

# 2015 ANNUAL REPORT





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# CONSOLIDATED ZINC LIMITED

ABN 27 118 554 359

## 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 Christopher Watts

### PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

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### SOLICITORS

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44 St George's Terrace  
PERTH WA 6000  
GTP Legal  
Level 1, 28 Ord Street  
WEST PERTH WA 6005

### SHARE REGISTRY

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Level 4, 152 St George's Terrace  
Perth WA 6000

### AUDITORS

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### STOCK EXCHANGE

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Perth, Western Australia 6000

(ASX: CZL)

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# 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 for the very first time.

This year has seen some major and exciting changes for the Company which has included the acquisition of the extremely high grade Plomosas zinc-lead-silver mine in northern Mexico, a significant fundraising and capital reconstruction and sweeping changes to the Board and senior management team.

When the Plomosas project was brought to the directors attention, the Company moved quickly to commence a due diligence exercise in August 2014 which was successfully completed in February-March 2015, at which time the Board resolved to proceed with the acquisition. Consequently, \$4,000,000 of capital funds were raised by June 5, 2015 to complete the first stage acquisition of 51% equity of the Plomosas project and provide funding for exploration drilling and development. The company has the right to acquire 100% of the project and will diligently work through the process of evaluation as we continue our exploration, understand the resource to maximise its potential.

The Plomosas operation 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.

I am also pleased to report that under the guidance of our newly appointed Managing Director, Mr Will Dix, and Exploration Manager, Mr Steve Boda, our first objectives are being met. In only a few months subsequent to the end of the financial year, the Company has built an experienced Mexican team; established new safety protocols and work practices; refurbished and dewatered significant portions of the underground workings and commenced exploration mapping and drilling.

In August 2015, the Company announced some spectacular rock chip and channel sample results with grades reaching to over 56% combined zinc and lead and two ounces per tonne of silver.

The first drilling intercepts which included massive sulphide zones of over 3m true width were also announced in late September, 2015 with the assays expected by the end of September. Notably these intercepts were obtained from drilling a previously unidentified mineralised zone below the main mined horizon and we are excited about the potential this zone holds for adding inventory and the opportunity for the early commencement of mining. This zone was not included in the Company's Stage 1 Exploration Target which was announced on 6 February 2015.

We are very confident of achieving our key objective to report a JORC resource on the Semi Oxide and Sulphide mineralisation in the near future. In parallel we will develop plans for mining and processing using the plant on site and extensive underground mine development in order to facilitate early access for relatively modest capital expenditure.

Additional exploration potential exists within the project tenements as well in the region but the Company's present focus is to re-establish the mine operations targeting an initial 10 year minelife on resources to be defined immediately below the mine workings and along strike.

The board is also very conscious of every dollar we spend and to ensure we gain the maximum value in executing our Strategy. Consequently we are reviewing our cost structures as well as prioritising the other projects we hold in Western Australia and Sweden.

I would like to thank you for your support as shareholders of Consolidated Zinc and assist us building a stronger, focused mineral company for the benefit of all shareholders.

Yours sincerely

*Stephen Copulos*

**Stephen Copulos**  
CHAIRMAN



In August 2015, the Company announced some spectacular rock chip and channel sample results with grades reaching to over 56% combined zinc and lead and two ounces per tonne of silver.



## MANAGING DIRECTOR'S REPORT



Global  
Project  
Portfolio


**Varmland**  
SWEDEN  
(Cu-Zn-Au)

**Jailor Bore**  
AUSTRALIA  
(U)

# REVIEW OF OPERATIONS



During the year the Company's exploration efforts were focussed on the acquisition and assessment of the Plomosas zinclead-silver mine in Mexico and a review of the Jailor Bore and Varmland projects in Western Australia and Sweden respectively.



**Plomosas**  
MEXICO  
(Zn-Pb-Ag)

# MANAGING DIRECTOR'S REPORT

## REVIEW OF OPERATIONS

### MEXICO

#### The high grade Plomosas Zinc-Lead-Silver Project

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 2 TO 4).

The project 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 to provide 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 over 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 mineralisation itself has been mined in several stages since 1943 down to 270 metres below surface via room and pillar stopes using traditional air leg drill and blast techniques. Historical production realised approximately 20,000 tonnes mineralisation per vertical metre with remnant material remaining. The mineralisation continues at depth and there is over 6 km strike of prospective stratigraphic horizon within the tenement package providing for excellent exploration potential and drill targeting.

The Project comprises an operating 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.

#### Due Diligence Findings

The results of technical due diligence completed by independent experts including SRK (Denver) and Arc Resources Pty Ltd on the Plomosas project suggests:

- the style of mineralisation and tenor of grades have been confirmed along with the prospectivity for identifying significant additional high grade mineralisation;
- targets for immediate drilling and resource definition programs;
- have been identified which are immediately accessible;
- there is moderate capital requirement to refurbish the mine infrastructure which includes production and ventilation shafts and many kilometres of underground mine development;
- underground mine ground conditions and geotechnical requirements have been identified as good and manageable;
- the existing processing plant can be refurbished to treat ore up to a rate of 200 tonnes per day for potential early production but will need to be largely replaced if or when production is increased to 500 – 1,000tpd;
- historically the quality of concentrate produced from Plomosas has been of high quality and in high demand for blending with ore from other operations in the region; capital and operating costs are anticipated to be low on a global comparison and in line with other operations in the immediate region; and
- further work will be required through feasibility studies to confirm and quantify these estimates.

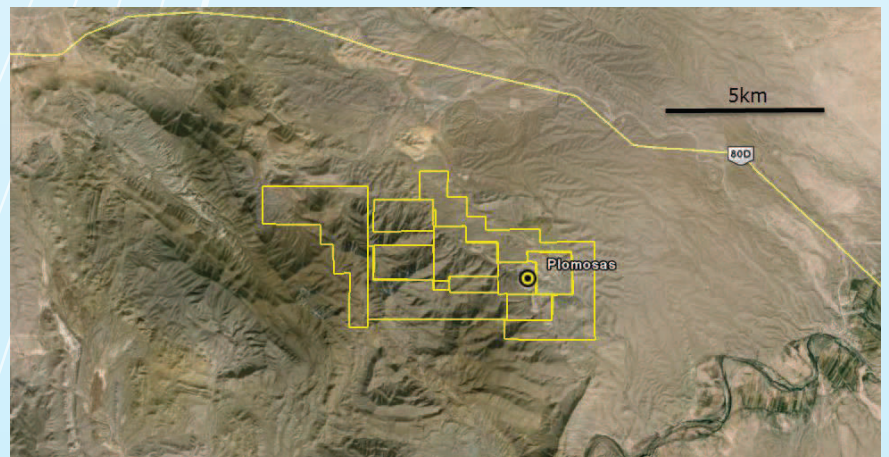




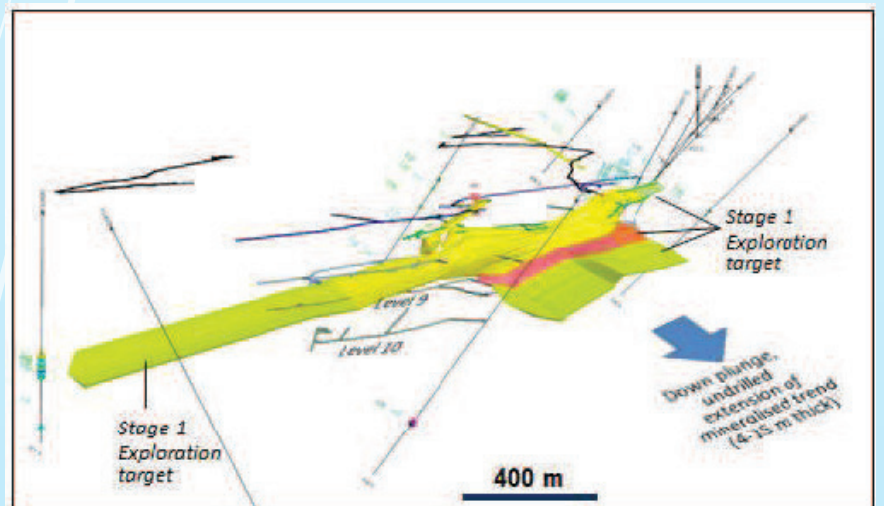
**FIGURE 2.** LOCATION OF PLOMOSAS MINE IN NORTHERN CHIHUAHUA STATE, MEXICO.



**FIGURE 3.** AERIAL VIEW OF PLOMOSAS MINE IN NORTHERN CHIHUAHUA STATE, MEXICO.



**FIGURE 4.** PLOMOSAS PROJECT TENEMENT PLAN.



**FIGURE 5.** 3D VIEW LOOKING WEST OF MINED AND REMNANT ORE 'DRAPE' AROUND AND OVER NORTH-EAST TRENDING MINERALISED TREND (YELLOW = MINED SULPHIDE, RED = SEMI OXIDE REMNANT MINERALISATION SAMPLED AND MAPPED BY ASARCO LTD IN UNDERGROUND DEVELOPMENT). LIKELY EXTENSIONS (GREEN) ALONG STRIKE AND DOWN DIP.

# MANAGING DIRECTOR'S REPORT

## REVIEW OF OPERATIONS

### Exploration Target

An initial exploration target on the main mineralised 'Marble' horizon has been defined immediately below the existing workings where infrastructure provides the opportunity of early access. Supporting details describing the definition and estimation of the exploration target were announced to the ASX on 6 February, 2015 as Newera Resources.

This Stage 1 Exploration Target of approximately 2.9M to 3.2M tonnes grades between 15% - 25% Zn+Pb and 60-80 g/t Ag and has been outlined from 185 mbs (Level 6) to 278 mbs (Levels 9 - 10) immediately at and below the current mine development (Figure 7). The potential quantity and grade of the Exploration Target is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource. Furthermore it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The exploration target includes some historical semi-oxide mineralisation identified by ASARCO and quoted in 1974 in a non-JORC compliant resource which has to be tested. Additional metallurgical testwork is also planned to target early production as the material becomes accessible.

The target mineralisation is extended down dip by only 100 m for the Stage 1 Exploration Target although the sedimentary horizon containing it extends to the north east over a far more significant distance.

The exploration target does not include additional mineralisation which may occur in sub parallel stratigraphic, carbonate rich horizons above or below the main Marble horizon. However, underground exploration including rock chip sampling subsequent to the year end has identified strong base metal mineralisation in a limestone-rich horizon approximately 50-70m stratigraphically below the Marble Horizon at Tres Amigos (Figure 7). This horizon appears not to have been previously identified or mined.

### Cautionary Statement

The potential quantity and quality of the exploration targets identified in this announcement are conceptual in nature, and there has been insufficient exploration to date to define a mineral resource in accordance with the Australian Code for Reporting of Mineral Resources and Ore Reserves published by the Joint Ore Reserve Committee 2012 ("JORC Code 2012"). Furthermore, it is uncertain if further exploration at its exploration targets will result in the determination of a mineral resource.

The potential quantity and grade of an exploration target is conceptual in nature, there has been insufficient exploration to determine a mineral resource and there is no certainty that further exploration work will result in the determination of mineral resources or that the exploration target itself will be realised.

### Exploration Results (Subsequent to end of Year)

In July – August 2015, the Company received the first analytical results of a number of channel and grab samples taken from various parts of the Plomosas underground workings to better understand the grade distribution of the mineralisation.

These results were highly encouraging with the high zinc grades validating the Company's view that the Plomosas deposit is amongst the highest grade zinc projects currently being explored or mined.

Some of the channel and rock samples returned such high grades of zinc that the values exceeded the upper detection limit of the ore grade analysis method used by ALS Laboratories. These samples were resubmitted for analysis using the method of analysis for concentrate material. The zinc values ranged between 31.22% and 43.82% while the combined Zn + Pb grades ranged from 33.47% to 56.64%. Silver values are also elevated at between 38.4 and 63.5 g/t Ag.

Table 1 summarises the results of this sampling program while Figure 7 is a section showing the current work in progress along with a generalised interpretation of the mineralised zones within the deposit. For further details and diagrams of the sample locations the reader is referred to the CZL announcement of 15 July 2015.

Interestingly in identifying new mineralised zones, two samples, LVL5ST and TRS1, highlighted a previously unexplored area that justifies additional investigation.

**TABLE 1. ROCK CHIP AND CHANNEL SAMPLE RESULTS** (NOTE: ALL SAMPLES ANALYSED BY ORE GRADE ANALYSIS METHOD ZN-OG62 EXCEPT FOR THE HIGHLIGHTED SAMPLES WERE ORIGINALLY REPORTED AS >30% ZN. THESE WERE FURTHER ANALYSED BY A DIFFERENT METHOD NORMALLY USED FOR ZINC CONCENTRATES, ZN-VOL50, TO ESTABLISH GRADE).

| SAMPLE         | East WGS84 | North WGS84 | Elev (m) | Sample type | Zn%   | Pb%   | Ag ppm |
|----------------|------------|-------------|----------|-------------|-------|-------|--------|
| <b>CV022</b>   | 476026.708 | 3217306.184 | 988.090  | Channel     | 39.58 | 12.55 | 63.5   |
| <b>CV023</b>   | 476007.910 | 3217315.238 | 992.368  | Channel     | 42.32 | 4.39  | 56.9   |
| <b>CV025</b>   | 475967.108 | 3217322.141 | 998.334  | Channel     | 43.59 | 13.05 | 52.6   |
| <b>VJ003</b>   | 476226.062 | 3216271.419 | 1124.365 | Channel     | 43.82 | 4.80  | 41.0   |
| <b>VJ015</b>   | 476251.224 | 3216215.149 | 1105.509 | Channel     | 31.22 | 2.25  | 38.4   |
| <b>CV021</b>   | 476025.160 | 3217278.220 | 1003.780 | Channel     | 26.50 | 8.22  | 34.3   |
| <b>CV026</b>   | 476054.390 | 3217295.900 | 989.020  | Channel     | 24.20 | 9.66  | 32.1   |
| <b>TRS1</b>    | 476124.430 | 3216628.280 | 1000.171 | Grab        | 24.20 | 0.80  | 13.3   |
| <b>VJ019</b>   | 476251.623 | 3216268.216 | 1106.179 | Channel     | 23.10 | 3.52  | 30.7   |
| <b>VJ006</b>   | 476243.040 | 3216235.505 | 1121.258 | Channel     | 22.70 | 8.39  | 31.3   |
| <b>CV015</b>   | 475700.529 | 3217228.718 | 1115.010 | Channel     | 22.40 | 10.55 | 25.3   |
| <b>28VJ004</b> | 476231.179 | 3216255.156 | 1125.661 | Channel     | 22.40 | 7.75  | 32.0   |
| <b>CV016</b>   | 475710.862 | 3217228.690 | 1113.049 | Channel     | 21.90 | 9.02  | 26.1   |
| <b>CV008</b>   | 475723.281 | 3217204.340 | 1111.427 | Channel     | 20.70 | 7.76  | 14.6   |
| <b>CV009</b>   | 475722.353 | 3217197.795 | 1113.340 | Channel     | 19.35 | 11.75 | 29.7   |
| <b>CV024</b>   | 475981.095 | 3217322.645 | 995.496  | Channel     | 19.25 | 7.19  | 41.3   |
| <b>CV001</b>   | 475729.952 | 3217188.893 | 1114.060 | Channel     | 18.05 | 9.33  | 24.5   |
| <b>LVL5ST</b>  | 476076.450 | 3216965.240 | 990.430  | Grab        | 16.00 | 12.20 | 28.0   |
| <b>CV011</b>   | 475717.566 | 3217203.063 | 1113.001 | Channel     | 12.55 | 5.53  | 12.2   |
| <b>CV010</b>   | 475722.315 | 3217201.614 | 1112.981 | Channel     | 10.75 | 4.76  | 13.5   |
| <b>CV002</b>   | 475733.632 | 3217189.056 | 1113.516 | Channel     | 10.35 | 3.85  | 12.5   |
| <b>CV027</b>   | 476063.310 | 3217293.010 | 987.900  | Channel     | 10.05 | 8.64  | 15.7   |



Both these samples represent areas located in the footwall to the main manto mineralisation and both represent a different style of mineralisation to that observed in the manto itself.

- Sample TRS1 assaying returned grades of 24.2% Zn, 0.80% Pb, 13.3g/t Ag and represents mineralisation derived from a massive sulphide replacement style zone called Tres Amigos.
- Sample LVL5ST returned assays of 16% Zn, 12.2% Pb, 28g/t Ag and is interpreted to come from a chimney system (or feeder zone) possibly linking the historically mined marble unit and the Tres Amigos horizon.

### Operational Changes and Exploration Plans

Two key appointments have been made to the Company's staff in Mexico. This will improve the underground operating environment and manage

the ongoing work programs in line with Australian standards while aggressively progressing the exploration program,

- Mr Rodrigo Calles a geologist with more than 30 years' experience in exploration and mining projects has been engaged to assist in the set up for drilling underground and contractor management.
- In addition the Company has engaged the services of an experienced Mining Engineer through ECT Consultores to undertake the necessary underground mining engineering requirements focussing on dewatering and water management, drilling location development and safety.

Work has also commenced underground in preparation for an exploration drilling campaign:

- A drill cuddy at Tres Amigos has been completed which will be used to drill test the area confirmed by sample TRS1.

Additional work at Tres Amigos will include extending the existing drive further to the southwest to enable additional drilling as required. Additional grab samples will be taken at Tres Amigo in conjunction with planned mapping and surveying.

- Level 6 development has commenced, with surveyors locating the start point for the development into the hanging wall of the semi-oxide ore zone. This development is planned to be 90 metres in length and is estimated to be completed in during October.
- In order to improve the natural underground ventilation in and around the work areas, existing vertical shafts have been unsealed. These shafts will also be utilised as service shafts and establishing multi-staged pumping platforms.

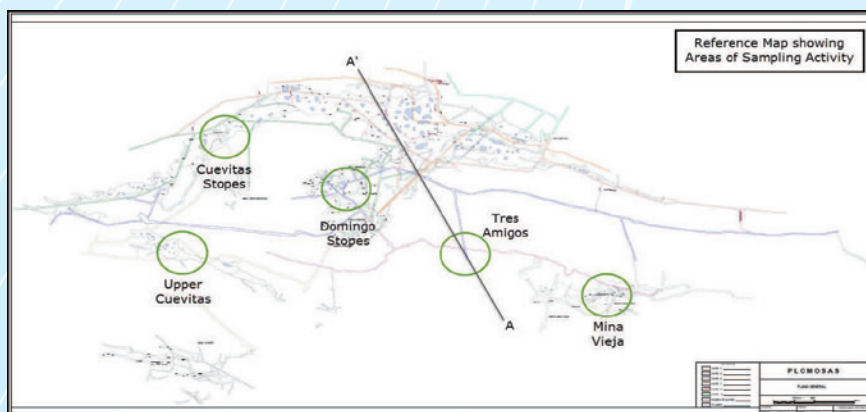


FIGURE 6. PLOMOSAS MINE OVERVIEW SHOWING LOCATIONS OF WORK ACTIVITIES AND SAMPLING LOCATIONS

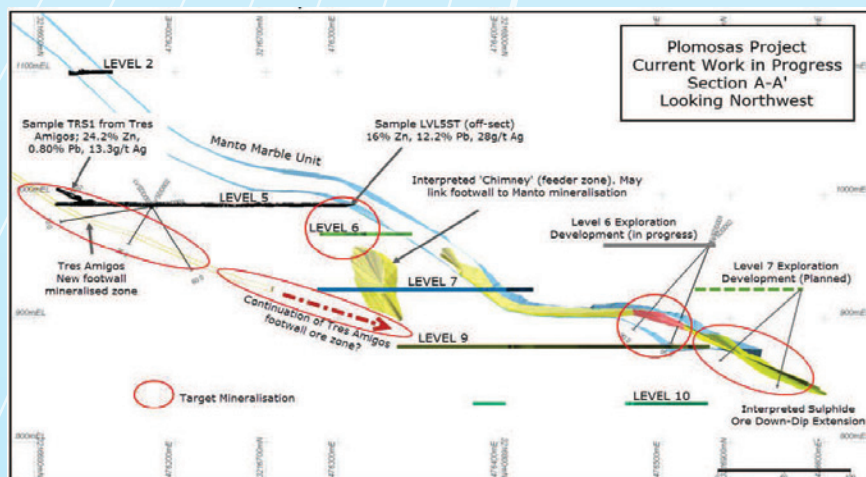


FIGURE 7. PLOMOSAS SECTION A - A' (REFER FIGURE 6) SHOWING THE CURRENT ACTIVITIES IN THE MINE AND SPATIAL INTERPRETATIONS OF VARIOUS MINERALISED AREAS AND EXPLORATION TARGET ZONES.

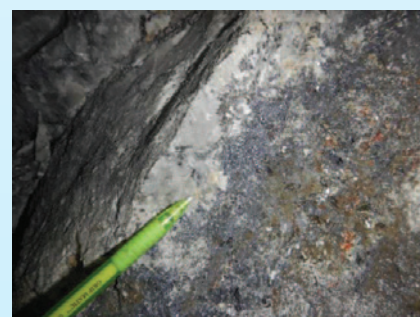


FIGURE 8. SPHALERITE AND GALENA MINERALISATION NEAR UPPER CONTACT (PLOMOSAS MINE)



FIGURE 9. UNDERGROUND STOPE (PLOMOSAS MINE)



# MANAGING DIRECTOR'S REPORT

## REVIEW OF OPERATIONS

### SWEDEN

#### The Varmland Project

AS PART OF AN ONGOING PROGRAM TO IDENTIFY POTENTIAL COPPER PROJECTS WORLDWIDE, CONSOLIDATED ZINC (THEN NEWERA RESOURCES LTD) TOOK OUT TWO EXPLORATION LICENCE APPLICATIONS IN 2013 COVERING A LARGE AREA WITHIN SWEDEN BUT IMMEDIATELY ADJACENT TO THE NORWAY BORDER. THESE LICENCES WERE TAKEN OUT TO COVER TWO MASSIVE MYLONITE SHEAR ZONES AND ADJACENT LOCAL ROCK TYPES THOUGHT TO BE PROSPECTIVE FOR COPPER, GOLD OR PLATINUM GROUP METALS.

Much of the V100 and V101 areas are covered with extensive till and it is thought that detailed geophysics, particularly magnetics may assist where copper mineralisation is seen to be associated with magnetite.

The Company engaged SRK Geology (SRK) to complete reconnaissance field sampling exercises over CZL's 100% held Varmland 100 (V100) and Varmland 101 (V101) exploration licences located in Sweden, northwest of the capital Stockholm and adjacent to the Sweden/ Norway border. These returned some encouraging results as summarised below although exploration was hampered by extensive vegetation and thin glacial till cover.

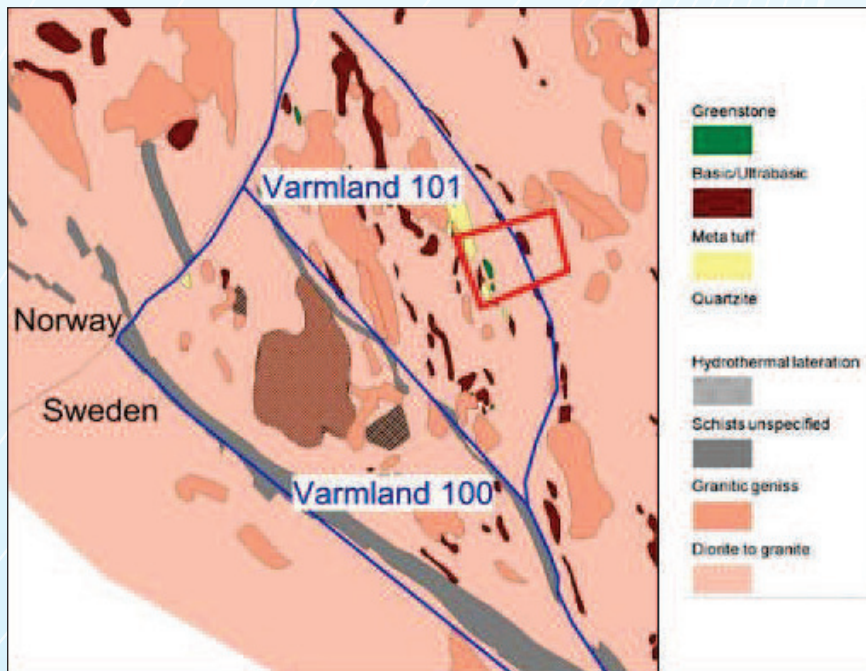


**FIGURE 10:** LOCATION PLAN OF CONSOLIDATED ZINC LIMITED'S GRANTED SWEDISH EXPLORATION LICENCES V100 AND V101.

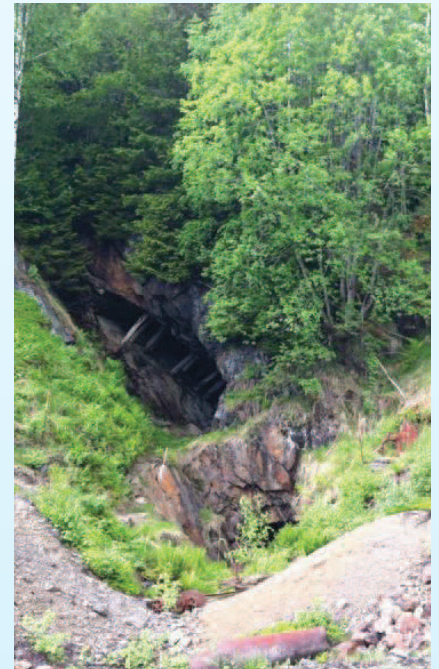
During the reconnaissance field sampling exercises, selected individual and composite samples were collected and lodged for analysis from which the following highlights were derived.

- The identification of copper minerals, mainly chalcopyrite with some bornite and/or chalcocite in rock chip samples from a number of locations within V100 and V101.
- The identification of a mineralised (copper dominant) trend line, referred to as the Mangen trend within V100.
- The location of numerous reasonably substantial historical workings along the Mangen trend.
- 9 elevated copper mineralisation results between 1.45% Cu and 4.6% Cu were obtained from 40 rock chip samples of old workings dumps in V100.
- A single iron mineralisation result at 47% Fe from reconnaissance rock chip sampling in V100
- Low order gold analysis results but significant areas recognised to have high alteration within V101
- Copper anomalism in V100 generally associated with magnetite making magnetics an effective future exploration tool.

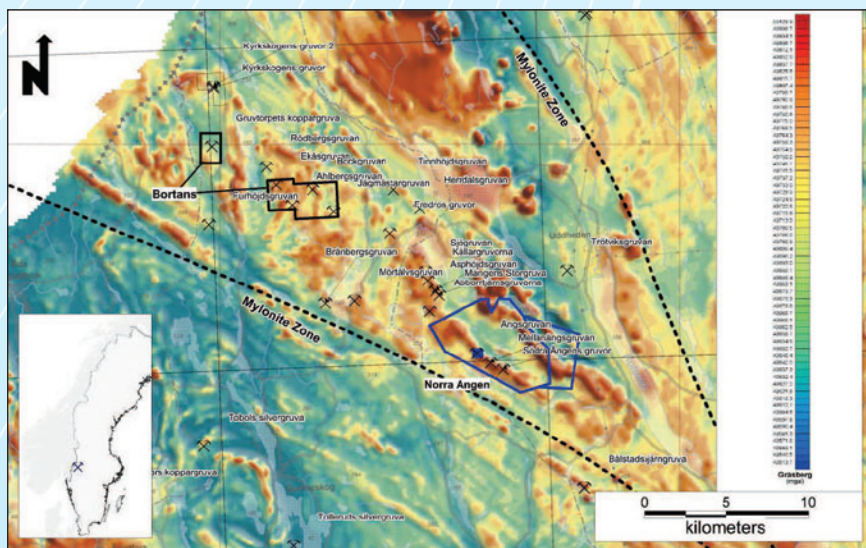
Subsequent review and analysis of results during the current period suggests that the mylonite zones are prospective for finding numerous small to moderate tonnage, high grade base metal deposits.



**FIGURE 11:** SIMPLE GEOLOGICAL MAP OF THE VARMLAND AREA IN SOUTH-WESTERN SWEDEN, SHOWING LICENSES V100 AND V101. THE AREA OUTLINED IN RED IS THE PGM TARGET AREA.



**FIGURE 13:** TYPICAL STEEPLY DIPPING HISTORICAL WORKINGS ALONG THE MANGEN TREND.



**FIGURE 12:** AIRBORNE MAGNETIC GEOPHYSICS OF THE V100 AND V101 PROJECTS AND ADJACENT AREAS OVER LAID BY HISTORIC MINE SITES (SGU:MAPS2.SGU.SE/KARTGENERATOR). EXCISONS OUTLINED WITH BLUE AND BLACK BORDERS.

# MANAGING DIRECTOR'S REPORT REVIEW OF OPERATIONS

## AUSTRALIA

### Jailor Bore project

During the period no work was done on the project pending completion of heritage surveys.

#### 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.

#### Exploration Target

Consolidated Zinc Ltd cautions that the Exploration Target quantity and quality is conceptual in nature. There has been insufficient exploration at Plomosas to define a mineral resource and it is uncertain if further exploration will result in the Exploration Target being delineated as a mineral resource.





# DIRECTORS' REPORT

The Directors of Consolidated Zinc Limited (formerly Newera Resources 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 2015.

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              | Appointed 5 June 2015     |
| • Mr William Dix                  | Appointed 5 June 2015     |
| • Mr Andrew Richards              | Appointed 20 January 2015 |
| • Mr Luis Rogelio Martinez Valles | Appointed 5 June 2015     |

Directors who were in office for part of the year and their dates of resignation:

- |                      |  |
|----------------------|--|
| • Mr Martin Blakeman | Resigned 5 June 2015                       |
| • Mr Eric de Mori    | Resigned 20 January 2015                   |
| • Mr Chris Watts     | Appointed 1 July 2014 Resigned 5 June 2015 |
| • Mr Winton Willesee | Resigned 31 July 2014                      |

## COMPANY SECRETARY

- |                        |                       |
|------------------------|-----------------------|
| • Mr Christopher Watts | Appointed 1 July 2014 |
|------------------------|-----------------------|

## INFORMATION ABOUT THE DIRECTORS

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

| Names                                  | Particulars  |               |                |               |                       |            |              |                            |            |         |                       |              |         |
|--|--|---------------|----------------|---------------|-----------------------|------------|--------------|----------------------------|------------|---------|-----------------------|--------------|---------|
| <b>Stephen Copulos</b><br>(Chairman)   | <p>Mr Copulos joins 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, the UK and USA.</p> <p>Mr Copulos also held directorships with the following listed companies in the 3 years immediately prior to the date of this report.</p> <table><tr><th>Name</th><th>Date Appointed</th><th>Date Resigned</th></tr><tr><td>Collins Foods Limited</td><td>April 2013</td><td>October 2014</td></tr><tr><td>Crusader Resources Limited</td><td>March 2013</td><td>Current</td></tr><tr><td>Black Rock Mining Ltd</td><td>January 2015</td><td>Current</td></tr></table> | 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 |
| 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       |                |               |                       |            |              |                            |            |         |                       |              |         |
| <b>Will Dix</b><br>(Managing Director) | <p>Mr Dix is a geologist with 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.</p> <p>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.</p> <p>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.</p>  |               |                |               |                       |            |              |                            |            |         |                       |              |         |

# DIRECTORS' REPORT

Mr Dix 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 |
|---------------------------|----------------|---------------|
| 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 Mining Ltd | 1 December 2013 | 1 May 2015     |
| Intermet Resources Ltd         | 17 January 2013 | 9 October 2014 |
| Alcyone Resources Ltd          | 6 May 2011      | 18 March 2013  |

## **Luis Rogelio Martinez Valles** (Non-Executive Director)

Mr Martinez is a mining entrepreneur with 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.

## **Martin Blakeman**

Mr Blakeman resigned as Executive Chairman on 5 June 2015.

Martin completed his tertiary studies at the University of WA graduating with a Bachelor of Economics in 1976. Since graduation, Martin has applied his skills in management and economics to the rural and mining industries. Martin's professional career in the mining industry has included over 30 years experience at board level in Australian Stock Exchange listed resource companies, commencing with his appointment in 1983 as a founding Director of Harmark Pty Ltd (the founder and former controlling shareholder of Forrestania Gold NL, one of Australia's more successful resource investment companies of the time), retiring from Harmark and Kagara in 1999 after 16 years' continuous service.

Martin promoted, and was appointed to the Board as a founding Director, of Metex Resources NL (now Carbon Energy Limited) in September 1992. Over a 4 year period to June 1996, he held the position as Manager Corporate at Metex, forming an integral part of that company's executive management team.

On 26 November 2003, Martin incorporated and became a founding Director of Mantle



Mining Corporation Ltd (ASX: MNM). He has overseen the strategic decisions of the Company including the acquisition of a substantial tenement package in the eastern highlands of Victoria and central north Queensland, and its successful 2006 listing on ASX. Martin oversaw the acquisition of the Mt Mulligan project in 2007 and remains Chairman of the Mantle Mining Corporation Ltd.

Martin was appointed the Chairman and Managing Director of Newera Resources Limited prior to its listing in June 2006. He was subsequently appointed Executive Chairman and remained in that position until his resignation on 5th June 2015.

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

Mr Blakeman remains a significant shareholder of Consolidated Zinc.

#### **Eric de Mori**

Mr de Mori resigned as a Non-Executive Director on 20 January 2015

Eric specialises in natural resources, technology and biotechnology transactions with a focus on the ASX. He advises clients on M&A activity, capital raisings, Initial Public Offerings (IPO's) Reverse Take Over's (RTO) recapitalisation and restructure and DOCA process management.

Eric also held director positions with Incitive Ltd, now Hawkley Oil and Gas Limited (ASX:HOG) and Coventry Resources Ltd (ASX:CVY). He was also a Non-Executive Director of Alcyone Resources Ltd (ASX:AYN) where he helped lead the company's corporate restructure and evolution into a successful silver producer. Eric was Corporate Advisor to Internet Resources Ltd which acquired US HR tech company 1-Page and subsequent \$8.5m backdoor listing (ASX:1PG).

Eric graduated from Murdoch University with a Bachelor of Marketing and the Media, and holds a Diploma of Financial Services (PS 146 compliance) with Financial Services Institute of Australasia (FINSIA).

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

#### **Chris Watts**

Mr Watts resigned as a Non-Executive Director on 5 June 2015, but remains the Company Secretary to which he was appointed on 1 July 2014.

He is the Director of Regency Audit Pty Ltd, a corporate audit and advisory service, in Western Australia and has 20 years professional and commercial experience in auditing, financial accounting, and assurance and due diligence. Mr Watts has previously held the position as Director of Audit and Corporate Services of a national chartered accounting firm. He has been involved in numerous industry sectors including: aged care, aquaculture, biotechnology, building and construction, charities, education, engineering, food manufacturing, government, healthcare, hospitality, mining exploration and services, retail and viticulture. Mr Watts holds a Bachelor of Business degree from Curtin University, is a Member of the Australian Institute of Chartered Accountants, and a Registered Company Auditor (RCA).

Other than disclosed above, Chris 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, Australia, and Sweden covering a commodity mix that includes zinc, lead, silver, uranium and copper.

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.

During the year, the Company withdrew from the Ulaan Tolgoi coal project in Mongolia.



# DIRECTORS' REPORT

Consolidated Zinc has refined its corporate strategy and will focus primarily on the Plomosas Project in Mexico where the directors believe the company has significant potential 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 and secondly the Jailor Bore project in Western Australia is pending completion of heritage surveys.

Subsequent to the end of the year the Company withdrew from the Varmland project in Sweden.

## REVIEW AND RESULTS OF OPERATIONS AND ACTIVITIES

### RESULTS

The loss of the Group after providing for income tax amounted to \$2,439,767 (2014: \$1,374,434).

### 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.

### BUSINESS OVERVIEW

During the period, the Company's key focus turned to the high grade Plomosas zinc mine in Mexico which was acquired in June 2015 after an extensive due diligence process. The Plomosas project comprises high grade zinc and lead mineralisation of approximately 15% - 25% combined, with significant silver credits of up to two ounces per tonne.

The mine had been worked by mechanised mining methods between 1943 and 1973 by Asarco and smaller scale mining subsequently prior to its acquisition by the Company. Geological review has confirmed the prospectivity of the project at depth where an initial exploration target of 3-5 million tonnes has been outlined immediately below the existing workings. Drilling to confirm this target and better define the mineralisation is planned for the first quarter of the 2016.

The relinquishment of the Ulaan Tolgoi coal project in Mongolian was announced in December 2014. This was relinquished due to the high risk greenfields nature of the project and high statutory costs being incurred at a time when no exploration activity could be undertaken due to weather conditions. It was the Company's view that its financial and technical resources would be better utilised elsewhere.

The Company also withdrew from the Varmland project in Sweden, subsequent to the end of the year, due to reallocation of the Company's capital and management time.

The Company continues to assess its uranium and base metals project in Western Australia (Jailors Bore).

### MEXICO

The Company has interests in 11, Exploration and Exploitation Concessions in northern Mexico totalling 3,019 ha in area. The concessions cover an operating extremely high grade zinc-lead-silver underground mine (Plomosas mine) which has an extensive history of exploration and development since 1943. Good potential exists to define additional resources immediately below and accessible from current mine workings, along strike and in the footwall of the main mineralised limestone rich horizon.

### SWEDEN

The Company has interests in two Swedish exploration licences, Varmland 100 and Varmland 101, which cover a 40 kilometre long SE-NW trending shear zone termed the "Mylonite Zone" striking towards the border of Norway. This area has been identified as having potential for sulphidic bodies carrying copper, gold and PGM's.

Subsequent to the end of the financial year the Company withdrew from this project due to reallocation of the Company's capital and management time.

### AUSTRALIA

The Company has interests in the following projects:

- *Jailor Bore Project* – The project area is located 260 kilometres east of Carnarvon in Western Australia and contains the Giant, Red Hill Well and Relief Well Prospects. The target commodity is uranium.



## **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 (formerly named Newera Resources 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 and was previously assigned the ASX code NRU. The Company underwent a change on name on 5 June, 2015 to Consolidated Zinc Limited and was then assigned the ASX code CZL by the Australia Stock Exchange.

## **CONSOLIDATED ZINC LTD – PROJECT ACQUISITION**

The Company and Arena entered into a Binding Heads of Agreement on 21 December 2014 (HOA) pursuant to which the Company agreed to buy all of the issued share capital of Arena, subject to the satisfaction or waiver of the standard Conditions Precedent which included a 3 month, technical and commercial due diligence exercise and obtaining shareholder/stakeholder approvals.

The proposed key terms of the Plomosas acquisition were as follows:

- (a) An upfront payment of \$150,000 was made by the Company to Arena within 3 business days of the date of the HOA.
- (b) The Company made available to the Mexican Vendors a working capital facility of up to US\$250,000 secured by a first ranking charge, held over the Concessions. The Concessions were transferred to Newco. Subject to satisfaction or waiver of the conditions precedent described above, the Arena Shareholders sold all of the issued share capital in Arena to the Company. The Company then instructed Arena to proceed to acquire 51% of Newco pursuant to the Mexican Contract.
- (c) The consideration for the acquisition of Arena was:
  - (i) A further cash payment of \$400,000 and the issuing of 500,000,000 Shares to the Mexican Vendors and 250,000,000 Shares to the Arena Shareholders at a deemed value of \$0.002 per Share.
  - (ii) An additional working capital facility of up to US\$850,000 to repay creditors of the Mexican Vendors secured by a first ranking charge over the Concessions.
- (d) Through Arena and its rights under the Mexican Contract, the Company will have up to three years to elect to acquire up to 90% of Newco, by making an additional cash payment of \$750,000 to the Mexican Vendors, and issuing Shares to the value of \$2,500,000 calculated at the value weighted average market price over 30 days prior to the exercise of the right by the Company.
- (e) Upon the Company electing to acquire 90% of Newco it will be obligated to grant to the Arena Shareholders a free carried interest in 10% of Newco (leaving the Company, through Arena, with an overall interest of 80%) up until completion of a bankable feasibility study. The Arena Shareholders will have a put option to sell their 10% interest for a purchase price payable in Shares of the Company equal to 10% of the enterprise value of the Company at the time of election.
- (f) The Mexican Vendors shall have a 10% interest in Newco, up to the completion of a bank feasibility study. Upon the completion of a bank feasibility study, the Mexican Vendors have a put option that they may exercise to sell their remaining 10% interest at a price to be determined by international recognised experts.

## **CONSOLIDATED ZINC LTD – FUNDING**

In late July 2014, Consolidated Zinc, then Newera appointed DJ Carmichael (“DJC”) to act as Lead Manager and Underwriter to assist the Company with a fully underwritten non-renounceable Right Issue to raise a total of up to circa \$1.05 million.

The rights issue was for the issue of four (4) new fully paid ordinary Shares for every five (5) existing Shares held at the record date at \$0.002 per Share to raise up to circa \$1.05 million and fully underwritten. Free attaching listed options was offered on a 1:2 basis with a \$0.005 strike price and 31 July 2016 expiry date.

# DIRECTORS' REPORT

The maximum number of Shares issued the Rights Issue was 524,129,346. At the completion of the Rights Issue on 3 September 2014 and issue of the shortfall on 18 September, the Company had raised a gross \$1,048,000 to meet the costs of the issue, deferred payments and future working capital.

On 30 January 2015, the Company announced that it had successfully raised \$500,000 via a \$300,000 Placement and \$200,000 Share Purchase Plan ("SPP").

The Placement raised \$300,000 via the issue of 150,000,000 fully paid ordinary shares at \$0.002 per share ("Placement") together with a 1 for 2 attaching listed option (then NRUO) to sophisticated and professional investors.

The SPP was provided to allow existing shareholders to participate and to raise \$200,000 via the issue of 105,263,158 fully paid ordinary shares at \$0.0019 per share which represents a 5% discount to the VWAP of the Company's shares quoted on the ASX during the past 5 days.

DJ Carmichael Pty Ltd ("DJC") acted as the lead manager to the Placement and was acting as underwriter to the \$200,000 SPP, subject to standard terms and conditions and the execution of an underwriting agreement.

On 25 February 2015, the Company announced that the Company's Share Purchase Plan ("SPP") closed oversubscribed on Monday 16 February 2015 and raised \$283,000 via the issue of 148,947,336 shares.

On 25 March 2015, the Company announced that to partially fund the acquisition of the Plomosas Project, one of the Company's major Shareholders, the Copulos Group, agreed to provide A\$1,250,000 by way of a convertible note facility that will convert to equity at the same time and same price as the Company's next capital Raising. The key terms of the convertible note are:

- The note has a maturity date of 12 months from establishment;
- The note carries a coupon of 12% with the first 3 months of interest payable in shares at the time of the Capital Raising; and
- Conversion of the notes shall be subject to compliance with section 606 of the Corporations Act

On 27 May 2015, the Company announced that it has firm commitments in place for the placement of 1,375,000,000 fully paid ordinary shares at \$0.002 per share to raise \$2.75m, which was completed on 22 June 2015.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the Group acquired the Plomosas zinc+lead+silver mine in Mexico. As part of that acquisition the Company's underwent a capital reconstruction and approximately \$4m was raised through an equity issue on the ASX together with a convertible note facility of \$1.25m.

The relinquishment of the Ulaan Tolgoi coal project in Mongolian was announced in December 2014. This was relinquished due to the high risk greenfields nature of the project and high statutory costs being incurred at a time when no exploration activity could be undertaken due to weather conditions. It was the Company's view that its financial and technical resources would be better utilised elsewhere.

## 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

On 5 August 2015, the Company announced that it has entered into an agreement ("**Agreement**") with a Professional Investor ("**Purchaser**") under which the Purchaser has agreed to make an offer to buy the ordinary shares of shareholders who hold shares in the Company valued at less than a "marketable parcel" (defined in the ASX Listings Rules as a parcel of securities of not less than \$500) ("**Small Holding**") who do not elect to retain their shareholding.

The sale will be offered to shareholders with holdings of 13,157 fully paid ordinary shares in the Company or less, based on the Company's closing share price of \$0.038 on the record date of 4 August 2015 ("**Record Date**"). The price for each share sold through this facility will be the greater of \$0.04 and the simple average of the last sale prices of Consolidated Zinc shares on ASX for each of the ten trading days immediately preceding the end of the notice periods to the relevant shareholders.





The Company has instituted this sale to assist shareholders with Small Holdings to sell their shares without having to use a broker or pay brokerage, and to reduce the administrative costs with maintaining a large number of Small Holdings. The Company will pay for the costs of the sale for shareholders who wish to sell their Small Holdings.

On 18 September 2015, the Company announced that it had undertaken a review of its asset portfolio and, given the exciting developments and exploration upside being encountered at the Plomosas Project in Mexico have decided to relinquish its wholly owned Varmland Project in Sweden.

Notwithstanding the first pass results reported from initial mapping studies at Varmland, it was considered the:

1. exploration targets will comprise medium to high grade, small tonnage base metal deposits, and
2. extensive vegetation and thin glacial till cover will hamper exploration,

and therefore the Project was downgraded in comparison to the Company's opportunities at Plomosas.

Other than disclosed above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

# 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 |
|------------------------------|---------------------------|---------------------------|--------------------------|----------------------------|--------------|----------------|
| Stephen Copulos              | 43,739,554                | -                         | -                        | -                          | -            | -              |
| - Unlisted Options           | -                         | -                         | -                        | -                          | -            | -              |
| - Listed Options             | -                         | 5,450,000                 | 5,450,000                | -                          | 31 July 2016 | \$0.10         |
| Will Dix                     | 1,625,000                 | -                         | -                        | -                          | -            | -              |
| - Unlisted Options           | -                         | 5,000,000                 | -                        | 5,000,000                  | -            | -              |
| - Listed Options             | -                         | -                         | -                        | -                          | -            | -              |
| Andrew Richards              | 1,225,000                 | -                         | -                        | -                          | -            | -              |
| - Unlisted Options           | -                         | 2,500,000                 | -                        | 2,500,000                  | -            | -              |
| - Listed Options             | -                         | -                         | -                        | -                          | -            | -              |
| Luis Rogelio Martinez Valles | 25,000,000                | -                         | -                        | -                          | -            | -              |
| - Unlisted Options           | -                         | -                         | -                        | -                          | -            | -              |
| - Listed Options             | -                         | -                         | -                        | -                          | -            | -              |

## MEETINGS OF DIRECTORS

During the financial year, 8 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 |
| <b>Directors</b>              |                           |                 |
| Stephen Copulos               | -                         | -               |
| William Dix (attended as CEO) | -                         | 2               |
| Andrew Richards               | 6                         | 6               |
| Luis Rogelio Martinez Valles  | -                         | -               |
| Martin Blakeman               | 8                         | 8               |
| Eric de Mori                  | 2                         | 2               |
| Chris Watts                   | 8                         | 8               |
| Winton Willesee               | -                         | -               |

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.



## **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.

## Details of Remuneration for year ended 30 June 2015

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

### 2015

| 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                    | Equity (i)          | Options |         |   |                     |
|                              | \$                         | \$                | \$               | \$    | \$                       | \$                       | \$                  | \$      | \$      | %   | %                   |
| Stephen Copulos              | 8,548                      | -                 | -                | -     | -                        | -                        | -                   | -       | 8,548   | -   | -                   |
| William Dix                  | 31,533                     | -                 | -                | -     | -                        | -                        | 40,000              | -       | 71,533  | -   | -                   |
| Andrew Richards              | 29,166                     | -                 | -                | -     | -                        | -                        | 40,000              | -       | 69,166  | -   | -                   |
| Luis Rogelio Martinez Valles | -                          | -                 | -                | -     | -                        | -                        | -                   | -       | -       | -   | -                   |
| Martin Blakeman              | 36,000                     | -                 | -                | -     | -                        | -                        | 1,576               | -       | 37,576  | -   | -                   |
| Eric de Mori                 | 18,000                     | -                 | -                | -     | -                        | -                        | 522                 | -       | 18,522  | -   | -                   |
| Chris Watts <sup>3</sup>     | 42,000                     | -                 | -                | -     | -                        | -                        | -                   | -       | 42,000  | -   | -                   |
|                              | 165,247                    | -                 | -                | -     | -                        | -                        | 82,098              | -       | 247,345 |   |                     |

### 2014

| 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                    | Equity (i)          | Options |         |   |                     |
|                              | \$                         | \$                | \$               | \$     | \$                       | \$                       | \$                  | \$      | \$      | %   | %                   |
| Martin Blakeman              | 77,300                     | -                 | -                | 10,899 | -                        | -                        | 58,000              | -       | 146,199 | -   | -                   |
| Eric de Mori                 | 24,000                     | -                 | -                | 1,060  | -                        | -                        | 12,000              | -       | 37,060  | -   | -                   |
| Chris Watts                  | -                          | -                 | -                | -      | -                        | -                        | -                   | -       | -       | -   | -                   |
| Winton Willesee <sup>1</sup> | 24,000                     | -                 | -                | 3,707  | -                        | -                        | 12,000              | -       | 39,707  | -   | -                   |
|                              | 125,300                    | -                 | -                | 15,666 | -                        | -                        | 82,000              | -       | 222,966 |   |                     |

<sup>1</sup> In addition, an entity associated with Mr Willesee was paid \$57,000 for Company Secretarial services of which included \$18,000 paid via convertible note.

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

(ii) Interest accrued on the Convertible notes issued on 6 March 2014. Refer to note 23 for details.

(iii) Directors received convertible notes in lieu of director and consulting fees during the year.



## Details of Shares Held by Key Management Personnel

### 2015

| Key Management Person        | Balance 1.7.2014 | Received as Compensation | On Appointment | Conversion of loan/notes <sup>1</sup> | Acquired                 | Balance on Resignation | Balance 30.6.2015 |
|------------------------------|------------------|--------------------------|----------------|---------------------------------------|--------------------------|------------------------|-------------------|
| Stephen Copulos              | -                | -                        | 14,809,554     | 21,930,000                            | 5,000,000 <sup>3</sup>   | -                      | 41,739,554        |
| William Dix                  | -                | 625,000                  | -              | -                                     | 625,000                  | -                      | 1,250,000         |
| Andrew Richards              | -                | 1,000,000                | -              | -                                     | 225,000                  | -                      | 1,225,000         |
| Luis Rogelio Martinez Valles | -                | -                        | -              | -                                     | 25,000,000 <sup>3</sup>  | -                      | 25,000,000        |
| Martin Blakeman <sup>2</sup> | 23,429,138       | 18,125,000               | -              | 98,125,000                            | 105,138,048 <sup>5</sup> | (244,817,186)          | -                 |
| Eric de Mori <sup>2</sup>    | 2,222,223        | 6,000,000                | -              | 9,375,000                             | -                        | (17,597,223)           | -                 |
| Chris Watts                  | -                | -                        | -              | -                                     | -                        | -                      | -                 |
| Winton Willesee <sup>2</sup> | 37,691,667       | -                        | -              | -                                     | -                        | (37,691,667)           | -                 |
|                              | 63,343,028       | 25,750,000               | 14,809,554     | 129,430,000                           | 135,988,048              | (300,106,076)          | 69,214,554        |

### 2014

| Key Management Person        | Balance 1.7.2013 | Received as Compensation | On Appointment | Conversion of loan/notes <sup>1</sup> | Acquired  | Balance on Resignation | Balance 30.6.2014 |
|------------------------------|------------------|--------------------------|----------------|---------------------------------------|-----------|------------------------|-------------------|
| Martin Blakeman <sup>2</sup> | 18,679,138       | -                        | -              | -                                     | 4,750,000 | -                      | 23,429,138        |
| Eric de Mori <sup>2</sup>    | 2,222,223        | -                        | -              | -                                     | -         | -                      | 2,222,223         |
| Chris Watts                  | -                | -                        | -              | -                                     | -         | -                      | -                 |
| Winton Willesee <sup>2</sup> | 3,066,667        | -                        | -              | 34,625,000                            | -         | -                      | 37,691,667        |
|                              | 23,968,028       | -                        | -              | 39,375,000                            | 4,750,000 | -                      | 63,343,028        |

## Details of Options Held by Key Management Personnel

### 2015

| Key Management Person        | Balance 1.7.2014 | Granted as Compensation | Conversion of loan/notes <sup>1</sup> | Net Change Other             | Balance 30.6.2015 | Total Vested 30.6.2015 | Total Exercisable 30.6.2015 | Total Unexercisable 30.6.2015 |
|------------------------------|------------------|-------------------------|---------------------------------------|------------------------------|-------------------|------------------------|-----------------------------|-------------------------------|
| Stephen Copulos              | -                | -                       | -                                     | 5,450,000 <sup>4</sup>       | 5,450,000         | 5,450,000              | 5,450,000                   | -                             |
| 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 | -                | -                       | -                                     | -                            | -                 | -                      | -                           | -                             |
| Martin Blakeman <sup>2</sup> | 7,000,000        | 9,062,500               | 98,125,000                            | (114,187,500) <sup>5,6</sup> | -                 | -                      | -                           | -                             |
| Eric de Mori <sup>2</sup>    | 3,000,000        | 3,000,000               | 9,375,000                             | (15,375,000) <sup>6</sup>    | -                 | -                      | -                           | -                             |
| Chris Watts                  | -                | -                       | -                                     | -                            | -                 | -                      | -                           | -                             |
| Winton Willesee <sup>2</sup> | 37,375,000       | -                       | -                                     | (37,375,000) <sup>6</sup>    | -                 | -                      | -                           | -                             |
|                              | 47,375,000       | 19,562,500              | 107,500,000                           | (161,487,500)                | 12,950,000        | 5,450,000              | 5,450,000                   | 7,500,000                     |

### 2014

| Key Management Person        | Balance 1.7.2013 | Granted as Compensation | Conversion of loan/notes <sup>1</sup> | Net Change Other | Balance 30.6.2014 | Total Vested 30.6.2014 | Total Exercisable 30.6.2014 | Total Unexercisable 30.6.2014 |
|------------------------------|------------------|-------------------------|---------------------------------------|------------------|-------------------|------------------------|-----------------------------|-------------------------------|
| Martin Blakeman <sup>2</sup> | 6,000,000        | -                       | -                                     | 1,000,000        | 7,000,000         | 7,000,000              | 7,000,000                   | -                             |
| Eric de Mori <sup>2</sup>    | 3,000,000        | -                       | -                                     | -                | 3,000,000         | 3,000,000              | 3,000,000                   | -                             |
| Chris Watts                  | -                | -                       | -                                     | -                | -                 | -                      | -                           | -                             |
| Winton Willesee <sup>2</sup> | 3,000,000        | -                       | 34,375,000                            | -                | 37,375,000        | 37,375,000             | 37,375,000                  | -                             |
|                              | 12,000,000       | -                       | 34,375,000                            | 1,000,000        | 47,375,000        | 47,375,000             | 47,375,000                  | -                             |

No options were exercised during 2014 and 2015

# DIRECTORS' REPORT

<sup>1</sup> Change in shareholdings and option holdings as a result of the conversion of convertible notes and loans issued to the Directors based on arms-length commercial terms. For details of the Convertible Notes, refer to note 23.

<sup>2</sup> Pre-consolidation holdings

<sup>3</sup> Issued on acquisition of Plomosas Project as per General Meeting 5 June 2015

<sup>4</sup> Holding on appointment

<sup>5</sup> Includes non-renounceable issue of shares and options

<sup>6</sup> Balance on resignation

## Options issued as part of remuneration

During the year the following Director unlisted options were issued but will only vest upon meeting performance milestones:

1. Mr William Dix
  - a. 1,250,000 unlisted options with an exercise price of \$0.06 exercisable with 5 years from their date issue upon definition of a JORC compliant resources for Plomosas project of at least 2 million tonnes;
  - b. 1,250,000 unlisted options with an exercise price of \$0.06 exercisable with 5 years from their date issue upon successful completion of Feasibility Study and financing of the project;
  - c. 1,250,000 unlisted options with an exercise price of \$0.06 exercisable with 5 years from their date issue upon first 6 months commercial production from the Plomosa project; and
  - d. 1,250,000 unlisted options with an exercise price of \$0.06 exercisable with 5 years from their date issue upon completion of 12 months continuous and profitable mining operations.
  - e. If for whatever reason, employment is ceased with the Company, any options issued but not capable of being vested shall lapse and be cancelled on the date employment ceased.
2. Mr Andrew Richards
  - a. 1,250,000 unlisted options with an exercise price of \$0.06 exercisable with 5 years from their date issue upon definition of a JORC compliant resources for Plomosas project of at least 2 million tonnes; and
  - b. 1,250,000 unlisted options with an exercise price of \$0.06 exercisable with 5 years from their date issue upon first commercial production from the Plomosa project.
  - c. If for whatever reason, employment is ceased with the Company, any options issued but not capable of being vested shall lapse and be cancelled on the date employment ceased.

The unlisted options were issued in accordance with the service agreements as a means to incentivise the performance of the Directors in line with the successful development of the Plomosas project.

At 30 June 2015, the following remuneration based options were on issue:

|                   | Number  | Date of Issue | Date of Expiry | Exercise Price |
|-------------------|---------|---------------|----------------|----------------|
| Incentive Options | 600,000 | 28 Dec 2012   | 31 Dec 2015    | \$1.00         |

The Incentive Options are means of incentivising the performance of the Directors in line with the success of the Company's present activities and were issued to Mr Martin Blakeman, Mr Eric de Mori and Mr Winton Willesee.

## 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.

## 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 2014 Annual General Meeting ("AGM")

The 2014 Remuneration Report was voted for without any commentary or discussion at the 2014 AGM, on a show of hands with proxy votes for of 205,758,444 (47.1%) and 49,667 votes against (0.01%) with 230,510,601 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      | 31 July 2016   | \$0.10         | 23,350,142          |
| 28 Dec 2012  | 31 Dec 2015    | \$1.00         | 600,000             |
| 6 Mar 2014   | 6 Mar 2017     | \$0.20         | 500,000             |
| Various      | 6 Mar 2018     | \$0.064        | 22,437,500          |
| 20 July 2018 | 20 July 2018   | \$0.06         | 4,000,000           |
| <b>Total</b> |                |                | <b>50,887,642</b>   |

### 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

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the full board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year:

|                             | 2015 | 2014  |
|-----------------------------|------|-------|
|                             | \$   | \$    |
| Taxation and other services | -    | 5,600 |
|                             | -    | 5,600 |

### 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.

# DIRECTORS' REPORT

## AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2015 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 29<sup>th</sup> day of September 2015

# AUDITOR'S INDEPENDENCE DECLARATION



**BUTLER SETTINERI**

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Consolidated Zinc Limited for the year ended 30 June 2015, 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 2015

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*Liability limited by a scheme approved under Professional Standards Legislation*

Proactive ▀ Quality ▀ Supportive



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR YEAR ENDING 30 JUNE 2015

|   | Note | 2015<br>\$  | 2014<br>\$  |
|---|------|-------------|-------------|
| <b>Revenue</b>  |      |             |             |
| Interest revenue  |      | 8,142       | 2,012       |
| Realised gains on financial assets                                  |      | -           | 26,000      |
| Unrealised gain / (loss) on financial assets                        |      | 800         | 200         |
| Other revenue   |      | 3,500       | -           |
| <b>Expenses</b>   |      |             |             |
| Administrative expenses   |      | (108,817)   | (74,738)    |
| Consultancy and legal expenses                                      |      | (179,341)   | (67,251)    |
| Compliance and regulatory expenses                                  |      | (126,373)   | (81,410)    |
| Communication expenses  |      | (6,662)     | (6,435)     |
| Depreciation and amortisation                                       |      | (624)       | (312)       |
| Director and employee related expenses                              |      | (302,827)   | (74,772)    |
| Occupancy related expenses  |      | (42,701)    | (67,125)    |
| Exploration expenditure   |      | (5,746)     | (2,803)     |
| Travel and accommodation related expenses                           |      | (156,089)   | (12,849)    |
| Exploration expenditure written off                                 |      | (1,475,073) | (820,002)   |
| Equity based payment expense  |      | -           | (100,000)   |
| Relinquishment of Shanagan licence                                  |      | -           | (54,337)    |
| Interest and finance expense  |      | (47,956)    | (40,612)    |
| Loss before income tax expense                                      | 4    | (2,439,767) | (1,374,434) |
| Income tax expense  |      | -           | -           |
| Loss for the year after income tax expense                          |      | (2,439,767) | (1,374,434) |
| <b>Other comprehensive income</b>                                   |      |             |             |
| Items that may be reclassified subsequently to profit or loss       |      |             |             |
| (Loss) / Gain on translation of foreign controlled entity           | 15   | 59,736      | (9,735)     |
| <b>Other comprehensive (loss) / income for the year, net of tax</b> |      | 59,736      | (9,735)     |
| <b>Total comprehensive loss for the year</b>                        |      | (2,380,031) | (1,384,169) |
| <b>Earnings per share</b>   |      |             |             |
| Basic and diluted loss per share (cents)                            | 5    | (3.89)      | (0.52)      |

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

|                                  | Note | 2015<br>\$       | 2014<br>\$       |
|----------------------------------|------|------------------|------------------|
| <b>CURRENT ASSETS</b>            |      |                  |                  |
| Cash and cash equivalents        | 6    | 1,802,357        | 115,797          |
| Trade and other receivables      | 8    | 60,380           | 29,899           |
| Financial assets                 | 7    | 6,509            | 5,708            |
| <b>TOTAL CURRENT ASSETS</b>      |      | <b>1,869,246</b> | <b>151,404</b>   |
| <b>NON CURRENT ASSETS</b>        |      |                  |                  |
| Trade and other receivables      | 8    | 78,513           | -                |
| Plant and equipment              | 10   | -                | 624              |
| Exploration costs                | 11   | 4,314,153        | 1,634,401        |
| <b>TOTAL NON CURRENT ASSETS</b>  |      | <b>4,392,666</b> | <b>1,635,025</b> |
| <b>TOTAL ASSETS</b>              |      | <b>6,261,912</b> | <b>1,786,429</b> |
| <b>CURRENT LIABILITIES</b>       |      |                  |                  |
| Trade and other payables         | 12   | 249,057          | 273,336          |
| Borrowings                       | 13   | -                | 297,000          |
| <b>TOTAL CURRENT LIABILITIES</b> |      | <b>249,057</b>   | <b>570,336</b>   |
| <b>TOTAL LIABILITIES</b>         |      | <b>249,057</b>   | <b>570,336</b>   |
| <b>NET ASSETS</b>                |      | <b>6,012,855</b> | <b>1,216,093</b> |
| <b>EQUITY</b>                    |      |                  |                  |
| Issued capital                   | 14   | 19,188,726       | 12,262,739       |
| Reserves                         | 15   | 572,711          | 262,167          |
| Accumulated losses               |      | (13,748,582)     | (11,308,813)     |
| <b>TOTAL EQUITY</b>              |      | <b>6,012,855</b> | <b>1,216,093</b> |

The accompanying notes form part of these financial accounts

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR YEAR ENDING 30 JUNE 2015

|   | Note | 2015<br>\$         | 2014<br>\$       |
|---|------|--------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |      |                    |                  |
| Payments to suppliers and employees                               |      | (889,215)          | (397,681)        |
| Interest received   |      | 8,142              | 2,012            |
| Interest paid   |      | (7,956)            | -                |
| Payment for exploration expenditure                               |      | (2,250,836)        | (590,297)        |
| <b>Net cash (used in) by operating activities</b>                 | 18   | <u>(3,139,865)</u> | <u>(985,966)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |      |                    |                  |
| Refund of bond  |      | 13,364             | -                |
| Payment for investments   |      | (350,000)          | -                |
| Proceeds from financial assets                                    |      | -                  | 56,000           |
| <b>Net cash provided by investing activities</b>                  |      | <u>(336,636)</u>   | <u>56,000</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |      |                    |                  |
| Proceeds from issue of shares                                     |      | 4,016,574          | 78,593           |
| Proceeds from borrowings  |      | 1,250,000          | 575,000          |
| Loans provided  |      | (78,513)           | -                |
| Repayments of borrowings  |      | (25,000)           | -                |
| <b>Net cash provided by financing activities</b>                  |      | <u>5,163,061</u>   | <u>653,593</u>   |
| Net (decrease) in cash held                                       |      | 1,686,560          | (276,373)        |
| Cash and cash equivalents at the beginning of the financial year  |      | 115,797            | 392,170          |
| <b>Cash and cash equivalents at the end of the financial year</b> | 18   | <u>1,802,357</u>   | <u>115,797</u>   |

The accompanying notes form part of these financial accounts



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDING 30 JUNE 2015

|  | Note | Issued<br>Capital<br>\$ | Accumulated<br>Losses<br>\$ | Option<br>Reserve<br>\$ | Foreign<br>Currency<br>Translation<br>Reserve<br>\$ | Total<br>\$      |
|--|------|-------------------------|-----------------------------|-------------------------|---|------------------|
| <b>Balance at 1 July 2013</b>                                |      | 11,786,866              | (10,263,658)                | 666,563                 | 53,897  | 2,243,668        |
| Loss for the year after income tax                           |      | -                       | (1,374,434)                 | -                       | -   | (1,374,434)      |
| Other comprehensive (loss) for the year net of tax           |      | -                       | -                           | -                       | (9,735)   | (9,735)          |
| <b>Total comprehensive loss for the year</b>                 |      | -                       | (1,374,434)                 | -                       | (9,735)   | (1,384,169)      |
| <b>Transactions with owners</b>                              |      |                         |                             |                         |   |                  |
| Shares issued during the year (net of capital raising costs) |      | 53,652                  | -                           | -                       | -   | 53,652           |
| Convertible notes converted                                  |      | 278,000                 | -                           | -                       | -   | 278,000          |
| Options issued – share based payment                         |      | -                       | -                           | 24,942                  | -   | 24,942           |
| <b>Balance at 30 June 2014</b>                               |      | <b>12,118,518</b>       | <b>(11,638,092)</b>         | <b>691,505</b>          | <b>44,162</b>                                       | <b>1,216,093</b> |
| <b>Balance at 1 July 2014 (Restated)</b>                     |      | 12,262,739              | (11,308,813)                | 218,005                 | 44,162  | 1,216,093        |
| Loss for the year after income tax                           |      | -                       | (2,439,767)                 | -                       | -   | (2,439,767)      |
| Other comprehensive (loss) for the year net of tax           |      | -                       | -                           | -                       | 59,736  | 59,736           |
| <b>Total comprehensive loss for the year</b>                 |      | -                       | (2,439,767)                 | -                       | 59,736  | (2,380,031)      |
| <b>Transactions with owners</b>                              |      |                         |                             |                         |   |                  |
| Shares issued during the year (net of capital raising costs) |      | 5,363,987               | -                           | -                       | -   | 5,363,987        |
| Convertible notes/loans converted                            |      | 1,562,000               | -                           | -                       | -   | 1,562,000        |
| Options issued - Share based payment                         |      | -                       | -                           | 250,806                 | -   | 250,806          |
| <b>Balance at 30 June 2015</b>                               |      | <b>19,188,726</b>       | <b>(13,748,580)</b>         | <b>468,811</b>          | <b>103,898</b>                                      | <b>6,012,855</b> |

The accompanying notes form part of these financial accounts

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2015

## NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the financial statements and notes of Consolidated Zinc Limited and its controlled entity (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<sup>th</sup> September 2015 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. 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. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by IASB. 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 \$2,439,767 (2014: \$1,374,434) and the consolidated entity had net cash outflows from operating activities of \$3,139,865 (2014: \$985,966) for the year ended 30 June 2015. As at that date, the consolidated entity had net current assets of \$1,620,189 (2014: net liabilities \$418,932).

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 2015;
- The directors have prepared a budget until 31 December 2016 that shows a positive cash balance, even if no further capital raising are undertaken from the date of this report to 31 December 2015. This has been achieved through the reduction of expenditures from that of previous financial years.

### a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Consolidated Zinc Limited as at 30 June 2015 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.

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 2015

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.



## **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 2015

## 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 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.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2015

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").

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.

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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2015

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 2014.

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 adopted*

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 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'                           | 1 January 2016   | 30 June 2017  |
| AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'                   | 1 January 2016   | 30 June 2017  |
| AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'   | 1 January 2016   | 30 June 2017  |
| AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'   | 1 January 2016   | 30 June 2017  |
| AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' | 1 January 2016   | 30 June 2017  |





|  |                |              |
|--|----------------|--------------|
| AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'       | 1 January 2016 | 30 June 2017 |
| AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'                                | 1 January 2016 | 30 June 2017 |
| AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'                           | 1 July 2015    | 30 June 2016 |
| AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent' | 1 July 2015    | 30 June 2016 |
| AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'                    | 1 January 2016 | 30 June 2017 |

Note that the following new Standards and Interpretations are not applicable for the Group but are relevant for the period:

- AASB 14 'Regulatory Deferral Accounts' and AASB 2014-1 'Amendments to Australian Accounting Standards – Part D: 'Consequential Amendments arising from AASB 14' is not applicable to the Group as the Group is not a first-time adopter of Australian Accounting Standards.
- AASB 1056 'Superannuation Entities' is not applicable to the Group as the Group is not a superannuation entity.
- AASB 2015-6 'Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities' is not applicable to the Group as the Group is a for-profit entity.

## 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:

|                              |   |
|------------------------------|---|
| Stephen Copulos              | Executive Chairman ( <i>Appointed 5 June 2015</i> )                 |
| William Dix                  | Managing Director ( <i>Appointed 5 June 2015</i> )                  |
| Andrew Richards              | Executive Director ( <i>Appointed 20 January 2015</i> )             |
| Luis Rogelio Martinez Valles | Non-Executive Director ( <i>Appointed 5 June 2015</i> )             |
| Martin Blakeman              | Executive Chairman ( <i>Resigned 5 June 2015</i> )                  |
| Eric de Mori                 | Non-Executive Director ( <i>Resigned 20 January 2015</i> )          |
| Chris Watts                  | Non-Executive Director ( <i>Resigned directorship 5 June 2015</i> ) |
| Winton Willesee              | Non-Executive Director ( <i>Resigned 31 July 2014</i> )             |

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

|                      | 2015<br>\$     | 2014<br>\$     |
|----------------------|----------------|----------------|
| Short terms benefits | 165,247        | 140,966        |
| Share based payments | 82,098         | 82,000         |
|                      | <u>247,345</u> | <u>222,966</u> |

In addition to the above, Azalea Consulting Pty Ltd, an entity associated with Mr Willesee, was paid \$57,000 in 2014 for Company Secretarial services of which included \$18,000 paid via convertible note.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2015

## 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

| <b>Fees Outstanding</b>  | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| Director fees payable to WRECKT Pty Ltd, a company of which William Dix is a director (+)  | 13,383      | -           |
| Director fees payable to Arc Resources Pty Ltd, a company of which Andrew Richards is a director (+)                             | 8,333       | -           |
| Executive fees and executive remuneration payable to Tonka Trading Pty Ltd, a company of which Martin Blakeman is a director (+) | -           | 81,500      |
| Director fees payable to Eric De Mori (+)  | -           | 24,000      |
| Director fees and consulting fees payable to Azalea Consulting Pty Ltd, a company of which Winton Willesee is a director (+)     | -           | 63,500      |

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

| <b>Convertible Notes Outstanding</b>   | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| Convertible notes held by Tonka Trading Pty Ltd, a company of which Martin Blakeman is a director                                  | -           | 157,000     |
| Convertible notes held by Glamour Division Pty Ltd as trustee for the Hammer Trust, a Trust of which Eric De Mori is a beneficiary | -           | 15,000      |

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

## NOTE 3. AUDITORS' REMUNERATION

Remuneration of the auditor for:

- Auditing and reviewing the financial report
- Taxation services and corporate services

| <b>2015</b>   | <b>2014</b>   |
|---------------|---------------|
| <b>\$</b>     | <b>\$</b>     |
| 21,600        | 29,750        |
| -             | 5,600         |
| <b>21,600</b> | <b>35,350</b> |



**NOTE 4. INCOME TAX**

**2015**      **2014**  
\$              \$

**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 30% (2014: 30%) | (731,930) | (412,330) |
|--|-----------|-----------|

Add Tax effect of:

|                      |         |         |
|----------------------|---------|---------|
| Non-deductible items | 442,522 | 262,302 |
|----------------------|---------|---------|

|   |         |         |
|---|---------|---------|
| Deferred tax asset not brought to account | 289,408 | 150,028 |
|---|---------|---------|

|   |   |   |
|---|---|---|
| Income tax attributable to operating loss | - | - |
|---|---|---|

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward, amounts to approximately \$9,524,169 (2014: \$8,409,498) have not been brought to account at 30 June 2015 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 2015.

**NOTE 5. EARNINGS PER SHARE**

**2015**      **2014**  
\$              \$

|                                     |             |             |
|-------------------------------------|-------------|-------------|
| a) Loss used to calculate basic EPS | (2,439,767) | (1,374,434) |
|-------------------------------------|-------------|-------------|

|   |                  |                  |
|---|------------------|------------------|
|   | <b>Number of</b> | <b>Number of</b> |
|   | <b>Shares</b>    | <b>Shares</b>    |
| b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 62,752,342       | 267,716,627      |

**NOTE 6. CASH AND CASH EQUIVALENTS**

|                          |           |         |
|--------------------------|-----------|---------|
| Cash at bank and in hand | 1,802,357 | 115,797 |
|--------------------------|-----------|---------|

**NOTE 7. FINANCIAL ASSETS**

*Financial assets at fair value through profit and loss*

|                                |       |       |
|--------------------------------|-------|-------|
| Held for trading listed shares | 6,509 | 5,708 |
|--------------------------------|-------|-------|

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2015

## NOTE 8. TRADE AND OTHER RECEIVABLES

|                                 | 2015<br>\$    | 2014<br>\$    |
|---------------------------------|---------------|---------------|
| <i>Current</i>                  |               |               |
| Prepayments                     | -             | 4,082         |
| Other                           | 60,380        | 25,817        |
|                                 | <u>60,380</u> | <u>29,899</u> |
| <i>Non-Current</i>              |               |               |
| Loan to related party (Note 19) | <u>78,513</u> | <u>-</u>      |

## NOTE 9. CONTROLLED ENTITIES

|   | Country of<br>Incorporation | Percentage Owned (%)* |      |
|---|-----------------------------|-----------------------|------|
|   |                             | 2015                  | 2014 |
| <i>Subsidiaries of Consolidated Zinc Limited:</i> |                             |                       |      |
| Arena Exploration Pty Ltd                         | Australia                   | 100                   | -    |
| Newera Resources Mongolia LLC                     | Mongolia                    | 100                   | 100  |

## NOTE 10. PLANT AND EQUIPMENT

### PLANT AND EQUIPMENT

|                           | 2015<br>\$ | 2014<br>\$ |
|---------------------------|------------|------------|
| At cost                   | 60,784     | 60,784     |
| Accumulated depreciation  | (60,784)   | (60,160)   |
| Total plant and equipment | <u>-</u>   | <u>624</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:

|                              | 2015<br>\$ | 2014<br>\$ |
|------------------------------|------------|------------|
| <b>Plant and Equipment</b>   |            |            |
| Balance at beginning of year | 624        | 936        |
| Additions                    | -          | -          |
| Depreciation expense         | (624)      | (312)      |
| Balance at end of year       | <u>-</u>   | <u>624</u> |

## NOTE 11. EXPLORATION EXPENDITURE

|  | 2015<br>\$       | 2014<br>\$       |
|--|------------------|------------------|
| Exploration expenditure                                  | <u>4,314,153</u> | <u>1,634,401</u> |
| Opening balance  | 1,634,401        | 1,845,177        |
| Exploration incurred during the year                     | 4,154,825        | 609,226          |
| Impairment   | (1,475,073)      | (820,002)        |
| Exploration and evaluation phase expenditure capitalised | <u>4,314,153</u> | <u>1,634,401</u> |





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.

The exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

In May 2012, the Company entered into an Option Agreement with a Mongolian registered company, covering the Mongolian Exploration Licence Designated the Shanagan Uul East ("Shanagan") project by the Company. The Option Agreement gave the Company the option to acquire up to 80% of the Shanagan Project within eighteen months of the execution date of the Option Agreement by paying \$1 million to the vendor on or before the expiry date of 28 November 2013. On 21 October 2013 the Company entered into negotiations with the vendor with the intent of reaching agreement on terms that would enable the parties to agree to roll over the Option Expiry date until 28 November 2014. Management subsequently advised that it was unable rollover the agreement. As a result, included in the accounts for the financial year ending 30 June 2014 and in addition to the Impairment of \$820,002 is USD 50,000 plus \$4,337 in foreign currency translation project writedown.

On 5 December 2014 the Company announced that following a review of recent exploration within the Ulaan Tolgoi project and armed with the knowledge that despite the identification of interpreted potentially coal bearing sub-basins and the more recent interpretation that potential mineral bearing intrusions may exist below significant cover in the northern sector of the licence, the Company acknowledged at that point, that any future exploration within the Ulaan Tolgoi licence, would remain high risk green fields exploration. In addition, it was noted that in order to maintain the Ulaan Tolgoi Joint Venture, the Company was facing a significant annual Statutory Licence fee immediately payable to the Mongolian Department and a long period of inactivity over the harsh Mongolian winter.

Hence, it was determined that in this era of capital scarcity, the Company's interests would be better served by preserving critical capital for new project acquisitions or new joint ventures. To that end, the Company advised that it issued a formal letter of notice to its Ulaan Tolgoi Joint Venture partner, advising that the Company has withdrawn from the Ulaan Tolgoi Joint Venture, effective immediately. All remaining exploration expenditure capitalised was subsequently written off.

Similarly, and subsequent to the years end, the Varmland project in Sweden was judged to be prospective for only small tonnage deposits of high grade base metal mineralisation. Furthermore, the logistical difficulties of exploration in a terrain that was covered extensively by dense vegetation and thin glacial till was considered to be an expensive and time consuming. Therefore the decision was made to withdraw from Varmland and an announcement to that effect was made to the ASX on 20 September, 2015. All remaining exploration expenditure capitalised was subsequently written off.

#### NOTE 12. TRADE AND OTHER PAYABLES

|                                     | 2015<br>\$     | 2014<br>\$     |
|-------------------------------------|----------------|----------------|
| Trade creditors                     | 112,340        | 227,613        |
| Other payables and accruals         | 36,717         | 45,723         |
| Monies received for unissued shares | 100,000        | -              |
|                                     | <u>249,057</u> | <u>273,336</u> |

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

#### NOTE 13. BORROWINGS

|                                      |          |                |
|--------------------------------------|----------|----------------|
| Convertible notes                    | -        | 222,000        |
| Related party loans (Director loans) | -        | 25,000         |
| Non related party loans              | -        | 50,000         |
|                                      | <u>-</u> | <u>297,000</u> |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2015

The convertible notes were unsecured.  
Refer note 23 for terms of Convertible notes issued and non related party loans.

## NOTE 14. ISSUED CAPITAL

|  | 2015<br>\$ | 2014<br>\$ |
|--|------------|------------|
| 216,030,958 (2014: 485,161,682 pre-consolidation) Fully paid ordinary shares | 19,188,726 | 12,262,739 |

The Group has issued capital amounting to 218,530,958 (2014: 485,161,682 pre-consolidation) with no par value.

### a) Ordinary Shares

|   | 2015                |            | 2014                |            |
|---|---------------------|------------|---------------------|------------|
|   | Number of<br>Shares | \$         | Number of<br>Shares | \$         |
| At the beginning of the year                          | 485,161,682         | 12,262,739 | 261,411,682         | 11,786,866 |
| Shares issued during the year                         |                     |            |                     |            |
| 16 June 2014 – Placement @ 2 cents per share          | -                   | -          | 50,000,000          | 100,000    |
| 26 June 2014 – Conversion of 278 convertible notes    | -                   | -          | 173,750,000         | 278,000    |
| 30 June 2014 – Prior period adjustment (Note 24)      | -                   | -          | -                   | 144,221    |
| 25 July 2014 – Conversion of 272 convertible notes    | 170,000,000         | 272,000    | -                   | -          |
| 5 Sept 2014 – Entitlement Issue                       | 524,129,346         | 1,048,303  | -                   | -          |
| 5 Dec 2014 – Shares issued in lieu of Director fees   | 39,875,000          | 79,750     | -                   | -          |
| 4 Feb 2015 – Capital raising                          | 150,000,000         | 300,000    | -                   | -          |
| 25 Feb 2015 – Share Purchase Plan                     | 148,947,336         | 283,000    | -                   | -          |
| 10 April 2015 – Shares issued in lieu of fees         | 25,000,000          | 50,000     | -                   | -          |
| 22 June 2015 – 1 for 20 consolidation                 | (1,465,957,406)     | -          | -                   | -          |
| 22 June 2015 – Capital raising                        | 66,250,000          | 2,650,000  | -                   | -          |
| 22 June 2015 – Conversion of convertible loans        | 32,250,000          | 1,290,000  | -                   | -          |
| 22 June 2015 – Shares issued in lieu of fees          | 1,250,000           | 50,000     | -                   | -          |
| 22 June 2015 – Shares issued in lieu of Director fees | 1,625,000           | 65,000     | -                   | -          |
| 22 June 2015 – Shares issued to Mexican Vendors       | 25,000,000          | 1,000,000  | -                   | -          |
| 22 June 2015 – Shares issued to Arena Vendors         | 12,500,000          | 500,000    | -                   | -          |
| Share issue costs                                     | -                   | (662,066)  | -                   | (46,348)   |
| At the end of the year                                | 216,030,958         | 19,188,726 | 485,161,682         | 12,262,739 |

### 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 2014 Annual Report.



**b) Capital management**

The working capital position of the Group as follows:

|  | 2015<br>\$ | 2014<br>\$ |
|--|------------|------------|
| Cash and cash equivalents  | 1,802,357  | 115,797    |
| Financial assets   | 6,509      | 5,708      |
| Trade and other receivables  | 60,380     | 29,899     |
| Trade and other payables"Trade and Other Receivables".. Should it? | (249,057)  | (273,336)  |
| Borrowings   | -          | (297,000)  |
| Working capital position   | 1,620,189  | (418,932)  |

**NOTE 15. RESERVES**

**a) Option Reserve**

|                                      | 2015<br>\$ | 2014<br>\$ |
|--------------------------------------|------------|------------|
| Balance at the beginning of the year | 218,005    | 666,563    |
| Options issued during year           | 250,806    | 24,942     |
| Prior period adjustment (Note 24)    | -          | (473,500)  |
| Balance at the end of the year       | 468,811    | 218,005    |

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 | 44,162  | 53,897  |
| Movement during the year             | 59,736  | (9,735) |
| Balance at the end of the year       | 103,898 | 44,162  |

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

**NOTE 16. COMMITMENTS**

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

|                                 | 2015<br>\$ | 2014<br>\$ |
|---------------------------------|------------|------------|
| Payable:                        |            |            |
| – not later than 12 months      | 171,646    | 50,882     |
| – between 12 months and 5 years | 26,646     | -          |
| – greater than 5 years          | -          | -          |
|                                 | 198,292    | 50,882     |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2015

## NOTE 16. COMMITMENTS

### b) Operating Lease

During the 2014 year, the Group elected to not renew the premise lease to 31 December 2013 for a further term but elected to continue on a month to month basis. On 20 July 2015, the Company entered into a corporate services agreement which included access to office facilities at Suite 1, Level 1, 35 Havelock Street, West Perth.

Payable:

|                                 |               |               |
|---------------------------------|---------------|---------------|
| – not later than 12 months      | 31,854        | 29,337        |
| – between 12 months and 5 years | -             | -             |
|                                 | <u>31,854</u> | <u>29,337</u> |

## NOTE 17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or assets.

## NOTE 18. CASH FLOW INFORMATION

|   | 2015<br>\$         | 2014<br>\$       |
|---|--------------------|------------------|
| <b>a) Reconciliation of Cash</b>  |                    |                  |
| 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  | <u>1,802,357</u>   | <u>115,797</u>   |
| <b>Reconciliation of Cash Flow from Operations with Operating Loss after Income Tax</b>   |                    |                  |
| Operating loss after income tax   | (2,439,767)        | (1,374,434)      |
| Non-cash flows in loss after income tax   |                    |                  |
| Share-based payment   | -                  | 100,000          |
| Depreciation and amortisation   | 624                | 312              |
| Interest on convertible notes   | 40,000             | 25,364           |
| (Gain) / loss on sale of financial assets   | (800)              | (56,000)         |
| Exploration written down  | 1,480,819          | 820,002          |
| Foreign currency translation  | -                  | 9,735            |
| <i>Changes in assets and liabilities</i>  |                    |                  |
| (Increase)/decrease in trade and other receivables  | (43,847)           | 40,596           |
| (Increase)/decrease in other assets   | (2,052,589)        | (731,097)        |
| Increase in trade and other payables  | <u>(124,305)</u>   | <u>179,556</u>   |
| <i>Net Cash Flow (used in) Operating Activities</i>   | <u>(3,139,865)</u> | <u>(985,966)</u> |





**b) Non Cash Financing and Investing Activities**

|   | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| Included in capital raising fees are the following:                                     |             |             |
| Issue of 10,000,000 unlisted (pre-consol) options in relation to the Convertible Notes. | -           | 24,942      |
| Issue of 40,000,000 listed (pre-consol) options in relation to Capital Raising          | 54,488      | -           |
| Issue of 50,000,000 listed (pre-consol) options in relation to Capital Raising          | 50,000      | -           |
| Issue of 20,000,000 listed (pre-consol) options in relation to Capital Raising          | 20,000      | -           |
| Issue of 250,000 unlisted options in relation to Capital Raising                        | 5,850       | -           |
| Issue of 5,000,000 unlisted options in relation to provision of Convertible Loans       | 117,000     | -           |

**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 28 November 2014, 39,875,000 pre-consol shares and 19,937,500 pre-consol unlisted options were issued to Mr Martin Blackman (18,125,000 shares and 9,062,500 options), Mr Eric de Mori (6,000,000 shares and 3,000,000 options) and Mr Winton Willesee (15,750,000 shares and 7,875,000 options) in lieu of directors fees outstanding at 30 June 2014 valued at \$79,750 and \$3,468 respectively.
- On 22 June 2015, 21,930,000 shares were issued to related entities of Mr Stephen Copulos in conversion of convertible loans including interest totalling \$877,200.
- On 22 June 2015, 5,000,000 shares were issued to a related entity of Mr Stephen Copulos as consideration for the acquisition of Arena Exploration Pty Ltd to the value of \$200,000.
- In 2014 cash fees on arms-length terms for capital raising an corporate advisory services along with 10,000,000 listed options issued to Cygnet Capital, an entity in which Mr de Mori has an interest. Mr de Mori has not received any of those cash fees or options. Of this, 1,000,000 were issued to Mr Martin Blakeman in lieu of his services regarding the convertible notes capital raising.

At 30 June 2015, 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:

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2015

| <b>Financial Assets</b>                               | <b>2015</b>      | <b>2014</b>    |
|---|------------------|----------------|
|   | <b>\$</b>        | <b>\$</b>      |
| Cash and cash equivalents                             | 1,802,357        | 115,797        |
| Financial assets at fair value through profit or loss |                  |                |
| Held for trading                                      | 6,509            | 5,708          |
| Trade and other receivables                           | 60,380           | 29,899         |
| <b>Total Financial Assets</b>                         | <b>1,869,696</b> | <b>151,404</b> |
| <b>Financial Liabilities</b>                          |                  |                |
| Trade and other payables                              | 249,057          | 273,336        |
| Borrowings  | -                | 297,000        |
| <b>Total Financial Liabilities</b>                    | <b>249,057</b>   | <b>570,336</b> |

## 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.

### *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.



#### *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.

|                           | <b>2015</b>     | <b>2014</b>   |
|---------------------------|-----------------|---------------|
|                           | <b>\$</b>       | <b>\$</b>     |
| Cash and cash equivalents | 1,802,357       | 115,797       |
|                           | <hr/> 1,802,357 | <hr/> 115,797 |

#### *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.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

The following table represents a fair value hierarchy:

|   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|---|----------------|----------------|----------------|--------------|
|   | <b>\$</b>      | <b>\$</b>      | <b>\$</b>      | <b>\$</b>    |
| <b>2015</b>   |                |                |                |              |
| Financial Assets  |                |                |                |              |
| Financials assets at fair value through profit or loss: |                |                |                |              |
| - Investments – held for trading                        | 6,509          | -              | -              | 6,509        |
|   | <hr/>          |                |                |              |
| <b>2014</b>   |                |                |                |              |
| Financial Assets  |                |                |                |              |
| Financials assets at fair value through profit or loss: |                |                |                |              |
| - Investments – held for trading                        | 5,708          | -              | -              | 5,708        |
|   | <hr/>          |                |                |              |

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs. There were no transfers between levels during the year. The Group does not have any Level 2 or Level 3 assets.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2015

|                              | Floating Interest Rate |            | Fixed Interest Rate |            |              |            | Non-Interest Bearing |            | Total      |            | Weight Effective |           |
|------------------------------|------------------------|------------|---------------------|------------|--------------|------------|----------------------|------------|------------|------------|------------------|-----------|
|                              |                        |            | 1 Year or Less      |            | 1 to 5 Years |            |                      |            |            |            | Interest Rate    |           |
|                              | 2015<br>\$             | 2014<br>\$ | 2015<br>\$          | 2014<br>\$ | 2015<br>\$   | 2014<br>\$ | 2015<br>\$           | 2014<br>\$ | 2015<br>\$ | 2014<br>\$ | 2015<br>%        | 2014<br>% |
| Financial Assets             |                        |            |                     |            |              |            |                      |            |            |            |                  |           |
| Cash                         | 1,802,357              | 115,797    | -                   | -          | -            | -          | -                    | -          | 1,802,357  | 115,797    | 0.85             | 2.35      |
| Investments held for trading | -                      | -          | -                   | -          | -            | -          | 6,509                | 5,708      | 6,509      | 5,708      | -                | -         |
| Trade and other receivables  | -                      | -          | -                   | -          | -            | -          | 138,893              | 29,899     | 138,893    | 29,899     | -                | -         |
| Total Financial Assets       | 1,802,357              | 115,797    | -                   | -          | -            | -          | 145,402              | 35,607     | 1,947,759  | 151,404    |                  |           |
| Financial Liabilities        |                        |            |                     |            |              |            |                      |            |            |            |                  |           |
| Trade and other payables     | -                      | -          | -                   | -          | -            | -          | 249,057              | 273,336    | 249,057    | 273,336    | -                | -         |
| Borrowings                   | -                      | -          | -                   | 272,000    | -            | -          | -                    | 25,000     | -          | 297,000    | -                | -         |
| Total Financial Liabilities  | -                      | -          | -                   | 272,000    | -            | -          | 249,057              | 298,336    | 249,057    | 570,336    |                  |           |

## 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.

### 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:

|                     | 2015<br>\$       | 2014<br>\$       |
|---------------------|------------------|------------------|
| Australia           | 2,240,893        | 1,104,716        |
| Mexico              | 4,014,153        | -                |
| Sweden              | -                | 308,178          |
| Mongolia            | 6,866            | 373,535          |
| <b>Total assets</b> | <b>6,261,912</b> | <b>1,786,429</b> |

#### NOTE 22. SHARE-BASED PAYMENTS

During the year 11,746,875 (post consolidated) options were issued as share based payments. (2014: 10,000,000 pre-consolidated).

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;

|   | 2015              |                                       | 2014              |                                       |
|---|-------------------|---------------------------------------|-------------------|---------------------------------------|
|   | Number of options | Weighted average exercise price cents | Number of options | Weighted average exercise price cents |
| Outstanding at the beginning of the year (pre-consol)                       | 195,750,000*      | 0.64*                                 | 12,000,000        | 5.0                                   |
| Granted – unlisted options issued free on conversion of loans               | 170,000,000*      | 0.32*                                 | -                 | -                                     |
| Granted – listed options free attached to entitlements issue                | 262,064,696*      | 0.5*                                  | -                 | -                                     |
| Granted – listed options issued to consultant as underwriter fee            | 40,000,000*       | 0.5*                                  | -                 | -                                     |
| Granted – listed options issued to Directors in lieu of fees                | 19,937,500*       | 0.5*                                  | -                 | -                                     |
| Granted – listed options issued free attached to capital raising            | 75,000,000*       | 0.5*                                  | -                 | -                                     |
| Granted – listed options issued to consultant as placement fee              | 50,000,000*       | 0.5*                                  | -                 | -                                     |
| Granted – listed options issued to consultant as underwriter fee            | 20,000,000*       | 0.5*                                  | -                 | -                                     |
| Consolidation – 1 for 20 listed options                                     | (443,652,054)     | -                                     | -                 | -                                     |
| Consolidation – 1 for 20 unlisted options                                   | (347,462,500)     | -                                     | -                 | -                                     |
| Granted – unlisted options issued to consultants as placement fee           | 250,000           | 6.4                                   | -                 | -                                     |
| Granted – unlisted options issued to consultant as fee on convertible loans | 5,000,000         | 6.4                                   | -                 | -                                     |
| Granted – unlisted options share based payment to Cygnet                    | -                 | -                                     | 10,000,000        | 1.0                                   |
| Granted – unlisted options free attached to converted notes                 | -                 | -                                     | 173,750,000       | 0.32                                  |
| Forfeited   | -                 | -                                     | -                 | -                                     |
| Exercised   | -                 | -                                     | -                 | -                                     |
| Expired   | -                 | -                                     | -                 | -                                     |
| Outstanding at year-end   | 46,887,642        | 1.0                                   | 195,750,000*      | 0.64*                                 |
| Exercisable at year-end   | 46,887,642        | 1.0                                   | 195,750,000*      | 0.64*                                 |

\*pre-consolidation

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2015

The weighted average remaining contractual life of options outstanding at year end was 22 months.

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

There were \$244,750 in expenses arising from share-based payment transactions recognised during the year in relation to fully paid ordinary shares. The shares were issued in lieu of services provided has been calculated using \$0.04 post-consolidation (\$0.002 pre-consolidation) as the price at the date of issue.

There were \$127,956 in expenses arising from share-based payment transactions recognised during the year in relation to listed options. The options were issued in lieu of services provided has been calculated using the listed price at the date of issue.

There were \$122,850 (2014: \$100,000) in expenses arising from share-based payment transactions recognised during the year in relation to unlisted options. The options issued in lieu of services provided has been calculated using Black Scholes as follows:

| Year of issue                   | 2015       | 2014       |
|---------------------------------|------------|------------|
| Weighted average exercise price | \$0.064    | \$0.0036   |
| Weighted average life of option | 2.71 years | 3.63 years |
| Expected share price volatility | 118%       | 100%       |
| Risk-free interest rate         | 1.95%      | 4.00%      |

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns which may not eventuate.

## NOTE 23. CONVERTIBLE NOTES

### Movement in convertible notes

Not yet issued but monies received

Issued during the year

Converted during the year

|                                    | 2015<br>\$  | 2014<br>\$ |
|------------------------------------|-------------|------------|
| Not yet issued but monies received | 272,000     | 50,000     |
| Issued during the year             | 1,250,000   | 500,000    |
| Converted during the year          | (1,522,000) | (278,000)  |
|                                    | -           | 272,000    |

During the 2014 financial year, the Company received loan funding or conversion of amounts owed of \$550,000 from various parties with respect to the issuance of the Convertible Notes as announced 2 December 2013. Interest accrued on these funds amounted to \$36,469 as the reporting date. These notes were approved by shareholders at a general meeting held on 6 March 2014.

As at 30 June 2014, 278 convertible notes had been converted and interest accrued to 31 January 2014 totalling \$11,105 has been paid to Noteholders. A total of 50 convertible notes remaining at 30 June 2014 were issued on 24 July 2014.

The key terms of the Notes are as follows:

- The Notes will mature 12 months from the date of issue and can be converted any time following the first subsequent capital raising to the issue of the Convertible Notes;
- The conversion price will be the lesser of 0.4 cents per ordinary share, or 80% of the subscription price per ordinary share under the Company's next capital raising (Conversion Price);
- For each share issued on conversion, the Noteholder will be issued with 1 free option to subscribe for an additional ordinary share in the Company exercisable not less than 3 years from the date of issue at an exercise price no more than a 100% premium to the Conversion Price per share (Options). It is the intention of the Directors that the Options be listed.
- The Notes will accrue interest at a rate of 12% per annum; and
- The Notes will be unsecured.



On 25 July 2014, the remaining convertible notes were converted after approval at the General Meeting held on 24 July 2014. As a result, 170,000,000 (pre-consol) shares and 170,000,000 (pre-consol) unlisted options were issued.

On 25 March 2015, the Company announced that to partially fund the acquisition of the Plomosas Project, one of the Company's major Shareholders, the Copulos Group, agreed to provide A\$1,250,000 by way of a convertible note facility that will convert to equity at the same time and same price as the Company's next capital Raising. The key terms of the convertible note were:

- The note has a maturity date of 12 months from establishment;
- The note carries a coupon of 12% with the first 3 months of interest payable in shares at the time of the Capital Raising; and
- Conversion of the notes shall be subject to compliance with section 606 of the Corporations Act

#### NOTE 24. PRIOR PERIOD ADJUSTMENTS

The Company adjusted the options reserve \$473,500 to reflect the value of options on issue at 31 December 2014. Comparative amounts for the prior periods have been re-presented as a result. The effect is as follows:

| Financial<br>effected   | year | Date of expiry | Exercise<br>price | Number Under<br>Option | Valuation at<br>Grant Date |
|-------------------------|------|----------------|-------------------|------------------------|----------------------------|
| 30 June 2012            |      | 30 June 2012   | \$0.036           | 25,000,000             | \$180,442                  |
| 30 June 2013            |      | 30 June 2013   | \$0.03            | 10,000,000             | \$144,221                  |
| 30 June 2013            |      | 30 June 2013   | \$0.03            | 16,313,430             | \$32,627                   |
| 30 June 2013            |      | 30 June 2013   | \$0.03            | 10,000,000             | \$100,000                  |
| 30 June 2013            |      | 30 June 2013   | \$0.03            | 8,104,944              | \$16,210                   |
| <b>Total adjustment</b> |      |                |                   |                        | <b>\$473,500</b>           |

#### Period restatement

|   | Reported as at 30<br>June 2014 | Adjustment | Restated Balance<br>at 30 June 2014 |
|---|--------------------------------|------------|-------------------------------------|
| Issued Capital                          | 12,118,518                     | 144,221    | 12,262,739                          |
| Option reserve                          | 691,505                        | (473,500)  | 218,005                             |
| Foreign currency translation<br>reserve | 44,162                         | -          | 44,162                              |
| Accumulated losses                      | (11,638,092)                   | 329,279    | (11,308,813)                        |
| <b>Total Equity</b>                     | <b>1,216,093</b>               | <b>-</b>   | <b>1,216,093</b>                    |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2015

## NOTE 25. 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

|  | 2015<br>\$       | 2014<br>\$       |
|--|------------------|------------------|
| Current Assets                           | 1,862,378        | 145,795          |
| Non-Current Assets                       | 4,399,534        | 2,007,578        |
| <b>TOTAL ASSETS</b>                      | <b>6,261,912</b> | <b>2,153,373</b> |
| Current Liabilities                      | 249,057          | 564,237          |
| <b>TOTAL LIABILITIES</b>                 | <b>249,057</b>   | <b>564,237</b>   |
| <b>NET ASSETS</b>                        | <b>6,012,855</b> | <b>1,589,136</b> |
| <b>EQUITY</b>                            |                  |                  |
| Issued capital                           | 19,188,726       | 12,262,739       |
| Reserves                                 | 468,813          | 262,167          |
| Accumulated losses                       | (13,644,684)     | (10,935,770)     |
| <b>TOTAL EQUITY</b>                      | <b>6,012,855</b> | <b>1,589,136</b> |
| <b>STATEMENT OF COMPREHENSIVE INCOME</b> |                  |                  |
| Total Loss                               | (2,423,795)      | (1,011,128)      |
| Total Comprehensive Income               | (2,423,795)      | (1,011,128)      |

Consolidated Zinc Limited does not hold any deed of cross guarantee for the debts of its subsidiary company as at 30 June 2015 (2014: Nil).

Consolidated Zinc Limited has no contingent liabilities at 30 June 2015 (2014: Nil).

Consolidated Zinc Limited has no commitments for the acquisition of property, plant and equipment as at 30 June 2015 (2014: Nil).

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

## NOTE 26. 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 27. EVENTS AFTER THE REPORTING DATE**

On 5 August 2015, the Company announced that it has entered into an agreement (“**Agreement**”) with a Sophisticated Investor (“**Purchaser**”) under which the Purchaser has agreed to make an offer to buy the ordinary shares of shareholders who hold shares in the Company valued at less than a “marketable parcel” (defined in the ASX Listings Rules as a parcel of securities of not less than \$500) (“**Small Holding**”) who do not elect to retain their shareholding.

The sale will be offered to shareholders with holdings of 13,157 fully paid ordinary shares in the Company or less, based on the Company’s closing share price of \$0.038 on the record date of 4 August 2015 (“**Record Date**”). The price for each share sold through this facility will be the greater of \$0.04 and the simple average of the last sale prices of Consolidated Zinc shares on ASX for each of the ten trading days immediately preceding the end of the notice periods to the relevant shareholders.

The Company has instituted this sale to assist shareholders with Small Holdings to sell their shares without having to use a broker or pay brokerage, and to reduce the administrative costs with maintaining a large number of Small Holdings. The Company will pay for the costs of the sale for shareholders who wish to sell their Small Holdings.

Other than disclosed above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

# 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 2015 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 29<sup>th</sup> day of September 2015

# INDEPENDENT AUDITOR'S REPORT



## BUTLER SETTINERI

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

#### Report on the Financial Report

We have audited the accompanying 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 2015 and 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

#### Directors' Responsibility for the Financial Report

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report which gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial report.

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

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Liability limited by a scheme approved under Professional Standards Legislation

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# INDEPENDENT AUDITOR'S REPORT

## **Independence**

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

## **Auditor's Opinion**

In our opinion, the financial report of Consolidated Zinc Limited and its controlled entities is in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards the Corporations Regulations 2001.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 21 to 25 of the Directors' Report for the year ended 30 June 2015.

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.

## **Auditor's Opinion**

In our opinion the Remuneration Report of Consolidated Zinc Limited and its controlled entities for the year ended 30 June 2015 complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER  
Director

Perth

Date: 29 September 2015





# 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 25 September 2015:

| Shareholder                                       | Number     | Percentage of issued capital held |
|---|------------|-----------------------------------|
| Copulos Group                                     | 43,739,554 | 19.91                             |
| Compania Retec Guarú S.A. De C.V.                 | 25,000,000 | 11.42                             |
| Tonka Trading Pty Ltd <The Jakessi Superfund A/C> | 12,218,360 | 5.56                              |

## 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 25 September 2015)

| Shares Range      | No of Holders | Units              | %     |
|-------------------|---------------|--------------------|-------|
| 1 – 1,000         | 745           | 271,880            | 0.12  |
| 1,001 – 5,000     | 262           | 660,322            | 0.30  |
| 5,001 – 10,000    | 102           | 775,834            | 0.35  |
| 10,001 – 100,000  | 224           | 8,941,166          | 4.07  |
| 100,001 and above | 178           | 209,006,756        | 95.16 |
| <b>Total</b>      | <b>1,511</b>  | <b>219,655,958</b> |       |

There are 1,136 holders of unmarketable parcels comprising a total of 2,043,659 ordinary shares.

There is currently an on-market buy back in place which is closing on Friday 2 October 2015.

There are currently no restricted securities on issue.

# SHAREHOLDER INFORMATION

## DISTRIBUTION OF OPTIONHOLDERS (as at 25 September 2015)

### Listed options (ASX:CO) exercisable at \$0.10 on or before 31 July 2016

| Options Range     | No of Holders | Units             | %     |
|-------------------|---------------|-------------------|-------|
| 1 – 1,000         | 86            | 28,498            | 0.12  |
| 1,001 – 5,000     | 46            | 105,287           | 0.45  |
| 5,001 – 10,000    | 11            | 79,190            | 0.34  |
| 10,001 – 100,000  | 17            | 661,684           | 2.83  |
| 100,001 and above | 32            | 22,475,483        | 96.25 |
| <b>Total</b>      | <b>192</b>    | <b>23,350,142</b> |       |

### Unlisted options

| Unlisted Options                                    | No of Holders | Units on issue    |
|---|---------------|-------------------|
| Exercisable at \$1.00 on or before 31 December 2015 | 3             | 600,000           |
| Exercisable at \$0.20 on or before 6 March 2017     | 2             | 500,000           |
| Exercisable at \$0.064 on or before 6 March 2018    | 11            | 22,437,500        |
| Exercisable at \$0.06 on or before 20 July 2018     | 1             | 4,000,000         |
| <b>Total</b>  |               | <b>27,537,500</b> |



**TWENTY LARGEST SHAREHOLDERS**  
(As at 25 September 2015)

|    | Name   | Number of Shares   | %            |
|----|--|--------------------|--------------|
| 1  | COMPANIA RETEC GUARU SA DE CV  | 25,000,000         | 11.38        |
| 2  | SUPERMAX PTY LTD <SUPERMAX SUPER FUND A/C>   | 16,993,958         | 7.74         |
| 3  | TONKA TRADING PTY LTD <THE JAKESSI SUPERF FUND A/C>  | 11,703,623         | 5.33         |
| 4  | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <ST A/C>   | 9,975,596          | 4.54         |
| 5  | J P MORGAN NOMINEES AUSTRALIA LIMITED  | 6,376,222          | 2.90         |
| 6  | FARJOY PTY LTD   | 6,250,000          | 2.85         |
| 7  | MRS JACLYN STOJANOVSKI & MR CHRIS RETZOS & MRS SUSIE RETZOS <RETZOS EXECUTIVE S/F A/C>           | 5,160,000          | 2.35         |
| 7  | WESTPARK OPERATIONS PTY LTD <WESTPARK OPERATIONS UNIT A/C>                                       | 5,160,000          | 2.35         |
| 7  | CITYWEST CORP PTY LTD <COPULOS SUNSHINE UNIT A/C>  | 5,160,000          | 2.35         |
| 7  | SPACETIME PTY LTD <COPULOS EXEC S/F NO 1 A/C>  | 5,160,000          | 2.35         |
| 8  | CF SUNDOWNER PTY LTD <THE CFS UNIT A/C>  | 3,870,000          | 1.76         |
| 9  | MR JAMES DAVID TAYLOR & MRS MARION AMY TAYLOR <ITS MANAGEMENT S/F A/C>                           | 3,750,000          | 1.71         |
| 10 | SEEFELD INVESTMENTS PTY LTD  | 3,718,750          | 1.69         |
| 11 | DEL PAGGIO NOMINEES PTY LTD <DEL PAGGIO SUPER FUND A/C>  | 3,280,398          | 1.49         |
| 12 | ZERO NOMINEES PTY LTD  | 2,750,000          | 1.25         |
| 13 | MR KEVIN BANKS-SMITH   | 2,608,953          | 1.19         |
| 14 | EYEON INVESTMENTS PTY LTD <EYEON INVESTMENTS A/C>  | 2,580,000          | 1.17         |
| 15 | RASK PTY LTD <GRANGER FAMILY A/C>  | 2,500,000          | 1.14         |
| 15 | SYDNEY EQUITIES PTY LTD <SYDNEY EQUITIES S/F A/C>  | 2,500,000          | 1.14         |
| 15 | EXIT OUT PTY LTD <THE DISCRETIONARY A/C>   | 2,500,000          | 1.14         |
| 16 | VECTOR NOMINEES PTY LIMITED  | 2,175,000          | 0.99         |
| 17 | MRS JUDITH SUZANNE PIGGIN & MR DAMIEN JAYE PIGGIN & MR GLENN ADAM PIGGIN <PIGGIN FAMILY S/F A/C> | 2,000,000          | 0.91         |
| 17 | MR JOHN COLIN LOOSEMORE & MRS SUSAN MARJORY LOOSEMORE <LOOSEMOORE S/F A/C>                       | 2,000,000          | 0.91         |
| 18 | MISS SUNDER PAVITHRA SUSMITA ETTA  | 1,935,773          | 0.88         |
| 19 | MR KEVIN BANKS-SMITH   | 1,900,000          | 0.86         |
| 20 | RICHMOND FOOD SYSTEMS PTY LTD <MONTERY A/C>  | 1,765,000          | 0.80         |
|    |  | <b>138,773,273</b> | <b>63.18</b> |

# SHAREHOLDER INFORMATION

## TWENTY LARGEST LISTED OPTIONS (ASX:CZLO) exercisable at \$0.10 on or before 31 July 2016 (As at 25 September 2015)

|    | Name   | Number of Options | %            |
|----|--|-------------------|--------------|
| 1  | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <ST A/C>   | 4,200,000         | 17.99        |
| 2  | RICHMOND FOOD SYSTEMS PTY LTD <MONTERY A/C>  | 3,537,532         | 15.15        |
| 3  | TONKA TRADING PTY LTD <THE JAKESSI SUPER FUND A/C>   | 2,852,542         | 12.22        |
| 4  | EXIT OUT PTY LTD <THE DISCRETIONARY A/C>   | 1,250,000         | 5.35         |
| 4  | SUPERMAX PTY LTD <SUPERMAX SUPER FUND A/C>   | 1,250,000         | 5.35         |
| 5  | AZALEA FAMILY HOLDINGS PTY LTD <NO 2 A/C>  | 768,750           | 3.29         |
| 6  | VECTOR NOMINEES PTY LIMITED <THE VECTOR SUPER FUND A/C>  | 662,500           | 2.84         |
| 7  | MR ZEFFRON CHARLES REEVES <THE PALIN A/C>  | 625,000           | 2.68         |
| 7  | HDF INVESTMENT PTY LTD   | 625,000           | 2.68         |
| 7  | CHINA RESOURCE FUND PTY LTD  | 625,000           | 2.68         |
| 8  | TRADITIONAL SECURITIES GROUP PTY LTD <LPR FAMILY A/C>  | 550,000           | 2.36         |
| 9  | DEL PAGGIO NOMINEES PTY LTD <DEL PAGGIO SUPER FUND A/C>  | 546,449           | 2.34         |
| 10 | MR TONY D'ERCOLE   | 500,000           | 2.14         |
| 10 | MAHSOR HOLDINGS PTY LTD <ROSHAM FAMILY SUPER DUNS A/C>   | 500,000           | 2.14         |
| 11 | HAUSTELLA PTY LTD <RANSOM FAMILY SUPER FUND A/C>   | 450,000           | 1.93         |
| 11 | FINZAAR PTY LTD <THE FAIRWAY SUPER FUND A/C>   | 450,000           | 1.93         |
| 12 | DJ CARMICHAEL PTY LTD  | 400,000           | 1.71         |
| 13 | MR ROSS COTTON   | 397,499           | 1.70         |
| 14 | MR MICHAEL GROVE & MRS JANE GROVE <GLADGROVE SUPER FUND A/C>                                     | 350,000           | 1.50         |
| 15 | MR JASON PEARCE  | 195,000           | 0.84         |
| 16 | MR CHRISTOPHER SELBY LEWIS & MRS JEANETTE LEONIE LEWIS <THE CRISETTES>                           | 187,500           | 0.80         |
| 16 | MR MARK SERTORIO <JUMA SUPERANNUATION FUND A/C>  | 187,500           | 0.80         |
| 17 | BOUTA PTY LIMITED  | 166,625           | 0.71         |
| 18 | MR DAVID QUINTON CUREDALE  | 150,000           | 0.64         |
| 18 | MR MATTHEW DEAN QUINN  | 150,000           | 0.64         |
| 18 | GLAMOUR DIVISION PTY LTD <THE HAMMER A/C>  | 150,000           | 0.64         |
| 19 | BOUTA PTY LIMITED <JB MARTEL PRACTICE S/F A/C>   | 137,946           | 0.59         |
| 20 | FLANO PTY LTD <JARRODS SUPER FUND A/C>   | 125,000           | 0.54         |
| 20 | MRS JUDITH SUZANNE PIGGIN & MR DAMIEN JAYE PIGGIN & MR GLENN ADAM PIGGIN <PIGGIN FAMILY S/F A/C> | 125,000           | 0.54         |
| 20 | OPPORTUNE CAPITAL PTY LTD  | 125,000           | 0.54         |
| 20 | MRS AMANDA JANE HEPBURN  | 125,000           | 0.54         |
|    |  | <b>22,364,843</b> | <b>95.78</b> |





# TENEMENT SCHEDULE

The schedule of tenements and concessions held by the Company as at 30 June 2015 are summarised in the Table below.

| Consolidated Zinc Ltd Tenement schedule |              |              |              |        |  |
|---|--------------|--------------|--------------|--------|--|
| Lease                                   | Project      | Type         | Lease Status | Equity | Comment  |
| <b>Mexico</b>                           |              |              |              |        |  |
| 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%    |  |
|   |              |              |              |        |  |
| <b>Western Australia</b>                |              |              |              |        |  |
| E09/1298                                | Jailor Bore  | Exploration  | Granted      | 100%   |  |
| E09/1340                                | Jailor Bore  | Exploration  | Granted      | 100%   |  |
|   |              |              |              |        |  |
| <b>Mongolia</b>                         |              |              |              |        |  |
| 12323X                                  | Ulaan Tolgoi | Exploration  | Granted      | 51%    | In process of relinquishment                         |
|   |              |              |              |        |  |
| <b>Sweden</b>                           |              |              |              |        |  |
| Varmland nr 100                         | Sweden       | Exploration  | Granted      | 100%   | In process of relinquishment.<br>Post June 30 event. |
| Varmland nr 101                         | Sweden       | Exploration  | Granted      | 100%   |  |

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