 31 December 2019, cash on hand was \$1,985,370 (30 June 2019: \$2,094,318).

Capital Structure

As at 31 December 2019, the Company had 2,202,148,728 (30 June 2019: 1,821,634,311) fully paid ordinary shares on issue and 123,250,000 (30 June 2019: 48,250,000) unlisted options over ordinary shares. 380,514,417 ordinary shares were issued during the half-year ended 31 December 2019, of which 38,250,000 has been issued to a Key Management Personnel.

On 16 September 2019, the Company issued 8,250,000 fully paid ordinary shares in lieu of cash payment for consultancy fees due to Orme Minerals Services Ltd, of which Mr Harris is a director, for the period 1 July to 15 September 2019.

On 4 October 2019, a total of 30 million unlisted options were issued pursuant to the agreement announced 19 September 2019 to appoint Discovery Capital Partners as strategic corporate advisor.

On 1 November 2019, Alta completed the issue of 342,264,417 fully paid ordinary shares pursuant to the unconditional placement component of the successful Placement to raise approximately \$1.9 million announced on 25 October 2019. On 6 December 2019, 30,000,000 fully paid ordinary shares, being the conditional placement component, were issued to Mr Geraint Harris together with the issue of a total of 45,000,000 incentive options following the approval by shareholders on 29 November 2019.

Other than as detailed above no other securities were issued during the half-year.

Additional information regarding unlisted options granted during the period is provided in Note 11 of the consolidated financial statements.

Going Concern

The consolidated financial statements have been prepared on a going concern basis which contemplates that the Group will continue to meet its commitments and the realisation of assets and the settlement of liabilities in the normal course of business.

Further information on the basis for this assumption is provided in Note 2 of the consolidated financial statements.

Events After the Reporting Period

No matters or circumstances have arisen since the end of the half-year which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future years.

Auditor's Independence Declaration

The Auditor's Independence Declaration under s307C of the *Corporations Act 2001* has been received for the half-year ended 31 December 2019 and is included on page 8.

Signed in accordance with a resolution of the directors made pursuant to s306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Alexander Burns
Chairman 27 February 2020

Competent Person Statement:

Information in this Interim Report that relates Exploration Results is based on information prepared or reviewed by Dr Marcello de Angelis, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). Dr de Angelis is a Director of Energia Minerals (Italia) S.r.l. and Strategic Minerals Italia Srl (controlled entities of Alta Zinc Limited), a consultant, shareholder and option holder of Alta Zinc Limited. Dr de Angelis has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr de Angelis consents to the inclusion in this release of the matters based on their information in the form and context in which it appears.

These Announcements are available on the Company's website at www.altazinc.com or through the ASX website at www.asx.com.au (using code "AZI").

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original Announcements and that all material assumptions and technical parameters underpinning the Announcements continue to apply and have not materially changed.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Alta Zinc Limited and its controlled entities for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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



Crowe Perth



Cyrus Patell
Partner

Dated at Perth this 27th day of February 2020

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2019			
	Note	2019 \$	2018 \$
Revenue		-	-
Administrative expenditure	5	(121,569)	(726,522)
Exploration expenditure		(1,660,681)	(1,575,527)
Marketing expenditure		(124,159)	(86,958)
Unrealised foreign exchange (loss)/gain		(2,878)	2,241
Other losses - net		-	(6,367)
Operating loss		(1,909,287)	(2,393,133)
Finance Income	7	1,302	178,229
Finance Expense	7	(2,532)	-
Loss from continuing operations after income tax		(1,910,517)	(2,214,904)
<i>Income tax expense</i>		-	-
Net loss for the period		(1,910,517)	(2,214,904)
Other comprehensive income			
<i>Items that may be re-classified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(12,083)	31,082
Total comprehensive loss for the period, net of income tax		(1,922,600)	(2,183,822)
Loss per share			
From continuing operations:			
Basic loss per share (cents)	6	(0.10)	(0.16)
Diluted loss per share (cents)	6	(0.10)	(0.16)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019			
	Note	31 Dec 2019 \$	30 Jun 2019 \$
ASSETS			
Current Assets			
Cash and cash equivalents		1,985,370	2,094,318
Receivables	8	319,281	260,132
Total Current Assets		2,304,651	2,354,450
Non-current Assets			
Receivables	8	40,603	40,654
Plant and equipment		145,038	147,685
Right of use asset	3(c)	116,651	-
Exploration and evaluation expenditure	9	432,383	438,196
Total Non-current Assets		734,675	626,535
TOTAL ASSETS		3,039,326	2,980,985
LIABILITIES			
Current Liabilities			
Trade and other payables		507,138	448,305
Provisions		226,655	229,703
Lease liabilities	3(c)	119,177	-
Total Current Liabilities		852,970	678,008
Non-current Liabilities			
Provisions		30,074	23,842
Total Non-current Liabilities		30,074	23,842
TOTAL LIABILITIES		883,044	701,850
NET ASSETS		2,156,282	2,279,135
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	10(a)	41,949,991	40,171,027
Accumulated losses		(40,913,733)	(39,001,453)
Reserves	10(b)	1,120,024	1,109,561
TOTAL EQUITY		2,156,282	2,279,135

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Share Based Payment Reserve \$	Total \$
Balance at 1 July 2018	38,402,278	(35,731,595)	166,954	916,594	3,754,231
Loss for the period	-	(2,214,904)	-	-	(2,214,904)
Other comprehensive income	-	-	31,082	-	31,082
Total comprehensive income/(loss) for the period	-	(2,214,904)	31,082	-	(2,183,822)
Transactions with owners in their capacity as owners:					
Share based payments	-	-	-	9,398	9,398
At 31 December 2018	38,402,278	(37,946,499)	198,036	925,992	1,579,807
Balance at 1 July 2019	40,171,027	(39,001,453)	175,740	933,821	2,279,135
Change in accounting policy (note 3)	-	(1,763)	-	-	(1,763)
	40,171,027	(39,003,216)	175,740	933,821	2,277,372
Loss for the period	-	(1,910,517)	-	-	(1,910,517)
Other comprehensive income	-	-	(12,083)	-	(12,083)
Total comprehensive income/(loss) for the period	-	(1,910,517)	(12,083)	-	(1,922,600)
Transactions with owners in their capacity as owners:					
Issue of shares	1,889,072	-	-	-	1,889,072
Issuance costs	(110,108)	-	-	-	(110,108)
Share based payments	-	-	-	22,546	22,546
At 31 December 2019	41,949,991	(40,913,733)	163,657	956,367	2,156,282

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2019			
	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,861	342,575
Payments to suppliers and employees (inclusive of GST)		(1,796,021)	(1,784,650)
Interest received		1,302	14,776
Net cash flows used in operating activities		(1,792,858)	(1,427,299)
Cash flows from investing activities			
Payments for security deposits		-	(3,682)
Proceeds from reduction in security deposit		-	5,488
Net proceeds from disposal of financial assets		-	-
Purchase of plant and equipment		(11,385)	(5,843)
Net cash flows used in investing activities		(11,385)	(4,037)
Cash flows from financing activities			
Proceeds from issue of shares		1,864,322	-
Transaction costs on issue of shares		(110,108)	(884)
Lease payments		(51,210)	-
Net cash flows from/(used in) financing activities		1,703,004	(884)
Net decrease in cash and cash equivalents		(101,239)	(1,432,220)
Net foreign exchange difference		(7,709)	(701)
Cash and cash equivalents at beginning of period		2,094,318	2,369,848
Cash and cash equivalents at end of period		1,985,370	936,927

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Alta Zinc Limited (Alta Zinc or the Company) is a limited company incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ticker code: AZI). The principal activity of the Company and its subsidiaries (the Group) is exploration in Italy and Australia to identify mineral deposits of a size and nature that are commercially viable for extraction.

The interim financial statements of the Group for the six months ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 27 February 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These general purpose interim financial statements have been prepared in accordance with the *Corporations Act 2001* and AASB 134 “*Interim Financial Reporting*”. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 “*Interim Financial Reporting*”. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the Group’s most recent annual financial report and any public announcements made during the half year. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except where revaluation is required in accordance with accounting standards. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with Australian Accounting Standards and with International Financial Reporting Standards and consistent with those adopted and disclosed in the Group’s annual financial report for the year ended 30 June 2019, except for the new and revised standards set out below.

Adoption of new and revised accounting standards

In the half year ended 31 December 2019, the Group changed its policy on leases upon adoption of new accounting standard, *AASB 16 Leases*, which became effective on 1 July 2019. Details of the change in accounting policy are disclosed in note 3.

Going concern

The consolidated financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has a net loss after tax for the half year ended 31 December 2019 from continuing operations of \$1,910,517 (2018: \$2,214,904). Net cash outflows from operating activities were \$1,792,858 (2018: \$1,427,299). At 31 December 2019, the Group had Cash on Hand of \$1,985,370 (30 June 2019: \$2,094,318).

Based on the Group’s cash flow forecast, the Directors acknowledge that the Group will require additional capital in the next 12 months to undertake its business activities and to continue to progress its exploration interests.

The Directors are confident that the Group will be able to raise additional funds through the issue of new equity and/or debt capital. The Directors consider this to be reasonable on the basis of the Group’s recent and historical abilities to raise such capital. The Directors acknowledge that there may be a risk that equity markets may not be favourably disposed when equity raisings are required to be undertaken and that this may impact on the Group’s ability to fund its planned and minimal expenditure commitments and may accordingly cast doubt over the Group’s ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Should the Group be unable to raise additional funds through the avenues mentioned above in order to meet its contracted and forecast expenditure there is material uncertainty that the Group will continue as a going concern and therefore whether the Group will be able to realise its assets and extinguish its liabilities in the ordinary course of business and at the amounts stated in this financial report.

3. CHANGE IN ACCOUNTING POLICY

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements.

The Group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position at 1 July 2019.

(a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 for leases in Australia and Italy were 4.34% and 2.97%, respectively.

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of financial position as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Recognition of lease liability and right-of-use asset at 1 July 2019		\$
Lease liability at 1 July 2019		
Discounted using the lessee's incremental borrowing rate at the date of initial application		<u>168,435</u>
<i>Of which are:</i>		
Current lease liabilities		<u>168,435</u>
Right-of-use asset at 1 July 2019		
Measured on a retrospective basis		<u>166,672</u>

The change in accounting policy affected the following items in the statement of financial position on 1 July 2019:

- right-of-use assets – increase by \$166,672
- lease liabilities – increase by \$168,435.

The net impact on retained earnings on 1 July 2019 was a decrease of \$1,763.

3. CHANGE IN ACCOUNTING POLICY (Cont'd)

(b) The Group's leasing activities and these are accounted for

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Reconciliation of operating lease commitments to lease liabilities

The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	01-Jul-19 \$
Operating lease commitments as at 1 July 2019 (AASB 117)	114,192
Finance lease commitments as at 1 July 2019 (AASB 117)	-
Operating lease commitments discount (i)	188,007
Short-term leases not recognised as a right-of-use asset (AASB 16)	-
Low-value assets leases not recognised as a right-of-use asset (AASB 16)	-
Accumulated depreciation as at 1 July 2019 (AASB 16)	(133,764)
Lease liabilities (AASB 16)	168,435

- (i) Based on weighted average incremental borrowing rates of 4.34% for Australian leases and 2.98% for leases in Italy (AASB 16).

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

3. CHANGE IN ACCOUNTING POLICY (Cont'd)

(c) Movement in Right of use asset and lease liabilities during the period

	31 Dec 2019 \$
<i>Right of use asset</i>	
Carrying value at 1 July 2019	166,672
Depreciation for the period	(50,021)
Carrying value at 31 December 2019	116,651
<i>Lease liability</i>	
At 1 July 2019	(168,435)
Lease payments	51,210
Interest	(1,952)
At 31 December 2019	(119,177)

4. OPERATING 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 considers that it has only operated in one reportable segment, being minerals exploration and evaluation. The segment financial information is as per the Group's consolidated financial statements.

5. ADMINISTRATION EXPENSE

		For the six months ended	
		31 Dec 2019	31 Dec 2018
		A\$	A\$
Legal fees		33,839	14,472
Audit fees		4,500	16,000
Depreciation		19,917	5,366
Leases		-	-
Employee benefits	(i)	504,362	607,253
Other corporate and administration	(ii)	124,494	223,996
		687,112	867,087
Exploration-related admin and employee costs		(565,543)	(140,565)
		121,569	726,522
<i>(i) Employee benefits</i>			
Wages, salaries and directors' fees		448,032	493,079
Superannuation and pension contributions		32,213	44,247
Movement in long service leave provision		6,231	11,722
Movement in annual leave provision		383	13,841
Share-based payments		9,548	9,397
Other employment taxes		7,955	34,967
		504,362	607,253

(ii) Other corporate and administration expenses include \$24,750 being the value of the ordinary shares in the Company granted to Mr Geraint Harris in lieu of his consultancy fees (details in note 10(a)).

6. EARNINGS PER SHARE

	For the six months ended	
	31 Dec 2019	31 Dec 2018
	\$	\$
Basic and diluted loss from continuing operations per share attributable to the ordinary equity holders of the Company (cents per share)	(0.10)	(0.16)
Net loss used in the calculation of basic and dilutive earnings per share from continuing operations	(1,910,517)	(2,214,904)
	Number of Shares	Number of Shares
Weighted average number of ordinary shares on issue during the half-year used in calculating basic earnings per share	1,821,634,311	1,368,965,708
Effect of dilution:		
Share options	123,737,195	-
Weighted average number of ordinary shares on issue during the half-year used in calculating dilutive earnings per share	1,945,371,506	1,368,965,708

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Alta Zinc Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding at 31 December 2019.

Diluted earnings per share

All of the options on issue have exercise prices greater than the average market price of the fully paid ordinary shares during the reporting period and are therefore considered anti-dilutive.

7. FINANCE INCOME AND EXPENSE

	For the six months ended	
	31 Dec 2019	31 Dec 2018
	\$	\$
Interest income	1,302	14,438
Interest expense	(2,532)	-
Accretion of discount on Italian VAT receivable	-	163,791
	(1,230)	178,229

8. RECEIVABLES

		As at	
	Note	31 Dec 2019 \$	30 Jun 2019 \$
Current			
Prepayments		55,404	11,194
Security deposits		8,752	62,096
Receivable indirect taxes	(i)	254,666	186,842
Other receivables		459	-
		319,281	260,132
Non-current			
Security deposits		40,603	40,654
		40,603	40,654

(i) Receivable indirect taxes includes Goods and Services Tax ("GST") of \$2,944 receivable in Australia and Value Added Tax ("VAT") of \$251,722 recoverable from the Italian Agency of Revenue. The balance of the Italian VAT is recovered through offsetting various Italian employee taxes, social security contributions and a refund process upon the lodgement of the annual VAT return. The current receivable amount is estimated to be recovered through the offsetting mechanism and refund process within the next 12 months.

9. EXPLORATION AND EVALUATION EXPENDITURE

	As at	
	31 Dec 2019 \$	30 Jun 2019 \$
Brought forward at the start of the reporting period	438,196	426,249
Foreign exchange adjustment on translation	(5,813)	11,947
Total exploration and evaluation expenditure	432,383	438,196

The recoverability of the carrying amount of exploration assets is dependent on the continuance of the rights to tenure of the areas of interest, the successful exploration and development or sale of the respective areas of interest.

10. ISSUED CAPITAL AND RESERVES

a) Issued Capital

	Note	31 Dec 2019 \$	30 Jun 2019 \$
Ordinary shares on issue		44,467,877	42,578,805
Issuance costs		(2,517,886)	(2,407,778)
		41,949,991	40,171,027

Reconciliation of movement in share capital

	31 December 2019		30 June 2019	
	Number of Shares	\$	Number of Shares	\$
At start of the period	1,821,634,311	40,171,027	1,368,965,708	38,402,278
Issued during the period	380,514,417	1,889,072	452,668,603	1,808,146
Transaction costs on issue of shares	-	(110,108)	-	(39,397)
At end of the period	2,202,148,728	41,949,991	1,821,634,311	40,171,027

The shares issued during the half year ended 31 December 2019 include 8,250,000 shares issued to Mr Geraint Harris in payment of executive fees of \$24,750.

b) Reserves

	31 Dec 2019 \$	30 Jun 2019 \$
Share-based payment reserve	956,367	933,821
Foreign currency translation reserve	163,657	175,740
	1,120,024	1,109,561

<i>Reconciliation of movement in reserves</i>	31 Dec 2019 \$	30 Jun 2019 \$
<i>Share-based payments reserve</i>		
Balance at 1 July	933,821	916,594
Equity settled share-based payment transactions	22,546	17,227
Balance at 31 December	956,367	933,821
<i>Foreign currency translation reserve</i>		
Balance at 1 July	175,740	166,954
Effect of translation of foreign currency operation to group presentation currency	(12,083)	8,786
Balance at 31 December	163,657	175,740
	1,120,024	1,109,561

11. SHARE BASED PAYMENTS

(a) Recognised share-based payment expense

The expense recognised for share based payments included in administration expenses during the period is shown in the table below:

	For the six months ended	
	31 Dec 2019	31 Dec 2018
	\$	\$
Expense arising from equity-settled share-based payment transactions	22,546	9,398
	22,546	9,398

During the reporting period 8,250,000 ordinary shares in the Company were granted to Mr Geraint Harris, at a deemed value of \$0.03, in lieu of his consultancy fees. The total expense of \$24,750 for these shares is included in the other corporate and administration expenses (note 5) and the corresponding amount in the issued capital.

(b) General terms of share-based payments

Employee Incentive Plan

During the reporting period the Company granted 30 million options to a supplier ("Advisor options") and 45 million options to a director ("Director options") under the Employee Incentive Scheme (EIS). These options are subject to vesting conditions, whereby if the recipient resigns prior to the vesting date the options are forfeited. The grant of director's options was approved by shareholders at the Annual General Meeting held on 29 November 2019.

Advisor options were issued at a subscription price of 0.01 cent, while Director options were granted for no consideration. The options issued during the period hold no voting or dividend rights and are not transferrable without Board approval.

The fair value of Advisor and Director options granted during the six months to 31 December 2019 is estimated at the date of grant as \$38,995 and \$45,043, respectively. The options were valued using the Black & Scholes model and the following assumptions:

	Director options			Advisor options	
No. of options	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Grant date	29-Nov-19	29-Nov-19	29-Nov-19	4-Oct-19	4-Oct-19
Issue price (cents)	-	-	-	0.01	0.01
Expiry Date	16-Sep-24	16-Sep-24	16-Sep-24	18-Sep-24	18-Sep-24
Share price (cents)	0.6	0.6	0.6	0.5	0.5
Exercise price (cents)	0.8	1.2	1.6	0.8	1.2
Expected volatility	39.8%	39.8%	39.8%	51.1%	51.1%
Option life (years)	4.78	4.78	4.78	4.95	4.95
Dividend yield	-	-	-	-	-
Risk free interest rate	0.80%	0.80%	0.80%	0.65%	0.65%
Fair value per option (cents)	0.154	0.090	0.056	0.155	0.105

Vesting conditions for all options are based on period of continuous service.

11. SHARE BASED PAYMENTS (Cont'd)

The following table illustrates the number and weighted average exercise prices of, and movements in share options during the half-year to 31 December 2019:

	For the six months ended			
	31 Dec 2019		31 Dec 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the half-year	48,250,000	\$0.09	30,750,000	\$0.13
Granted during the half-year	75,000,000	\$0.01	23,500,000	\$0.038
Forfeited/lapsed during of the half-year	-	-	-	-
Exercised during of the half-year	-	-	-	-
Outstanding at the end of the half-year	123,250,000	\$0.04	54,250,000	\$0.09
Exercisable at the end of the half-year	36,500,000	\$0.13	28,750,000	\$0.13

12. KEY MANAGEMENT PERSONNEL AND RELATED PARTY TRANSACTIONS

On 16 September 2019, Mr Geraint Harris was appointed the Group's Managing Director. Consultancy fees due to Mr Harris are charged by and paid to the UK-based Orme Mineral Services Ltd of which Mr Harris is a director.

During the reporting period, Mr Geraint Harris, at the time a consultant of the Company, was granted 8,250,000 ordinary shares and once appointed as managing director was granted 45,000,000 options over ordinary shares of the Company, as disclosed in notes 10(a) and 11(b) respectively.

13. FINANCIAL INSTRUMENTS

This note presents information about the Group's financial assets and financial liabilities, its exposure to financial risks, and the policies and processes for measuring and managing those risks.

During the half- year ended 31 December 2019, the Group's principal financial assets were cash, short-term deposits and trade and other receivables, comprised primarily of the Italian VAT receivable. The Group's principal financial liabilities comprised trade and other payables. The financial instruments of the Group predominantly arise directly from its operations.

The Group's activities expose it primarily to the following financial risks:

- Market risk including interest rate risk and foreign currency exchange risk;
- Credit risk; and
- Liquidity risk.

Primary responsibility for the identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing identified risks. The Group uses different methods to manage the different types of risks to which it is exposed. These include monitoring exposure to currency risk and undertaking an assessment of market forecasts. The Group monitors liquidity risk through the preparation and monitoring of cash flow forecasts.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk for the Group comprise interest rate risk and foreign currency risk.

13. FINANCIAL INSTRUMENTS (Cont'd)

(i) Interest Rate Risk

The Group's exposure to the interest rate risk is minimal; it does not have interest-bearing debt and its exposure to the risk is limited to changes in interest rates on cash and term deposits the Group holds with the Australian banks.

	Floating interest rate	Fixed interest rate 1 year or less	Non-interest bearing	Total	Weight effective interest rate
31-Dec-19	\$	\$	\$	\$	%
Financial Assets				-	
Cash	1,985,370	-	-	1,985,370	0.01
Receivables	-	-	264,660	264,660	
Security Deposits	-	36,876	-	36,876	1.63
Total financial assets	1,985,370	36,876	264,660	2,286,906	
Financial Liabilities					
Payables	-	-	507,138	507,138	
Leases	-	-	119,177	119,177	
Total financial liabilities	-	-	626,315	626,315	
Net financial assets	1,985,370	36,876	(361,655)	1,660,591	

	Floating interest rate	Fixed interest rate 1 year or less	Non-interest bearing	Total	Weight effective interest rate
30-Jun-19	\$	\$	\$	\$	%
Financial Assets					
Cash	1,215,233	-	879,086	2,094,319	0.37
Receivables	-	-	263,910	263,910	
Security Deposits	-	36,876	-	36,876	2.44
Total financial assets	1,215,233	36,876	1,142,996	2,395,105	
Financial Liabilities					
Payables	-	-	264,015	264,015	
Total financial liabilities	-	-	264,015	264,015	
Net financial assets	1,215,233	36,876	878,981	2,131,090	

(ii) Foreign Currency Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to currency risk on financial assets and liabilities held by the controlled entity in Italy. The Group's expenditure obligations in Italy are primarily in Euro and as a result the Group is exposed to fluctuations in the Euro to Australian dollar. These exposures are not subject to a hedging program. Exposure to negative currency fluctuations has been partially mitigated through the maintenance of a Euro denominated cash position.

The Group is also exposed to foreign exchange risk arising from the translation of its foreign operations. The Group's investment in its overseas subsidiary is not hedged as it is considered to be long-term in nature.

13. FINANCIAL INSTRUMENTS (Cont'd)

The carrying amounts of the Group's financial assets and liabilities are denominated in Australian dollars, except for the amounts set out below, which are held in Euro (EUR):

	31 Dec 2019 \$	30 Jun 2019 \$
Financial Assets		
Cash	739,580	879,674
Receivables	283,858	240,529
Financial Assets	1,023,438	1,120,203
Financial Liabilities		
Payables	337,278	243,999
Lease liabilities	55,351	-
Financial Liabilities	392,629	243,999

Sensitivity

The following table summarises the sensitivity of financial instruments held at balance date to movement in the exchange rate of the AUD to the Euro with all other variables held constant. The 10% sensitivity is based on management's estimate of reasonably possible changes over a financial year.

	31-Dec-19 \$	31-Dec-19 \$	30-Jun-19 \$	30-Jun-19 \$
	Profit	Equity	Profit	Equity
+10% increase in AUD:EUR	(19,016)	(117,055)	(525)	(87,095)
-10% decrease in AUD:EUR	19,016	117,056	525	87,095

Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

As the Group is yet to commence mining operations, it currently has no significant exposure to customer credit risk. The class of assets described as Receivables is considered to be the main source of credit risk to the Group. Included in Receivables is Italian value added tax receivable (VAT) from expenditure incurred in Italy, which will be recovered via a mechanism of offsetting employment tax liabilities and refunds through lodgment of annual VAT claims.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset in the Statement of Financial Position.

The credit risk in relation to cash balances with banks is managed through the assessment of the credit quality of the institution with whom the funds are deposited. Currently the Group only invests cash with counterparties assessed with high credit ratings. Funds are transferred to Italy to meet the working capital needs of the controlled entity Energia Minerals (Italia) Srl. The cash needs of the controlled entity's operations are monitored by the parent company and funds are advanced to the Italian operations as required.

The Directors believe this is the most efficient method of combining the monitoring and mitigation of potential credit risks arising out of holding cash assets in overseas jurisdictions, and the funding mechanisms required by the Group.

Financial assets pledged as collateral

Certain financial assets have been pledged as security for finance facilities associated with bank guarantees. The realisation of these financial assets into cash may be restricted and subject to terms and conditions attached to the relevant finance facilities.

13. FINANCIAL INSTRUMENTS (Cont'd)

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 liquidity risk by maintaining sufficient cash to meet the operating requirements of the business and investing excess funds in liquid short-term deposits. The Group's liquidity needs are currently met through cash and cash equivalents. Future liquidity needs can potentially be met through equity raisings.

The Group's liquidity risk exposure relates to trade payables, which are payable within one year from the reporting date.

Fair value measurement

The carrying value of all financial assets and financial liabilities approximate their fair values. In particular, the fair value of cash, trade receivables and payables is considered to approximate their carrying amount due to their short-term maturity.

Set out below is a comparison of the carrying amount and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying Amount 31 Dec 2019 \$	Fair Value 31 Dec 2019 \$	Carrying Amount 30 Jun 2019 \$	Fair Value 30 Jun 2019 \$
Financial Assets				
Receivables - Italian VAT	251,721	251,721	186,842	186,842
Total	251,721	251,721	186,842	186,842

No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Group has no financial assets where carrying amount exceeds net fair values at balance date.

Fair value measurement hierarchy

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2019.

The Group classifies all assets and liabilities, measured at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

There have been no transfers between the fair value hierarchy levels during the reporting period. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of each reporting period.

14. COMMITMENTS AND CONTINGENCIES

Exploration Expenditure Commitments

Ongoing exploration expenditure is required to maintain title to the Group's mineral exploration tenements. No provision has been made in the financial statements for these amounts as the amounts are expected to be fulfilled in the normal course of the operations of the Group.

At 31 December 2019, the exploration expenditure commitments are as follows:

	As at	
	31 Dec 2019 \$	30 Jun 2019 \$
Minimum expenditure commitments		
Not later than 12 months	160,534	211,485
After one year but not more than five years	66,891	200,294
	227,425	411,779

The minimum exploration expenditure commitments include the estimated cost of permit fees and tenement lease costs required to maintain title to the Group's tenements in Italy and Australia.

For Australian tenements, they include the minimum expenditure statutory requirements. No statutory expenditure commitments are specified by the mining legislation in Italy.

During the reporting period the Group entered into a contract with Edilmac dei F.lli Maccabelli S.r.l. (Edilmac) to provide drilling services at Pian Bracca for the current underground drill program. The Group can stop work under the contract at any time at its discretion. If work is stopped for greater than three months and less than 2,000m have been drilled, Edilmac can terminate the contract and receive compensation at 10% of the scheduled rate for 2,281m less the actual meters drilled. An amount of \$596,000 has been included in the Group's cash forecast for the remaining drilling programme under the contract.

Other than as detailed above, there have been no material changes to contingent assets, contingent liabilities or commitments since 30 June 2019.

15. EVENTS AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the half-year which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future years.

DIRECTORS' DECLARATION

The directors of Alta Zinc Limited declare that in the opinion of the directors:

- (a) The financial statements and notes of the Group, as set out on pages 9 to 25, are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and the performance for the half-year ended on that date; and
 - (ii) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s303(5) of the *Corporations Act 2001*.

On behalf of the board



Alexander Burns
Chairman

27 February 2020

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alta Zinc Limited and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements *ASRE 2410 - Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Alta Zinc Limited and its controlled entities, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

We draw attention to Note 2 of the financial report which indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Crowe Perth**

Cyrus Patell
Partner

Dated at Perth this 27th day of February 2020

CORPORATE DIRECTORY

Directors

Mr Alexander Burns	Executive Chairman
Mr Geraint Harris	Managing Director
Mr Stephen Hills	Finance Director
Mr Marcello Cardaci	Non-executive Director
Mr Campbell Olsen	Non-executive Director

Company Secretary

Mr Stephen Hills

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ASX Code: **AZI**