



ABN 27 118 554 359

Interim Financial Report

For the six months ended

30 June 2022



CORPORATE DIRECTORY

DIRECTORS	Mr Brad Marwood – Executive Chairman Mrs Angela Pankhurst – Non-executive Director Mr Anthony Italiano – Executive Director
COMPANY SECRETARY	Mr Anthony Italiano
PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE	Ground Floor 25 Richardson Street WEST PERTH WA 6005
SHARE REGISTRY	Automic Level 5, 191 St Georges Terrace PERTH WA 6000
SECURITIES EXCHANGE (ASX: CZL)	Australian Securities Exchange Level 40 152-158 St George's Terrace PERTH WA 6000
SOLICITORS	AGH Law Level 2, 66 Kings Park Road WEST PERTH WA 6005
AUDITORS	HLB Mann Judd (WA Partnership) Level 4 130 Stirling Street PERTH WA 6000
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Contents

CORPORATE DIRECTORY	2
DIRECTORS' REPORT	4
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	13
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	14
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	15
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	17
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	18
DIRECTORS' DECLARATION	27
AUDITOR'S INDEPENDENCE DECLARATION	28
INDEPENDENT AUDITOR'S REVIEW REPORT.....	29



DIRECTORS' REPORT

The directors present the financial report of Consolidated Zinc Limited (the "Company") and controlled entities (the "Group") for the six months ended 30 June 2022 (the "reporting period").

DIRECTORS

Mr Brad Marwood – Executive Chairman (Managing Director 1 February 2019 - 31 August 2022)

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

Mr Anthony Italiano – Executive Director (appointed 31 August 2022)

Mr Andrew Richards – Non-Executive Chairman (retired 31 August 2022)

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

COMPANY SECRETARY

Mr Anthony Italiano

PRINCIPAL ACTIVITIES

The principal activity of the Company during the reporting period was the mining and production of zinc and lead concentrates, and exploration for zinc, lead and gold at its Plomosas Project.

REVIEW OF OPERATIONS

MEXICO – The Plomosas Project

During the reporting period, the Group focused on mining and processing at its high-grade zinc-lead-silver Plomosas mine in the state of Chihuahua. Chihuahua hosts a prolific zinc-lead mineralised belt, and Plomosas has been mined periodically since 1943. The Group brought the mine back into production in September 2018.

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

Consolidated Zinc acquired a 51% equity ownership of Plomosas in 2015 and increased its ownership to 90% in December 2018 through an increased shareholding in Minera Latin American Zinc S.A.P.I. de C.V. ("MLAZ"). In September 2019, CZL acquired the remaining 10% interest in MLAZ, taking ownership of the Plomosas Project to 100%.

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

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

Prior to CZL’s restart of production, Plomosas had been mined in several stages since 1943 down to approximately 240 metres below surface via room and pillar stopes using traditional air leg drill and blast techniques. In places, historical production realised approximately 20,000 tonnes mineralisation per vertical metre with remnant material remaining. The mineralisation continues at depth and there is more than 7km strike of prospective stratigraphic horizon within the tenement package providing for excellent exploration potential and drill targeting outside the mine environment.

CZL announced a maiden mineral resource for Plomosas in December 2016, which was subsequently upgraded and increased to 1.178Mt grading 16.1% Zn+Pb and 22.2 g/t Ag comprised of both Indicated and Inferred categories. This Mineral Resource estimate was reported in compliance with the JORC (2012) guidelines and announced to the ASX on 30 April 2018.



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

DIRECTORS' REPORT



Figure 2: Plomosas Project tenement plan.



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



Interim Financial Report for the six months ended 30 June 2022

DIRECTORS' REPORT

MINING OPERATIONS

During the reporting period, ore mined was 9,586 tonnes of the semi-oxide ore ("SOX") between Level 7 and Level 9 using room and pillar mining with gallery stopes developed where the ground support allows.

The rises between sublevel 888mRL and sublevel 921m RL provide access into the stoping areas.

PROCESSING

A total of 10,096 tonnes of ore were processed, with 631 tonnes of payable zinc, 161 tonnes of payable lead and 1,390 ounces of payable silver sold in zinc and lead concentrates.

The Company has identified areas to improve lead oxide recovery and has purchased a gravity spirals separation unit, currently in transit to Mexico and planned to be installed and commissioned during October 2022. The delivery of the gravity spirals unit was delayed due to international shipping logistical issues.

At the end of the reporting period inventory stockpiles were 2,452 tonnes of ROM ore available for processing and 341 tonnes of zinc concentrate and 207 tonnes of lead concentrate available for sale.

RESOURCE UPDATE

The Company announced the results from the annual resource estimate update, independently completed by Ashmore Advisory Pty Ltd ("ASH") in compliance with the JORC (2012) reporting guidelines, which contains 986,000 tonnes @ 13.2% Zn and 3.7% Pb for 166,500 tonnes of contained metal in Indicated and Inferred categories.

This estimate was after mining depletion during 2021 of 27,724 tonnes @ 17.4% zinc, 8.7% lead and 52.16g/t silver.

The new model represents a 5% increase in tonnes after mining depletion over the 2021 resource model. Significantly this also includes an upgrade of the classification of Mineral Resources with the Indicated category increasing by 40% in tonnes, 43% zinc increase and 48% lead increase.

The new model better represents the Plomosas mineralisation than the 2021 Mineral Resource estimate because it considers all grade control data from commencement of mining in 2018 to the end of 2021

During 2021 over 75% of ore mined was sourced from outside of the 2021 Mineral Resource Model demonstrating the need to incorporate all grade control information, drilling and exploration into a new interpretation of the Plomosas mineralisation. The good news is that the Mineral Resource has grown with the inclusion of the grade control data and mineralised envelopes.

Refer to the ASX announcement dated 26 April 2022 for full details.

Table 1: Plomosas April 2022 Mineral Resources Estimate Mining Depleted to 31 December 2021 (3% Zn cut off)							
Prospect	Indicated Mineral Resource						
	Tonnage t	Zn %	Pb %	Ag g/t	Zn t	Pb t	Ag Oz
Level 7	110,000	18.0	8.9	53.3	149,700	9,700	187,800
Tres Amigos	42,000	7.7	2.3	12.0	3,300	1,000	16,200
Las Espadas	25,000	11.7	5.7	18.5	3,000	1,400	15,100
Tres Amigos North	38,000	7.8	3.7	13.1	2,900	1,400	15,900
Total	215,000	13.5	6.3	34.0	28,900	13,500	235,100
Prospect	Inferred Mineral Resource						
	Tonnage t	Zn %	Pb %	Ag g/t	Zn t	Pb t	Ag Oz
Level 7	133,000	13.5	6.9	40.6	18,000	9,100	173,800
Tres Amigos	439,000	14.0	1.2	11.6	61,600	5,300	163,200
Carola	60,000	11.4	5.1	31.0	6,900	3,100	60,100
Las Espadas	61,000	11.2	4.4	16.1	6,900	2,700	31,700
Tres Amigos North	78,000	10.1	3.6	16.7	7,900	2,800	41,600
Total	772,000	13.1	3.0	19.0	101,200	23,100	470,400
Prospect	Total Mineral Resource						
	Tonnage t	Zn %	Pb %	Ag g/t	Zn t	Pb t	Ag Oz
Level 7	243,000	15.6	7.8	46.3	37,700	18,800	361,600
Tres Amigos	481,000	13.5	1.3	11.6	64,800	6,300	179,300
Carola	60,000	11.4	5.1	31.0	6,900	3,100	60,100
Las Espadas	87,000	11.3	4.8	16.8	9,800	4,200	46,800
Tres Amigos North	116,000	9.4	3.6	15.5	10,800	4,200	57,500
Total	986,000	13.2	3.7	22.2	130,100	36,500	705,500

DIRECTORS' REPORT

REGIONAL EXPLORATION

Base Metal Exploration

Extension of current mine workings

Structural mapping and analysis of the geology and fault system extending at least 500m from the high-grade Las Espadas and Mina Juarez workings indicates they are either the faulted off extension of the main orebody or are separate units.

Work is planned to substantiate the geological theory that cross faulting with offsets of 30m to 50m occurred, rather than boudinage and pinching out of the mineralisation, and this was not identified at the time when historic mining ceased. If a cross fault has occurred, there is strong potential for a 300 metres extension of the main orebody to the north and along strike of Las Espadas and Mina Juarez.

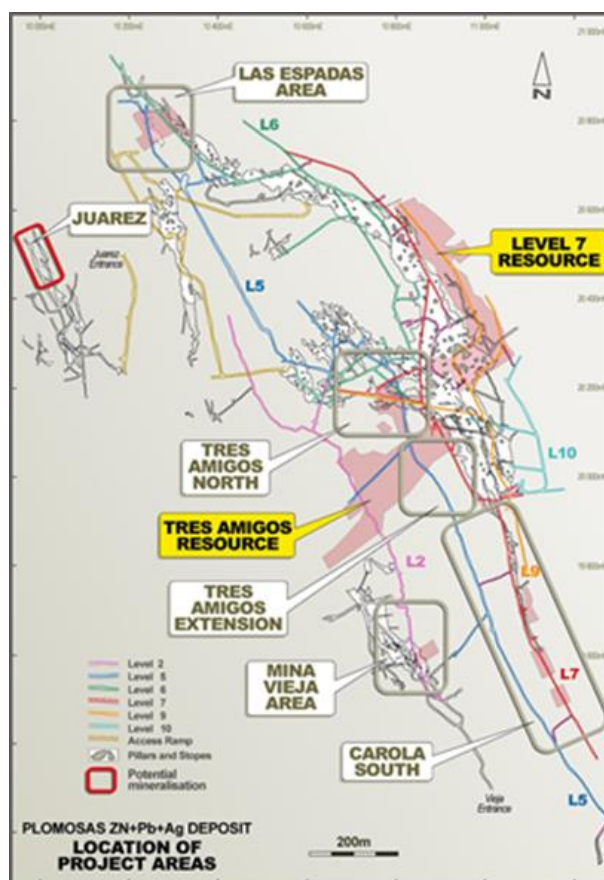


Figure 4: Location of Plomosas mine stopes, work areas and mineral resources.

Satellite deposit exploration

Base metal exploration continued in the concessions to the north-west of Plomosas mine to follow up highly anomalous zinc and lead assay result reported previously by CZL. Field mapping was undertaken over the Alfonsitos 1, Alfonsitos 2 and Mina Mexico prospects. These prospects are located 2.5 - 4 km from Plomosas and demonstrate significant potential for the discovery of zinc/lead/silver mineralisation from surface. Figure 6 shows Los Alfonsitos prospect where grades up to 23.5% zinc and 4.9% lead were obtained (refer to ASX announcement dated 4 December, 2018) along with several other high zinc and lead grades.

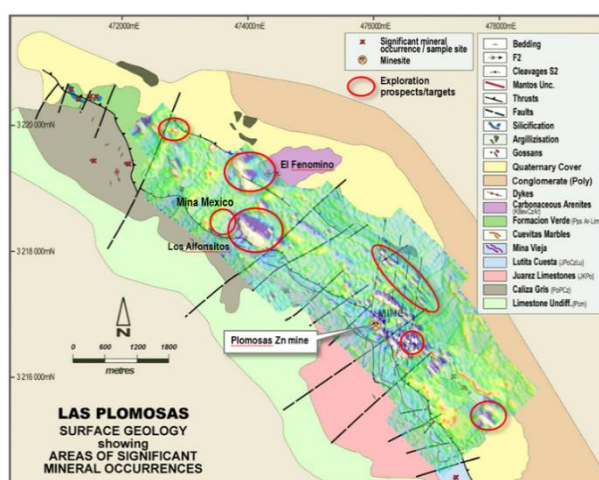


Figure 5: Las Plomosas Surface Geology and Targets.

DIRECTORS' REPORT

In particular, focus has increasingly turned to the Mina Mexico Prospect which demonstrates the potential to define a near-surface zinc deposit. Mina Mexico is a manto-style deposit located 1.5km north-west of Los Alfonsitos and contains a stope where historical records indicate the average grade extracted was 22% zinc. The stope is over 100m long, 70m wide and 50m high.

Surface sampling at Mina Mexico in late 2017 returned high grades from dumps and fault extensions up to 28.55% Zn+Pb, averaging 22.36% Zn+Pb and mineralisation was mapped over a 50m length. CZL returned to continue surface mapping and investigation of the stope for safe access in 2022 and plans to complete the geological mapping and survey of the Mina Mexico prospect before confirmation drilling to define possible near-term open pittable resources.

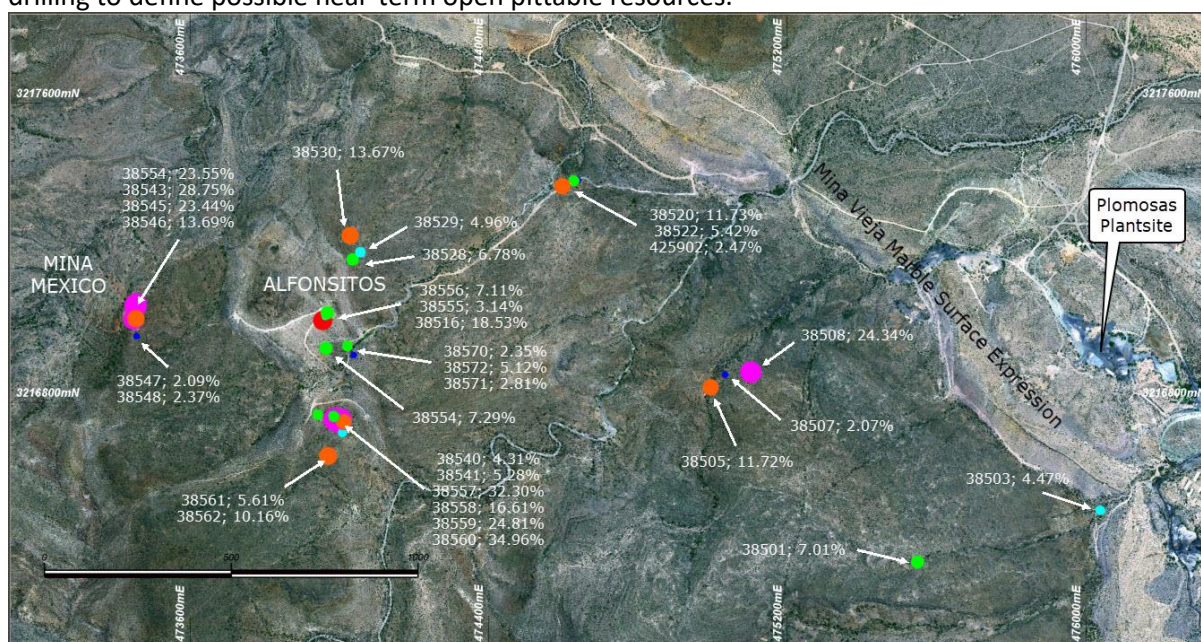


Figure 6: Regional exploration assay results from surface sampling to the north-west of Plomosas mine. Mostly rock chip, channel and occasional dump samples are shown. Sample assays were previously announced to the market on 8 November 2017 and 8 December 2017.



Interim Financial Report for the six months ended 30 June 2022

DIRECTORS' REPORT

Financial Performance and Financial Position

The net loss of the consolidated entity after income tax for the six months ended 30 June 2022 was US\$1.338 million (six months to 30 June 2021: loss of US\$0.469 million).

As at 30 June 2022, the Group had total assets of US\$5.261 million (31 December 2021: US\$5.286 million) and total liabilities of US\$3.198 million (31 December 2021: US\$2.939 million). Total cash was US\$0.669 million (31 December 2021: US\$0.316 million) and borrowings were US\$ nil (31 December 2021: US\$0.098 million).

SUBSEQUENT EVENTS

Other than set out below, no matters or circumstances have arisen since end of the period ended 30 June 2022, which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods:

- On 29 July 2022, the Company completed the acquisition of 100% of Westoz Lithium Pty Ltd ("Westoz") for a total purchase consideration of A\$740,000 with A\$140,000 paid in cash and A\$600,000 in CZL fully paid ordinary shares at a deemed issue price of 2.5 cents per share. Westoz Lithium Pty Ltd holds interests in approximately 1,400km² of exploration licenses and applications in the Pilbara and Gascoyne regions of Western Australia. The Pilbara Projects are highly prospective for lithium, rare earth elements and base metals and are situated near two of the world's largest hard rock lithium deposits (ASX: PLS – Pilgangoora & ASX: MIN – Wodgina) and other tenements near Marble Bar (ASX:GL1's Archer Project).
- On 10 August 2022, the Company announced the retirement Mr Andrew Richards as Chairman of the Board, effective 31 August 2022. Managing Director, Mr Brad Marwood, will be appointed as Executive Chairman effective from 1 September 2022. At the same time Mr Anthony Italiano, CZL's Company Secretary and Chief Financial officer joined the Board as an Executive Director.

AUDITOR'S INDEPENDENCE

Section 307C of the Corporations Act 2001, requires our Auditors, HLB Mann Judd, to provide the Directors with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 28 and forms part of the Directors' report for the six months ended 30 June 2022.

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

Brad Marwood

Executive Chairman

13 September 2022



Interim Financial Report for the six months ended 30 June 2022

DIRECTORS' REPORT

COMPETENT PERSON STATEMENT

The information in this report that relates to Mineral Resources is based on information compiled by Mr Shaun Searle who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Searle is a full-time employee of Ashmore Advisory Pty Ltd. Mr Searle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Searle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to exploration results, data collection and geological interpretation is based on information compiled by Mr Brad Marwood. Mr Marwood is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Marwood has 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). Mr Marwood consents to the inclusion in this announcement of the matters based on their information in the form and context in which it appears.



Interim Financial Report for the six months ended 30 June 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	<i>Note</i>	For the six months ended 30-Jun-22 USD	For the six months ended 30-Jun-21 USD
Sales revenue	4(a)	2,150,715	3,688,480
Cost of sales		(2,954,096)	(3,523,792)
		(803,381)	164,688
Other income		122,162	34,295
Exploration and evaluation expenses	4(b)	(14,163)	(190,816)
Administrative expenses	4(c)	(241,323)	(177,572)
Personnel expenses	4(d)	(280,471)	(340,311)
Impairment of property, plant and equipment		(77,741)	-
Foreign exchange (loss)/gain		(27,885)	63,422
Interest expense		(15,504)	(22,273)
Loss from continuing operations before income tax expense		(1,338,306)	(468,567)
Income tax expense		-	-
Net loss for the period		(1,338,306)	(468,567)
Other comprehensive income, net of tax		-	-
Total comprehensive loss for the period		(1,338,306)	(468,567)
Loss per share for loss attributable to the ordinary equity holders of the parent entity:			
Basic and diluted loss per share (cents per share)		(0.403)	(0.166)

The accompanying notes form part of these financial statements



Interim Financial Report for the six months ended 30 June 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	As at 30-Jun-22 USD	As at 31-Dec-21 USD
Assets			
<i>Current assets</i>			
Cash & cash equivalents		669,438	315,681
Trade & other receivables	5	1,091,814	1,406,585
Inventory	6	632,419	507,169
Financial assets		1,976	1,977
Total current assets		2,395,647	2,231,412
<i>Non-current assets</i>			
Property, plant & equipment	7 (a)	1,707,651	1,881,537
Mine and development property	7 (b)	1,157,372	1,173,174
Total non-current assets		2,865,023	3,054,710
Total assets		5,260,670	5,286,122
Liabilities			
<i>Current liabilities</i>			
Trade & other payables	8	3,032,088	2,745,840
Provisions for annual leave	8	106,429	94,673
Borrowings	9	-	98,237
Total current liabilities		3,138,517	2,938,750
<i>Non-current liabilities</i>			
Provisions for long service leave		20,266	14,758
Provision for rehabilitation	7 (b)(i)	38,801	38,801
Total non-current liabilities		59,067	53,559
Total liabilities		3,197,584	2,992,309
Net assets		2,063,086	2,293,813
Equity			
Issued capital	10	37,755,308	36,684,091
Reserves		(7,178,677)	(7,215,039)
Accumulated losses		(28,513,545)	(27,175,239)
Total equity		2,063,086	2,293,813

The accompanying notes form part of these financial statements



Interim Financial Report for the six months ended 30 June 2022

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Issued capital	Accumulated losses	Share-based Payments Reserve	Foreign Currency Translation Reserve	NCI Reserve	Total
	USD	USD	USD	USD	USD	USD
For the six months ended 30 June 2022						
At 31 December 2021	36,684,091	(27,175,239)	298,364	(1,007,123)	(6,506,280)	2,293,813
Loss for the year after income tax from continuing operations	-	(1,338,306)	-	-	-	(1,338,306)
Total comprehensive income for the period	-	(1,338,306)	-	-	-	(1,338,306)
Transactions with owners in their capacity as owners:						
Issue of new shares net of issuance costs	1,071,217	-	-	-	-	1,071,217
Share based payments	-	-	36,362	-	-	36,362
	1,071,217	-	36,362	-	-	1,107,579
At 30 June 2022	37,755,308	(28,513,545)	334,726	(1,007,123)	(6,506,280)	2,063,086

The accompanying notes form part of these financial statements



Interim Financial Report for the six months ended 30 June 2022

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 (continued)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Issued capital	Accumulated losses	Share-based Payments Reserve	Foreign Currency Translation Reserve	NCI Reserve	Total
	USD	USD	USD	USD	USD	USD
For the six months ended 30 June 2021						
At 31 December 2020	34,838,110	(25,576,190)	437,304	(1,007,123)	(6,506,280)	2,185,821
Loss for the period after income tax from continuing operations	-	(468,567)	-	-	-	(468,567)
Total comprehensive income for the period	-	(468,567)	-	-	-	(468,567)
Transactions with owners in their capacity as owners:						
Issue of new shares net of issuance costs	1,847,507	-	-	-	-	1,847,507
Share based payments	-	-	54,916	-	-	54,916
	1,847,507	-	54,916	-	-	1,902,423
At 30 June 2021	36,685,617	(26,044,757)	492,220	(1,007,123)	(6,506,280)	3,619,677

The accompanying notes form part of these financial statements



Interim Financial Report for the six months ended 30 June 2022

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30-Jun-22 USD	For the six months ended 30-Jun-21 USD
Cash flows from operating activities		
Receipts from customers	2,168,967	3,159,754
Payments to suppliers and employees	(2,822,803)	(4,457,155)
Refunds of VAT and other indirect taxes	55,394	
Payment of interest	(26,878)	-
Net cash (outflow) from operating activities	(625,320)	(1,297,401)
Cash flows from investing activities		
Payments for property, plant and equipment	(20,320)	(1,050,319)
Net cash (outflow) from investing activities	(20,320)	(1,050,319)
Cash flows from financing activities		
Proceeds from issue of shares	1,156,530	1,980,050
Repayment of borrowings	(71,820)	-
Payment of capital raising expenses	(85,313)	(132,543)
Net cash inflow from financing activities	999,397	1,847,507
Net increase/(decrease) in cash and cash equivalents	353,757	(500,213)
Foreign currency translation	-	-
Cash and cash equivalents at the beginning of the period	315,681	752,658
Cash and cash equivalents at the end of the period	669,438	252,445

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 31 December 2021 and any public announcements made by the Company and its subsidiaries during the six months in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The interim financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets.

The Company is domiciled in Australia, the functional and presentation currency of the Group is United States Dollars, and all amounts are presented in United States Dollars unless otherwise noted.

For the purpose of preparing the interim financial report, the six months has been treated as a discrete reporting period.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the impact of the new and revised standards, as described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2022

In the reporting period ended 30 June 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 30 June 2022. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 31 December 2021.

Statement of compliance

The interim financial statements were authorised for issue by resolution of the Board of Directors.

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

Going concern

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

As at 30 June 2022, the Group had available \$0.699 million and a working capital deficit of \$0.743 million. The Group recorded a loss of \$1.338 million and a net cash outflow from operating and investing activities of \$0.646 million from the period.

The going concern basis is determined as being appropriate as at balance date as a result of the cashflow forecasts which the directors have relied upon for assessing the going concern assumption indicate the Plomosas operations will generate positive free cashflows during the year.

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

Should the forecasts not be achieved, there is a material uncertainty that may cast significant doubt as to whether the Company will continue as a going concern and, therefore, whether it will be able to realise its assets, in particular its mine development assets (\$1,157,372) and a significant proportion of its property, plant & equipment (\$1,707,651) and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

2. OPERATING SEGMENTS

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

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

3. DIVIDENDS

The Company did not pay or propose any dividends in the six months ended 30 June 2022.

4. PROFIT AND LOSS INFORMATION

a) Sales revenue

Concentrate sales agreements

The Group has an offtake agreement for 100% of its zinc concentrate, with Industrias Penoles S.A. de C.V. (Penoles) one of the world's leading zinc refiners. The offtake agreement is to 31 December 2022 with an option, at Penoles election, to be extended for a further 1 year.

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

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

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

	For the 6 months ended 30-Jun-22 \$	For the 6 months ended 30-Jun-21 \$
Point in time		
Zinc revenue	2,170,679	3,643,348
Lead revenue	342,608	613,335
Silver revenue	32,129	66,900
Treatment Charge - Zinc Concentrate	(338,572)	(501,510)
Treatment Charge - Lead Concentrate	(56,129)	(133,593)
	2,150,715	3,688,480

b) Exploration & evaluation expenses

(14,163) (190,816)

c) Administrative expenses

Administration	(51,794)	(36,634)
Consultancy and legal expenses	(8,736)	(4,144)
Compliance and regulatory expenses	(160,035)	(61,276)
Communication	(4,072)	(3,526)
Depreciation and amortisation	(110)	(110)
Occupancy	(3,624)	(8,506)
Travel and accommodation	(12,659)	(9,785)
Audit fees	(293)	(53,591)
	(241,323)	(177,572)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
d) Personnel expenses

Directors' fees	(116,668)	(194,399)
Employee expenses	(114,074)	(76,378)
Superannuation expenses	(13,367)	(14,618)
Share-based payments	(36,362)	(54,916)
	(280,471)	(340,311)

5. TRADE AND OTHER RECEIVABLES

	30-Jun-22 USD	31-Dec-21 USD
Current		
Trade receivables	302,300	480,926
Other receivable	3,179	3,027
Prepayments	26,637	71,296
Indirect taxes receivable ¹	729,698	821,336
Receivable from the Plomosas Project former joint venture partner ²	30,000	30,000
	1,091,814	1,406,585

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

² The outstanding receivable from the Plomosas Project former joint venture partner is repayable by 36 equal monthly deductions from the 1% net smelter return royalty payable to Retec Guarú S.A. ("Retec"). The current receivable includes the amount receivable within the next 12 months while the remaining balance is classified as non-current receivable. The royalty to Retec and the monthly deductions commenced from October 2019.

Interim Financial Report for the six months ended 30 June 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. INVENTORY

	30-Jun-22 USD	31-Dec-21 USD
Warehouse inventory – at cost	250,249	219,568
Ore stockpiles – at the lower of cost or net realisable value	48,124	180,825
Zinc and lead concentrates – at the lower of cost or net realisable value	334,046	106,776
	632,419	507,169

7. NON-CURRENT ASSETS

a) Property, plant and equipment	30-Jun-22 USD	31-Dec-21 USD
Plant and Equipment		
At cost	2,138,021	2,216,309
Accumulated depreciation	(430,370)	(334,772)
	1,707,651	1,881,537
Movement in carrying amount		
Balance at the beginning of the year	1,881,537	870,185
Additions	20,320	1,217,090
Depreciation expense	(110)	-
Impairment	(77,741)	-
Depreciation in Cost of Sales	(116,355)	(205,738)
Balance at the end of the period/year	1,707,651	1,881,537

b) Mine and development property	30-Jun-22 USD	31-Dec-21 USD
Mine and development property		
At cost	1,664,673	1,664,673
Accumulated depreciation	(507,301)	(491,499)
	1,157,372	1,173,174
Movement in carrying amount		
Balance at the beginning of the year	1,173,174	1,180,972
Additions	-	-
Rehabilitation obligation (i)	-	38,801
Amortisation	(15,802)	(46,599)
Balance at the end of the period/year	1,157,372	1,173,174

(i) Rehabilitation obligation

During the year ended 31 December 2021, the Company re-estimated its rehabilitation obligations based on area disturbed, which resulted in an increase of \$0.039 million in the rehabilitation provision and a corresponding increase in the mine and development property asset. No additional areas of disturbance has occurred since the estimate at 31 December 2021.

Impairment

The Group has identified an impairment indicator on its Plomosas Zinc-Lead-Silver Project given lower than budgeted ore mined from the Plomosas Project in the six-months ended 30 June 2022. Accordingly, the mine and development property asset has been assigned to a cash generating unit for the purpose of assessing the recoverable amount.

Interim Financial Report for the six months ended 30 June 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The recoverable amount of the project was determined based on a value in use calculation using cash flow projections using financial budgets approved by management. The discount rate applied to the value in use assessment was 12.5%. Based upon the value in use assessment, an impairment charge was not required.

8. TRADE AND OTHER PAYABLES

	30-Jun-22 USD	31-Dec-21 USD
Trade creditors	2,604,333	2,313,006
Other payables and accruals	427,755	432,834
Provision for annual leave	106,429	94,673
	3,138,517	2,840,513

The Company terminated the mining contract with the service provider ("Ganti") in November 2019. The Group has disputed the cost claims submitted by Ganti, as in the Company's opinion it is not in accordance with the mining contract. Rather than follow the contractual dispute resolution scheme, Ganti submitted proceedings in the Federal District Court of Mexico claiming Mexican Peso 23,632,639 (inclusive of 16% VAT). The Group's Mexican subsidiary has recorded this claim in full, offset by the cost value of the illegal theft of inventory by Ganti in January 2020 with a net amount of US\$1.014 million recorded as a trade payable to Ganti.

Legal opinion received by the Company advised there is a strong probability of success in defending against Ganti's claims, at which point the Group will derecognise the liability to Ganti.

9. BORROWINGS

	30-Jun-22 USD	31-Dec-21 USD
Short-term borrowings		
Loans from related parties	-	98,237
	-	98,237
<i>Movement in loans from related parties</i>		
Loan principal	-	72,560
Interest payable	-	25,677
	-	98,237
<i>Movement in loans from related parties</i>		
Balance at the beginning of the year	77,560	77,020
Repayment of loan to related parties	(77,560)	-
Effect of foreign currency translation at period end	-	(4,460)
	-	77,560
<i>Movement in interest on loans from related parties</i>		
Balance at the beginning of the year	25,677	17,334
Interest for the period	1,201	9,414
Interest paid	(26,878)	-
Effect of foreign currency translation at period end	-	(1,071)
	-	25,677
	-	98,237



Interim Financial Report for the six months ended 30 June 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. ISSUED CAPITAL

a) Share capital

	30-Jun-22	30-Jun-22	31-Dec-21	31-Dec-21
	Number of shares	USD	Number of shares	USD
Ordinary shares paid net of costs	363,357,813	37,755,308	301,357,813	36,684,091

		Issue price	Number of	
<i>Reconciliation of movement in Issued capital</i>		(A\$ cents)	shares	USD
	Balance at 1 January 2020		237,607,802	34,838,110
15-Feb-21	Placement shares	0.04	56,250,000	1,748,779
18-May-21	Placement shares	0.04	7,500,000	231,270
18-May-21	Exercise of options (CZLOB)	0.09	11	1
	Issuance costs		-	(136,068)
	Balance at 31 Dec 2021		301,357,813	36,684,091
1-Jan-22	Balance at 1 January 2022		301,357,813	36,684,091
1-Apr-22	Placement shares	0.025	50,000,000	941,490
3-Jun-22	Placement shares	0.025	12,000,000	215,040
	Issuance costs			(85,313)
	Balance at 30 June 2022		363,357,813	37,755,308

Interim Financial Report for the six months ended 30 June 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. ISSUED CAPITAL (continued)

b) Options over ordinary shares

	30-Jun-22	30-Jun-22	31-Dec-21	31-Dec-21
	Number of	Exercise	Number of	Exercise
Options over ordinary shares	options	price per	options	price per
		option (A\$)		option (A\$)
Outstanding at the beginning of the period	68,368,989	0.09	69,702,333	0.09
Granted – Listed options (free attaching)	31,000,008	0.09	-	-
Exercised – Listed options	-	-	(11)	-
Expired – Listed options	-	-	(1,333,333)	-
Outstanding at the end of the period	99,368,997	-	68,368,989	-
Exercisable at the end of the period	99,368,997	-	68,368,989	-
Weighted average life remaining (months)	11.0	-	17.0	-
Weighted average exercise price (A\$)	0.09	-	0.09	-

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

c) Capital management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. The capital risk management policy remains unchanged from the 31 December 2021 Annual Report.

	30-Jun-22	31-Dec-21
	USD	USD
Cash and cash equivalents	669,438	315,681
Financial assets	1,976	1,977
Inventory	632,419	507,169
Trade and other receivables	1,091,814	1,406,585
Trade and other payables	(3,138,517)	(2,840,513)
Borrowings	-	(98,237)
Working capital position	(742,870)	(707,338)

The Group has a number of financial instruments not measured at fair value on a recurring basis. The carrying value of these of these instruments is approximately their fair value.

11. RELATED PARTIES

a) Transactions with related parties

The Group has entered into an amendment to its loan agreement with its non-executive director Mr Andrew Richards to extend the maturity date of the unsecured loans disclosed in Note 9 from 31 December 2021 to 30 June 2022. The loan was fully repaid in the six-months ended 30 June 2022.

12. COMMITMENTS AND CONTINGENCIES

a) Commitments

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

	30-Jun-2022 USD	31-Dec-2021 USD
not later than 12 months	150,887	148,155
between 12 months and 5 years	603,547	592,621
greater than 5 years	3,874,247	3,882,049
	4,628,681	4,622,825

b) Contingencies

Contingent Assets

There are no contingent assets.

Contingent Liabilities

The Company announced on 10 August 2018 it received a claim by a company named Pandion Minerals Pty Ltd ("Pandion") pursuant to which Pandion claims to be conditionally entitled to a 10% interest in the Plomosas Project in Mexico being free carried until the Definitive Feasibility Study ("DFS") is completed. The Plomosas Project is presently owned by a joint venture company Minera Latin America Zinc S.A.P.I de C.V. ("MLAZ"), and the alleged pre-condition for the Pandion 10% to be issued is the Company achieving a 90% shareholding in MLAZ, which occurred on 24 December 2018.

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

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

13. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Other than set out below, no matters or circumstances have arisen since end of the period ended 30 June 2022, which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods:

- On 29 July 2022, the Company completed the acquisition of 100% of Westoz Lithium Pty Ltd ("Westoz") for a total purchase consideration of A\$740,000 with A\$140,000 paid in cash and A\$600,000 in CZL fully paid ordinary shares at a deemed issue price of 2.5 cents per share. Westoz Lithium Pty Ltd holds interests in approximately 1,400km² of exploration licenses and applications in the Pilbara and Gascoyne regions of Western Australia. The Pilbara Projects are highly prospective for lithium, rare earth elements and base metals and are situated near two of the world's largest hard rock lithium deposits (ASX: PLS – Pilgangoora & ASX: MIN – Wodgina) and other tenements near Marble Bar (ASX:GL1's Archer Project).
- On 10 August 2022, the Company announced the retirement Mr Andrew Richards as Chairman of the Board, effective 31 August 2022. Managing Director, Mr Brad Marwood, will be appointed as Executive Chairman effective from 1 September 2022. At the same time Mr Anthony Italiano, CZL's Company Secretary and Chief Financial officer joined the Board as an Executive Director.



DIRECTORS' DECLARATION

In the directors' opinion:

- (a) The financial statements and notes set out on pages 13 to 26 are in accordance with the *Corporations Act 2001*, including:
 - (i) Complying with Australian Accounting Standards AASB134 '*Interim Financial Reporting*', the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the half-year ended on that date; and
- (b) There are reasonable grounds to believe that Consolidated Zinc Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.

Brad Marwood
Executive Chairman
Perth
13 September 2022

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Consolidated Zinc Limited for the half-year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia
13 September 2022



M R Ohm
Partner

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Consolidated Zinc Limited

Report on the Condensed Half-Year Financial Report*Conclusion*

We have reviewed the accompanying interim financial report of Consolidated Zinc Limited ("the company"), which comprises the condensed consolidated statement of financial position as at 30 June 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Consolidated Zinc Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

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

Responsibility of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation

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of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
13 September 2022



M R Ohm
Partner