CONSOLIDATED ZINC LTD

2018

ANNUAL REPORT

Table of contents

Corporate Directory

DIRECTORS

Mr Stephen Copulos – Non-Executive Chairman
Mr Andrew Richards – Executive Director
Mrs Angela Pankhurst – Non-Executive Director
Mr Andrew Beigel – Non-Executive Director

COMPANY SECRETARY

Mr Andrew Beigel

CHIEF EXECUTIVE OFFICER

Mr Brad Marwood

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

Level 13
37 St Georges Terrace
PERTH WA 6000

CONTACT DETAILS

Postal: P.O. Box 692
WEST PERTH WA 6872

Ph: + 61 (8) 9322 3406
Fax: + 61 (8) 9320 7501

Website: www.consolidatedzinc.com.au
Email: info@conzinc.com.au

SOLICITORS

GTP Legal
68 Aberdeen Street
NORTHBRIDGE WA 6865

SHARE REGISTRY

Link Market Services Limited
Level 4, 152 St George's Terrace
Perth WA 6000

AUDITORS

Butler Settineri (Audit) Pty Ltd
Unit 16, First Floor
100 Railway Road
SUBIACO WA 6008

STOCK EXCHANGE

Australian Securities Exchange
Exchange Plaza
2 The Esplanade
Perth, Western Australia 6000

(ASX: CZL)

Dear Fellow Consolidated Zinc Shareholders

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

This financial year saw some major and exciting developments with the Company's decision, subsequent to the year's end, to transition the Company into a zinc producer. We produced the first saleable high grade zinc ore from the Plomosas mine in northern Mexico on 19 September 2018. All production will be sold under a zinc and lead ore tolling and offtake agreement with Grupo Mexico and the Company plans to expand production over 9 months to target a mining rate of 10,000 tpm. Grupo Mexico is a world class partner and processing through their Santa Eulalia plant provides a fast track entry into production at Plomosas without the capital expense of a plant and tailings dam and reduced operating and transport costs.

This production start-up coincides with our plan to increase the Company's equity in the project from 51% to 90% by year end.

On the corporate side we saw several changes at the Board level as Will Dix resigned as Managing Director and the Company restructured its Board and management team to better incorporate the skills required to transform into a zinc producer.

Consequently, Mr Brad Marwood joined the Company as Chief Executive Officer bringing a wealth of engineering knowledge and project development expertise to the Company. In addition, our office in Chihuahua was strengthened in terms of personnel including the relocation of Mr Steve Boda as Exploration/Country Manager.

Along with Brad's appointment as CEO, Eduardo Valenzuela joined the Board but had to leave for personal reasons and following the end of the financial year Angela Pankhurst and our Company Secretary, Andrew Biegel were appointed as a Non-Executive Director and Director respectively. I wish to thank them all for their input and the skills and experience they bring to the Company.

On the technical side we delivered a Scoping Study in late 2017 and continued to develop mining and processing strategies incorporating a Definitive Costing Study (DCS) with firm price quotes to recommence the Plomosas operation. Underpinning that was the continued success of the pre-production drillout that saw a 32% increase in tonnage and improvements in the confidence levels of the maiden JORC Mineral Resource estimate to approximately 1.2M tonnes at 16.1% Zn+Pb. This drillout was designed to provide the basis for the initial mine design on the Tres Amigos mineralised horizon commencing at Level 5 and the subsequent mine schedule.

Ongoing mining and metallurgical studies along with the findings of the DCS were compiled into a Bankable Feasibility Study and the Company has been in discussion with potential finance providers and offtake counterparties during the year as part of the start-up studies.

I am pleased to report that under the guidance of Brad Marwood, Steve Boda and the team on the ground in Mexico, we have continued to develop and enforce improved safety protocols and work practices; identified new areas of mineralisation and completed the dewatering program and refurbishment of all the areas of the mine currently of interest.

We have been able to attract significant funds through rights issues and capital raisings during the year, totalling $2.062M before costs. I am pleased to have received the support of several existing shareholders who provided convertible notes totalling $1.300M in the second half.

The zinc price cycle has declined along with all major commodities since last year to US$2,947 as at June 30, 2018 and is currently trading at around US$2,440 but the market fundamentals remain strong for the short to medium term. We also take comfort in the fact that the Plomosas concentrate has always been a highly desirable product for blending with those of other producers and our operating costs are expected to be lower compared with other sites.

As the company begins to generate cashflow we should see considerable value being created for our shareholders. I believe the coming year should see an improved share price as the company begins to report on the revenue and activity.

I am personally very excited about the future of the Company and its prospects for growth and value.

The next 12 months will be a turning point for the Company as we work towards recommencing mining operations ramping up production over the subsequent 9 months to be recognised by the market as an established zinc producer. It will be an exciting time for Consolidated Zinc and its shareholders as we work toward our goals of production and steady cash flow.

On behalf of the Board, I would like to thank, Brad, Steve and the team in Mexico in making this giant step to production and also to you for your continued support as shareholders of Consolidated Zinc.

Yours sincerely

Stephen Copulos

Stephen Copulos
Chairman

PLOMOSAS PROJECT, CHIHUAHUA STATE, MEXICO (CONSOLIDATED ZINC 51%)

Table 1: Total Plomosas Mineral Resources at 30 June 2018
Reported above a 3.0% Zn cut-off grade

Prospect	Indicated Mineral Resource						
	Tonnage	Zn	Pb	Ag	Zn	Pb	Ag
	t	%	%	g/t	t	t	Oz
Level 7	107,000	18.5	8.6	55.1	19,900	9,300	190,300
Tres Amigos	97,000	12.5	1.8	15.9	12,000	1,800	49,400
Tres Amigos North	38,000	8.4	4.0	13.6	3,200	1,500	16,700
Total	**242,000**	**14.5**	**5.2**	**32.9**	**35,100**	**12,500**	**256,400**

Prospect	Inferred Mineral Resource						
	Tonnage	Zn	Pb	Ag	Zn	Pb	Ag
	t	%	%	g/t	t	t	Oz
Level 7	212,000	10.9	5.0	32.3	23,100	10,600	220,000
Tres Amigos	507,000	12.9	1.9	13.4	65,400	9,600	218,300
Tres Amigos North	79,000	9.5	3.6	17.9	7,500	2,900	45,600
Carola	59,000	11.6	5.2	33.6	6,900	3,100	63,900
Las Espadas	79,000	11.7	5.0	14.3	9,200	3,900	36,200
Total	**935,000**	**12.0**	**3.2**	**19.4**	**112,100**	**30,000**	**584,000**

Prospect	Total Mineral Resource						
	Tonnage	Zn	Pb	Ag	Zn	Pb	Ag
	t	%	%	g/t	t	t	Oz
Level 7	319,000	13.5	6.2	40.0	43,000	19,900	410,300
Tres Amigos	603,000	12.8	1.9	13.8	77,400	11,400	267,700
Tres Amigos North	117,000	9.1	3.7	16.5	10,700	4,400	62,300
Carola	59,000	11.6	5.2	33.6	6,900	3,100	63,900
Las Espadas	79,000	11.7	5.0	14.3	9,200	3,900	36,200
Total	**1,178,000**	**12.5**	**3.6**	**22.2**	**147,100**	**42,600**	**840,400**

Table 2: Total Plomosas Mineral Resources at 30 June 2017 Reported above a 3.0% Zn cut-off grade							
Prospect	Indicated Mineral Resource						
	Tonnage	Zn	Pb	Ag	Zn	Pb	Ag
	t	%	%	g/t	t	t	Oz
Level 7	99,000	19.3	9.0	57.9	19,000	9,000	183,000
Total	**99,000**	**19.3**	**9.0**	**57.9**	**19,000**	**9,000**	**183,000**

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

Prospect	Total Mineral Resource						
	Tonnage	Zn	Pb	Ag	Zn	Pb	Ag
	t	%	%	g/t	t	t	Oz
Level 7	318,000	13.6	6.4	40.0	43,000	20,000	409,000
Tres Amigos	250,000	11.3	1.7	13.7	28,000	4,000	110,000
Total	**568,000**	**12.6**	**4.3**	**28.4**	**71,000**	**25,000**	**519,000**

Review of material changes

The increase in the mineral resources is the result of additional exploration drilling during the financial year.

Governance and internal controls

The Company's procedures for the sample techniques and sample preparation are regularly audited by independent experts.

Assays are performed by independent internationally accredited laboratories with a QAQC program showing acceptable levels of accuracy and precision.

The exploration assay results database is independently maintained by Expedio Services Pty Ltd.

The mineral resource estimate was undertaken independently by Ashmore Advisory Pty Ltd.

COMPETENT PERSON STATEMENT

The information in this Annual Mineral Resources Statement is based on, and fairly represents information and supporting documentation prepared by Mr Andrew Richards, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy and Member of the Australian Institute of Geoscientists. Mr Richards is a Director of the Company. Mr Richards has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Richards has approved the Statement as a whole and consents to its inclusion in the Annual Report in the form and context in which it appears.

REVIEW OF OPERATIONS

During the reporting year Consolidated Zinc focussed entirely on northern Mexico where the Company's flagship, the high grade zinc-lead-silver Plomosas Project, is located in the state of Chihuahua. While encouraging results were obtained in the regional exploration program most work was directed to advancing the project to production status.

After completing a Scoping Study in the first half, the Mineral Resource was updated with an increase in tonnage and resource category confidence, particularly in the Tres Amigos mineralised zone. The resource is open along strike and at depth within the mine area and efforts are ongoing to further extend and infill that resource in order to better establish production plans and mine schedules.

This work and the upgraded Mineral Resource underpinned further investigations in order to develop a Bankable Feasibility Study (BFS) which incorporated a review of various mining and processing options for restarting production at Plomosas. In the latter part of the financial year a mining schedule was developed and a Definitive Cost Study was completed. The results of the BFS work were presented to potential financiers and offtake counterparties which culminated, post financial year completion, in the Company's decision to commence mining at Plomosas in September 2018.

MEXICO – The Plomosas Zinc-Lead-Silver Project

Background:

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

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.

In 2015 Consolidated Zinc Ltd acquired a 51% equity ownership of Plomosas with the option of increasing that equity to 90% or more. That option will be exercised by the Company by December, 2018.

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

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

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.

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

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

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

Arising from work subsequently undertaken by the Company, a maiden mineral resource was announced to the market in December, 2016 and subsequently upgraded and increased to 1.178 M tonnes grading 16.1% Zn+Pb and 22.2 g/t Ag comprised of both Indicated and inferred categories (refer Tables 1 and 2). This Mineral Resource estimate was reported in compliance with the JORC (2012) guidelines and announced to the ASX on 30 April 2018.

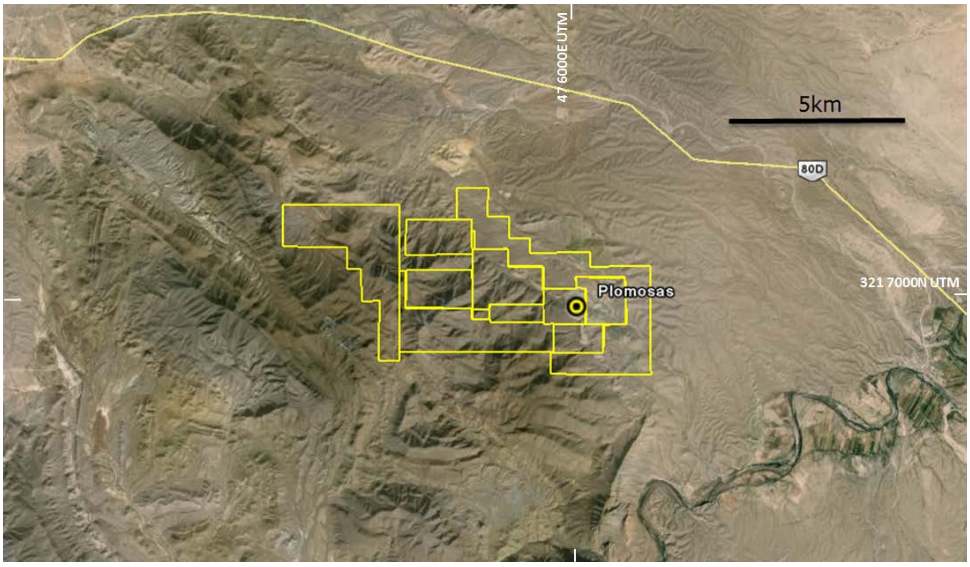

Figure 2. Plomosas project tenement plan.

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

EXPLORATION SUMMARY 2018

MINE EXPLORATION AND RESOURCE DEFINITION

The Company completed a successful year of geological exploration and resource definition in terms of:

- Increasing the size and confidence of the JORC (2012) resource in April 2018 to total **1,178,000 tonnes @ 12.5% Zn, 3.6% Pb and 22.2 g/t Ag for 189,700 tonnes of contained Zn+Pb metal in both Indicated and Inferred categories**. This resource incorporated mineralisation from Level 7 Deeps and Tres Amigos areas, both of which are accessible from existing underground development.

- The drilling identified a large increase in Tres Amigos sulphide mineralisation down dip from above Level 5 to below Level 10. This mineralised horizon remains open along strike and is only constrained by a lack of drilling both along strike and at depth (Figures 11 - 12).

- Continuing underground mapping and sampling to identify new high grade zones in areas amenable to follow up drilling and mining highlighted the prospectivity of Las Espadas West and Juarez mine.

In the year ending June 30, 2018, a total of 36 diamond holes had been drilled from underground positions for a total of 4,852 metres.

Figure 4. Tres Amigos massive sulphide exposed on Level 5 prior to first mining cut. Channel sampling returned 2m at 19.1% Zn+Pb from this face.

Drilling Highlights

High grade zinc assays were obtained from infill and extensional drilling of the Tres Amigos resource which aimed to convert inferred to indicated classifications and increase resource tonnages.

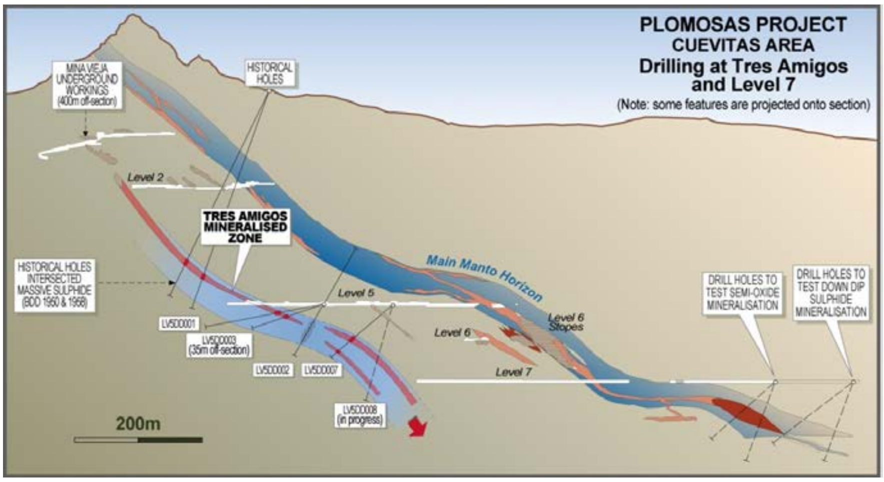

Figure 5. Section view of the Plomosas mine showing the Tres Amigos zone in the Juarez Limestone unit, historical drilling and the drilling of the Main Manto Horizon below Level 7. Figures 7 and 8 illustrate drill sections through Tres Amigos.

Results up to 37.26% Zn + Pb (LV5040) were obtained in significant widths up to 5.65 mdh (LV5039) outside of the then existing JORC resource envelope and included in the April 2018 resource update. Some of the better drill results drilled from Level 5 included:

- LV5025: 1.50m at 8.04% Zn, 0.01% Pb, 7.33 g/t Ag
  and 1.35m at 34.71% Zn, 0.01% Pb, 18.80 g/t Ag
- LV5033: 7.70m at 7.31% Zn, 0.84% Pb, 6.67 g/t Ag
- LV5034: 3.50m at 27.16% Zn, 1.64% Pb, 41.71 g/t Ag
- LV5038: 3.00m at 16.55% Zn, 5.35% Pb, 22.53 g/t Ag
- LV5039: 5.65m at 16.26% Zn, 7.60% Pb, 24.01 g/t Ag
- LV5040: 4.50m at 36.50% Zn, 0.76% Pb, 9.27 g/t Ag
  and 1.00m at 35.01% Zn, 0.97% Pb, 7.00 g/t Ag
- LV5054: 3.10m at 18.80% Zn, 1.25% Pb, 13.30 g/t Ag

The results from LV5040 were particularly exciting as they represent a significant high-grade target extending the Tres Amigos mineralised horizon up to 120 metres down dip within the Juarez Limestone. This zinc dominant horizon below the No. 32 orebody (as mined by ASARCO) was neither identified nor mined by previous workers. The following plates demonstrate the potential of LV5040 link the Tres Amigos North and Tres Amigos mineralisation with high-grade mineralisation at depth.

Resource extension drilling into the Tres Amigos sulphide to the south of the 140 metre strike zone previously described between two high-grade holes found multiple zones of massive mineralisation (LV5025 and LV5026).

Hole LV5033 established massive sulphide mineralisation up dip from the current resource envelope and LV5034 increased confidence in the resource model while defining a pitch/plunge direction for mineralisation below the high grade zones intersected in LV5DD001 (4.7m @ 46.90% Zn+Pb) and LV5DD003 (6.10m @ 16.75% Zn+Pb, and, 4.15m @ 21.77% Zn+Pb).

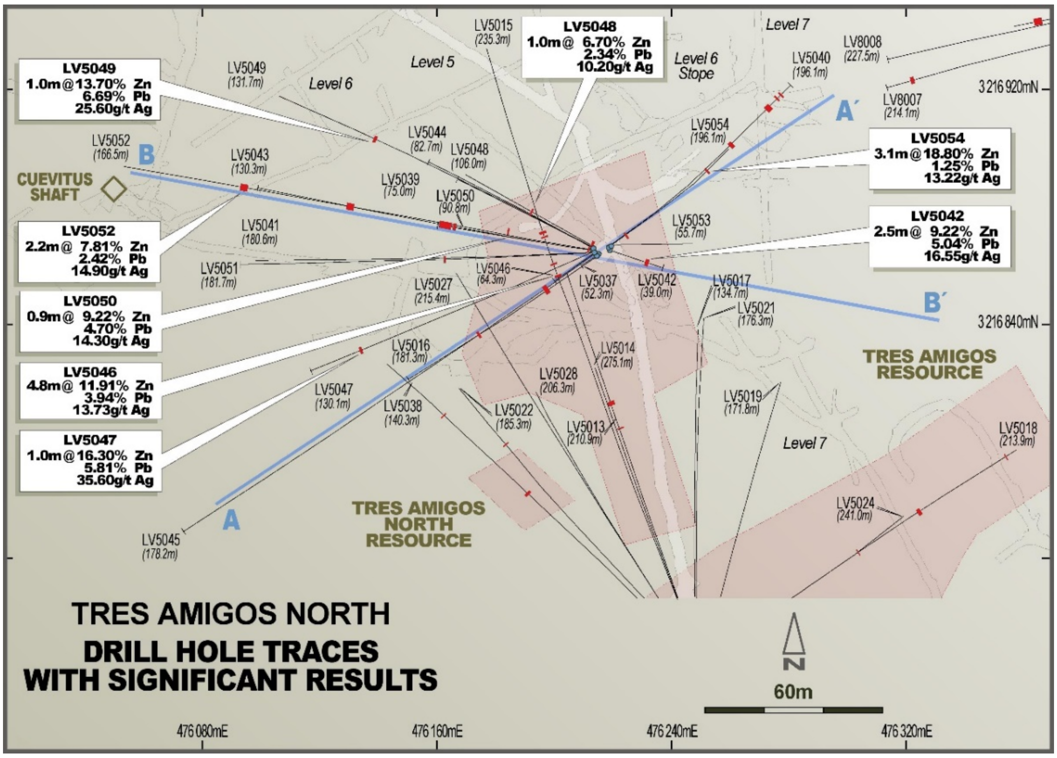

Figure 6. Plan view of Tres Amigos drilling from Level 5 targeting extensions and infill of the Tres Amigos and Tres Amigos North resource mineralisation.

LV5054 and LV5040 are the deepest new discoveries drilled by CZL in the Tres Amigos mineralised zone. It appears that this mineralisation is the continuation of the Tres Amigos zone, located 130m to the southeast. Plans are now to place a drill rig in Level 7 and commence a drill out to define this new area.

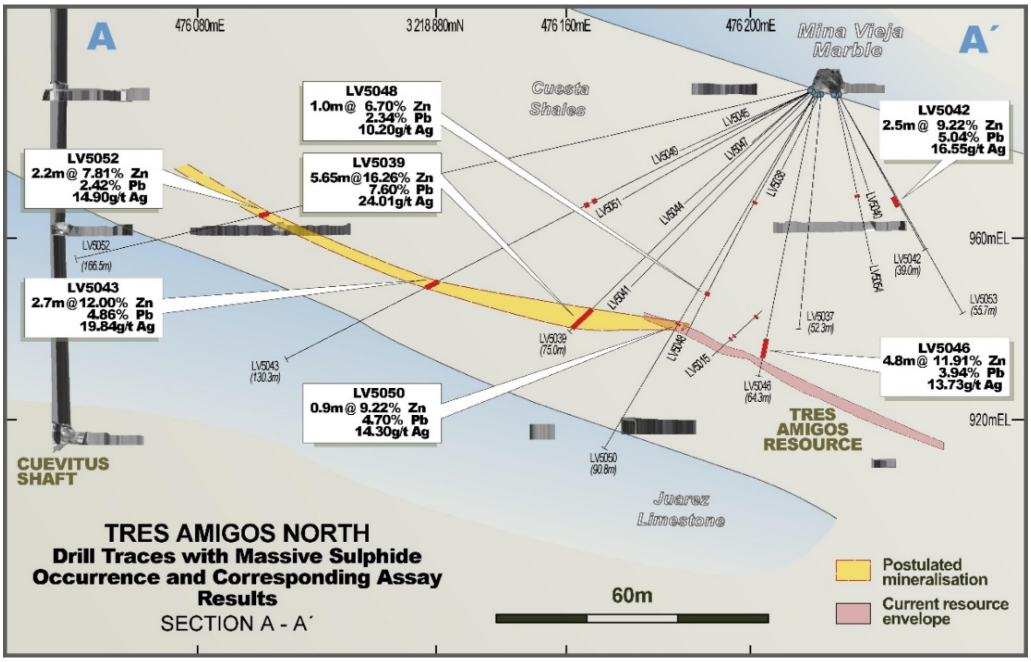

Figure 7. Section AA' of Tres Amigos drilling from Cuddy 5.4 targeting extensions and infill of the Tres Amigos and Tres Amigos North resource mineralisation.

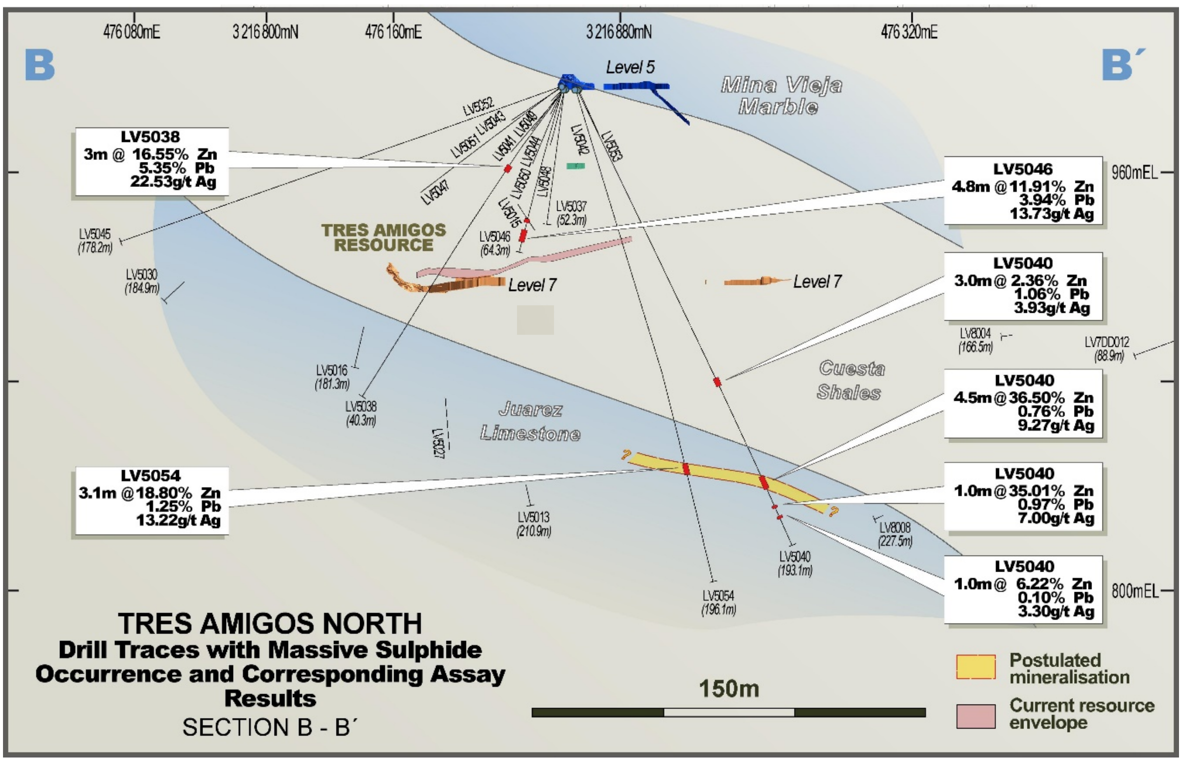

Figure 8. Section BB' of Tres Amigos drilling from Cuddy 5.4 targeting extensions and infill of the Tres Amigos and Tres Amigos North resource mineralisation. Note the outline of the resource shown is off section and 120m up dip of LV5040 intercept and will be remodelled with latest information from LV5040 and LV5038.

Underground mapping & sampling

Ongoing underground mapping and face sampling continued to define targets for follow up drill targets and resource extensions (Figures 9-11).

- The work around Las Espadas continued to identify additional high-grade zinc and lead mineralisation within the Las Espadas West area. This is located in the north part of the mine where rock chip results returned high values of 50.22%, 49.13% and 40.18% Zn+Pb combined along with 35.6g/t, 49.9g/t and 32.4g/t Ag, respectively.

- The first mapping and sampling at the nearby Juarez mine returned high grade zinc assays up to 42.72% Zn+Pb. Juarez Mine is located approximately 550 metres northwest of the Plomosas plant site with easy access from the portal to the mine by road. The mine development remains geotechnically sound, with the majority of the drives and stopes occurring within the competent Juarez Limestone unit, which also hosts the Tres Amigos mineralisation.

  Mining was previously undertaken by ASARCO with approximately 77,000 tonnes of high grade ore estimated to have been removed. No systematic exploration has previously been undertaken in this area.

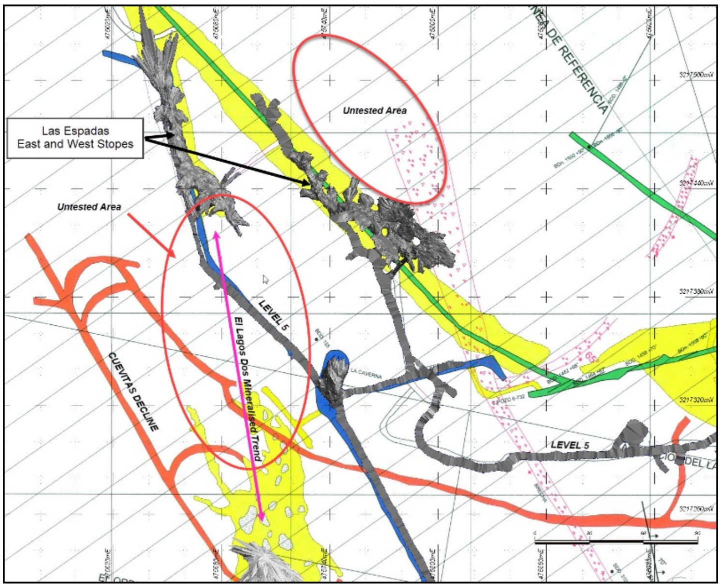

Figure 9. Las Espadas plan of underground development in the east and west stopes and untested area along the trend to El Lagos.

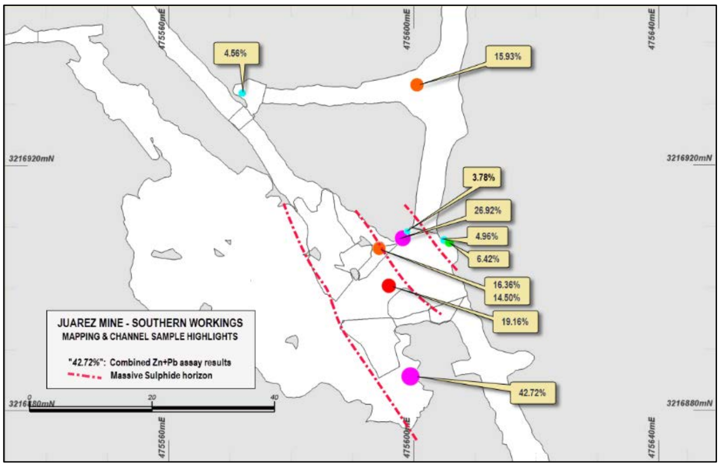

Figure 10: Plomosas Mine location plan and inset showing Juarez Mine and highlights of the first sampling results from the southern end of the workings.

PLOMOSAS JORC RESOURCE INCREASE

On 30 April, 2018, the Company announced a significant improvement in its JORC (2012) Mineral Resource estimate for the Plomosas zinc-lead-silver project in northern Mexico which is summarised in the Annual Mineral Resource Summary. The drilling had been successful in increasing the resource by 22% in total tonnes and placed 53% of the mineralisation into the Indicated category. The Tres Amigos mineralisation in particular was shown to extend far further down dip than previously known resulting in a 32% increase in tonnage and a 165% increase of mineralisation in the Indicated category (Figures 11-12).

The resource estimate, independently completed by Ashmore Advisory Pty Ltd ("ASH"), is reported in accordance with the JORC (2012) reporting guidelines, and contains **1,178,000 tonnes @ 16.1% Zn+Pb and 22.2 g/t Ag for 189,700 tonnes of contained Zn+Pb metal in both Indicated and Inferred categories (Table 1)**. The mineral resource comes from the extensions both down dip and down plunge from existing mine development at Levels 5 to7.

The ASX announcement of 30 April, 2018 contains the details of the JORC resource estimate.

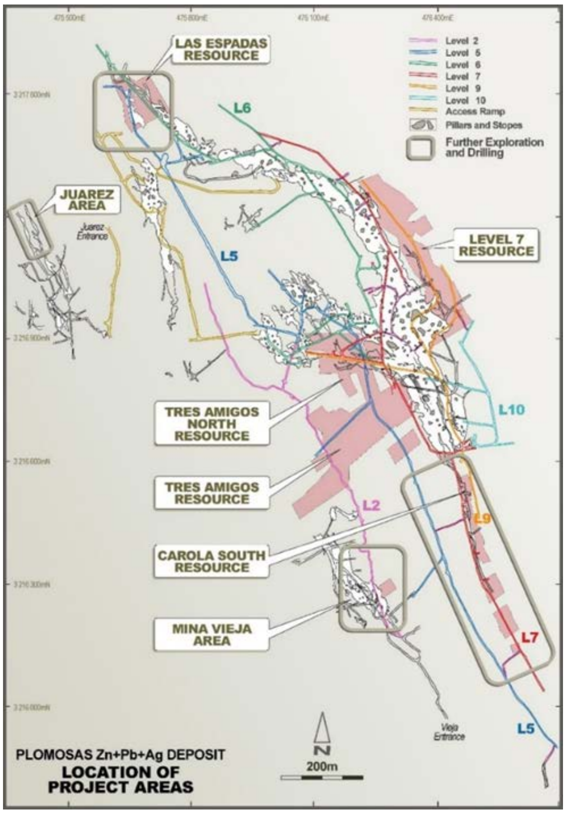

Figure 11. Plan view of the Plomosas mine showing location of the work areas referred to in the text. The April 2018 Mineral Resource outlines are highlighted for Tres Amigos and Level 7 Deeps.

Notably mineralisation within the Tres Amigos areas have comprised coarser grained sulphides and are low in lead (galena). Zn/Pb ratios range from 8:1 to 12:1 in contrast to Level 7 mineralisation hosted by the Mina Vieja unit which is closer to 2:1. This resulted in very good metallurgical recoveries of over 90% and production of high quality zinc concentrates in the metallurgical testwork.

Most of the resources are immediately accessible from underground and Figure 4, shows the Tres Amigos massive sulphides exposed in Level 5 and available for immediate mining access. Channel samples from this face returned 2m at 19.1% Zn+Pb and it is likely that this are will be focus of any recommencement of mining due to its grade, accessibility and its proximity nearer to surface.

Ongoing drilling and underground mapping has forged a greater understanding of geological controls and the geometry of the mineralisation. Numerous exploration drill targets remain, both underground and from surface, for futher assessment and follow. These drill targets aim to identify resource extensions and additions as well assisting the renewed focus on regional exploration.

Tres Amigos has been drilled with significant success as detailed in the announcements to the ASX during February and March. The results have confirmed our increasing knowledge and targeting of the mineralisation at Plomosas and resource extension drilling has delivered results above expectations. The Tres Amigos mineralisation now demonstrates potential continuity over 400m of strike length and potential for repetition below the Level 7 with similar resource tonnages between Levels 7 and 10 as is being seen above Level 7.

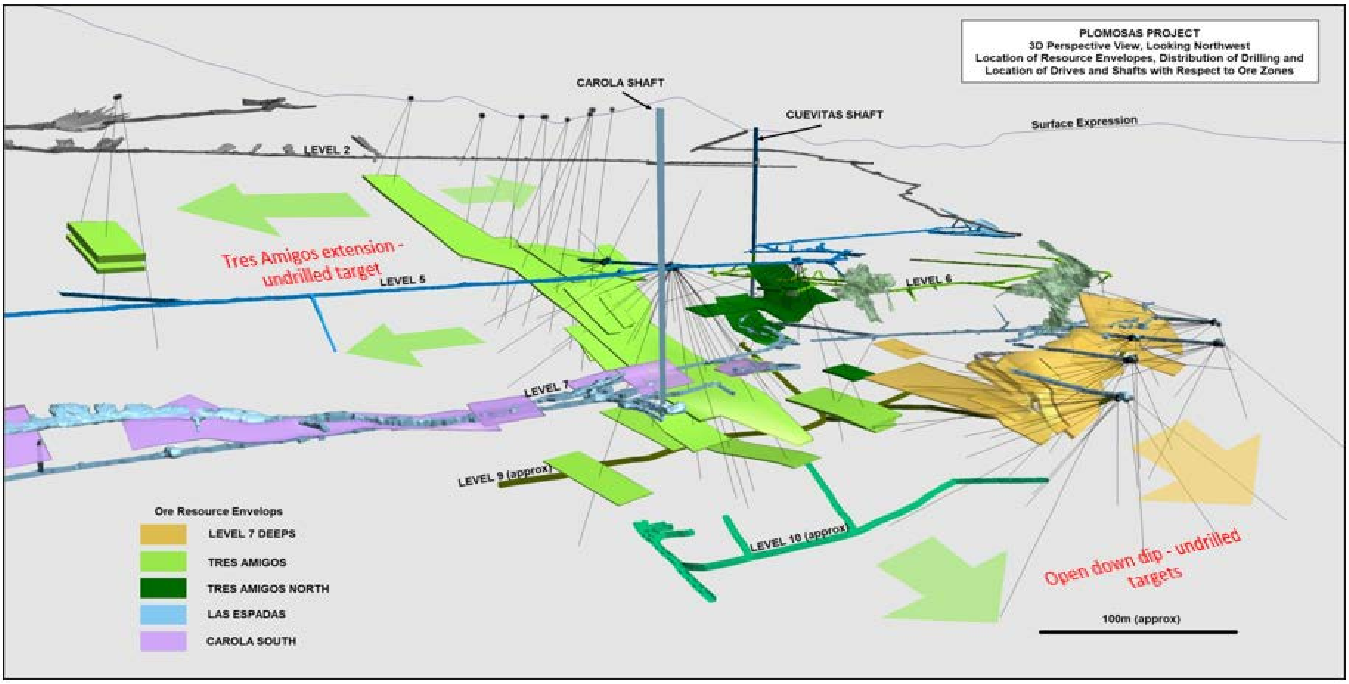

Figure 12: Oblique view looking NW of Plomosas Mineral Resource wireframed solids. Relative spatial locations of resources are shown with proximity of shafts and underground development and areas with potential for future extension and infill resource drilling. Note extensive along strike and down dip potential identified for Tres Amigos and other mineralised horizons whose strike extents remain untested and constrained by the lack of drilling.

MINING STUDIES

Reviewing and following up the results of the Scoping Studies undertaken in 2017 to investigate the recommencement of mining at Plomosas by utilising the existing mine infrastructure and processing plant on site. This included obtaining firm pricing and quotes for refurbishing and re-establishing mining and processing on site, including shaft refurbishment, environmental management and tailings dam design and securing of appropriate operational permits.

During the quarter the Scoping Study parameters and assumptions were revisited to assess the potential of bringing the mine back into production sooner through a staged development rather than delaying and commencing the anticipated large-scale mining operations in one step.

Site inspections were undertaken by various consultants and company executives leading to the conclusion that the existing plant can be refurbished to operate at 35,000 tonnes per annum (tpa). Based on testwork completed to date, ore sorting might be used to enhance the already high mine grades and reduce the tonnages that would be fed into the flotation plant. Further testwork was planned to detail the specific performance of the ore sorting process subsequent to completion of the Feasibility Study.

The Tres Amigos resource was best suited to focus on as a starting point as it comprised the highest proportion of currently indicated resources at Plomosas, had immediate access available through an extensive mine infrastructure and its metallurgical performance was known to deliver high quality zinc concentrates. Therefore, Tres Amigos will provide the initial focus to bring the Plomosas mine back into production. In parallel the resource definition of the Level 7 Orebody 32 Semi Oxide Ore (SOX) and Sulphide Ore (SUL) mineralisation will be advanced, production from these areas will be scheduled behind Tres Amigos.

Metallurgical Testwork Program

Metallurgical testwork completed during the year on composite samples from the Tres Amigos sulphide zone has attained positive results. Using a conventional zinc sulphide flotation scheme a high grade bulk zinc concentrate with a recovery over 90% has been achievable which may also contain possible credits for lead.

Low Bond Ball results of 10.9kWh/t to reach 80% passing 59 micron and low residence times also suggest a simple, low capex and low opex circuit would be required.

Scoping Study

A Scoping Study into recommencing mining at Plomosas was completed in 2017 with positive results at a base-case level and identified several areas where returns might potentially be improved. Readers are referred to CZL's announcement to the ASX dated 27 October, 2017, for full details.

The study focussed on mining the high grade Tres Amigos resource on Level 5 due to its proximity to surface, the ability to immediately access the ore via existing infrastructure, the high (90%-95%) metallurgical zinc recoveries that had previously been identified and the quality concentrate that testwork has established can be obtained.The Study assumed using existing infrastucture but a significant portion of the resource remained in the inferred category and the mining method assessed was a mechanised method and subsequently considered unsuitable in terms of cost and dilution..

Following a review of the Scoping Study results, Consolidated Zinc revised its strategy and investigated other mining options more suited to the style of deposit and reflective of the historical mining approach at the site. This became the basis on which further mining investigation were carried out as part of the ongoing Bankable Feasibility Studies.

Bankable Feasibility Study

While the growth in defined resources for Plomosas has been significant and the project retains significant exploration potential for high grade sulphide mineralisation the choice of mining method in the Scoping Study was considered unsuitable and Feasibility Studies continued with a review of methods that used the skills available in the local district, namely airleg stoping and room and pillar methods which were better suited to reducing dilution and costs.

A lower risk mining option was to develop the mine in stages which better fits with the current access to capital. CZL elected to commence production at a modest level as soon as possible before ramping up the production level. The benefits of this approach are that:

- cashflow will be achieved sooner;
- initial capital requirements to first production would be significantly reduced;
- production rates would be better matched to identified resources;
- subsequent expansion stages may be expensed against income;
- existing infrastructure and facilities at site and in Mexico can be fully utilised, and
- value to shareholders is enhanced through the reduced capital demand on CZL.

Site inspections of the processing plant options were also undertaken by various consultants and company executives leading to the conclusion that the existing plant could be refurbished for a low capital cost. These findings were used to compare the benefits of the toll treatment option offered by Grupo Mexico which was judged to provide better benefits.

Mining studies

Independent consultant Cube Consulting Pty Ltd ("Cube") were commissioned in May 2018 to assess the mining options and prepare a mining plan and schedule for the pure sulphide component of the Mineral Resources at Plomosas**.** The design was to focus on the Indicated category mineralisation to support a small initial production start up with subsequent expansion derived derived from Indicated and Inferred category mineralisation.

The mine design provided by Cube based on the current Mineral Resource provided a mining schedule for over 4 years and the main features included:

- development design has focused on utilising much of the existing underground infrastructure including the existing Cuevitas decline, Cuevitas shaft and Carola shaft. Direct access to the Tres Amigos resource will commence through a Level 5 development crosscut.
- The Cube Study recommended airleg stoping with the use of scrapers for Tres Amigos, Tres Amigos North and Orebody 32 Sulphides, with the potential to use room and pillar mining in the flatter areas.
- Cut-off grades were determined using a Net Smelter Return (NSR) calculation estimated here to be US$98.96/tonne.
- Declines will be developed at 3.5m wide by 3m high, with smaller drives, ore drives and strike drives developed at 2.5m wide x 2.5m high.
- The Cuevitas Shaft could be refurbished and developed when required for hoisting to obtain higher production rates while Carola Shaft will provide services and upcast ventilation.

Detailed Costing Studies

The scope and timing for the development for sustained production has been designed in sufficient detail to secure tendered prices for the mining activities. Tenders received from local mining contractors were negotiated and fine tuned in light of the Cube mine schedule but they indicate that mine development costs and operating costs will be significantly lower than in Australia.

A Detailed Costing Study (DCS) was prepared on the basis of refurbishing the on-site plant and commencing early production on at a low initial rate of 35,000 tpa. Capital costs of getting to Stage 1 production received and were considered to be low given the available mine infrastructure and plant available at site. The contractor tenders received were also reviewed and finalised in light of the mine design along with the pricing of the minor equipment requirements to commence operations as soon as possible. The DCS became a useful yardstick by which to compare the benefits of accepting the subsequent toll treatment and concentrate purchase proposal from Grupo Mexico.

PROJECT DEVELOPMENT TIMING

Based on the additional studies and quotes received to date;

- Cube has provided a schedule for mining to commence within a few weeks of mobilisation of the Mining Contractor.
- Firm quotes have been received for contract mining, shaft rehabilitation, refurbishment of plant, transport of product, offtake sales proforma agreements, tailings dam construction including liner quotes for supply and installation, power

supply and installation of a diesel generator power station, site civil works, refurbishment of site accommodation, light vehicles and mobile equipment and project management.

- The mining and plant refurbishment permits have been secured.
- The revised Environmental Management Plan (EMP) and Environmental Impact Assessment (EIA) are being finalised and will be submitted in October with the finalisation of the revised Tailings Dam Design. All operational permitting is expected to be secured before the end of November 2018.

Fast tracking the project under these parameters showed Plomosas had the capability to commence small scale production prior to the end of 2018 utilising the refurbished on-site plant. However, when the the opportunity arose to commence an immediate mine start up without refurbishing the plant by entering into an operating relationship with Grupo Mexico these findings were used as a basis on which to compare the economic benefits.

Consequently the economic and operational case for entering into an immediate toll treatment and offftake arrangement with Grupo Mexico through their Santa Eulalia plant proved very favourable and these agreements were entered into post-June 30, 2018 with first ore produced from level 5 on 19 September, 2018.

REGIONAL EXPLORATION

Exploration of the mineralised mine sequence in the surrounding region was largely put on hold while most efforts were directed to improving the in-mine resource for mine planning access and production scheduling. However, encouraging results warranting follow up and confirming the prospectivity of this area were obtained from several prospects in the area including the Alfonsitos prospect 2 km from the mine site, which obtained rock chip results up to 34.96% Zn+Pb.

The Company is confident that the 7 km mineralised structure covered by our concessions and within which the Plomosas mine sequence is situated remains highly prospective (Figures 13 - 15).

Figure 13. Location of the Plomosas mine operation within the 7km of structural and mineralised sequence covered by CZL concessions.

First pass rock chip sampling at the Alfonsitos prospect in October 2017 returned very good results with grades up to 18.53% and 24.34% Zn+Pb from workings and 15.05% Zn+Pb from outcrop. (refer ASX announcement 9 November, 2017). Subsequent follow up mapping and sampling in the Alfonsitos area confirmed those results and returned high values up to 34.96% Zn+Pb from Alfonsitos and 28.75% Zn+Pb from the Mina Mexico prospect, 600m to the north west of Alfonsitos (Figures 14 and 15). Alfonsitos is the first of several prospects identified by reconnaissance exploration and geophysical surveys previously reported to the ASX in November 2016.

Surface sampling at Mina Mexico returned high grades up to 28.75% Zn+Pb, averaging 22.36% Zn+Pb and mineralisation was mapped over a 50m length. Historical information suggests that mined grades from historical workings averaged 11.6% Zn and 1.4% Pb.

This is the first modern exploration undertaken at Alfonsitos, although artisanal shallow workings which pre-date the 1940s have been located. ASARCO had undertaken a limited exploration program in the area in 1976, but despite positive results, no follow up work or drilling was undertaken.

The area, located north west of the current Plomosas mine, has the same geological setting to the mine itself and displays a similar style of mineralisation at surface. This provides further encouragement that there is potential for significant new discoveries and additional resource tonnes at Alfonsitos and within the existing tenement portfolio.

Two structural zones are noted in the area;

1) Northwest orientated structures that are parallel to the main thrust zones responsible for the mineralisation event at Plomosas.
2) Northwest orientated structures that are late stage fractures, crosscutting northwest structures and may be responsible for allowing mineralisation leakage along their lengths.

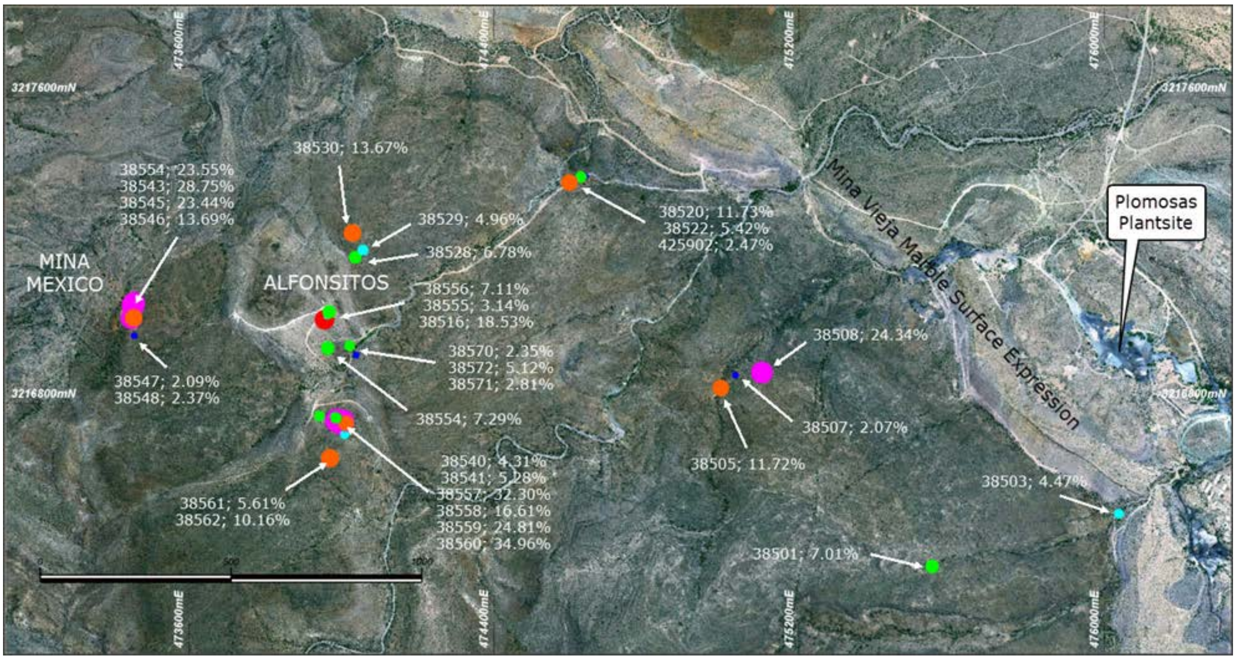

Figure 14: Regional exploration assay results from surface sampling to the north west of Plomosas mine. Mostly rock chip, channel and occasional dump samples are shown.

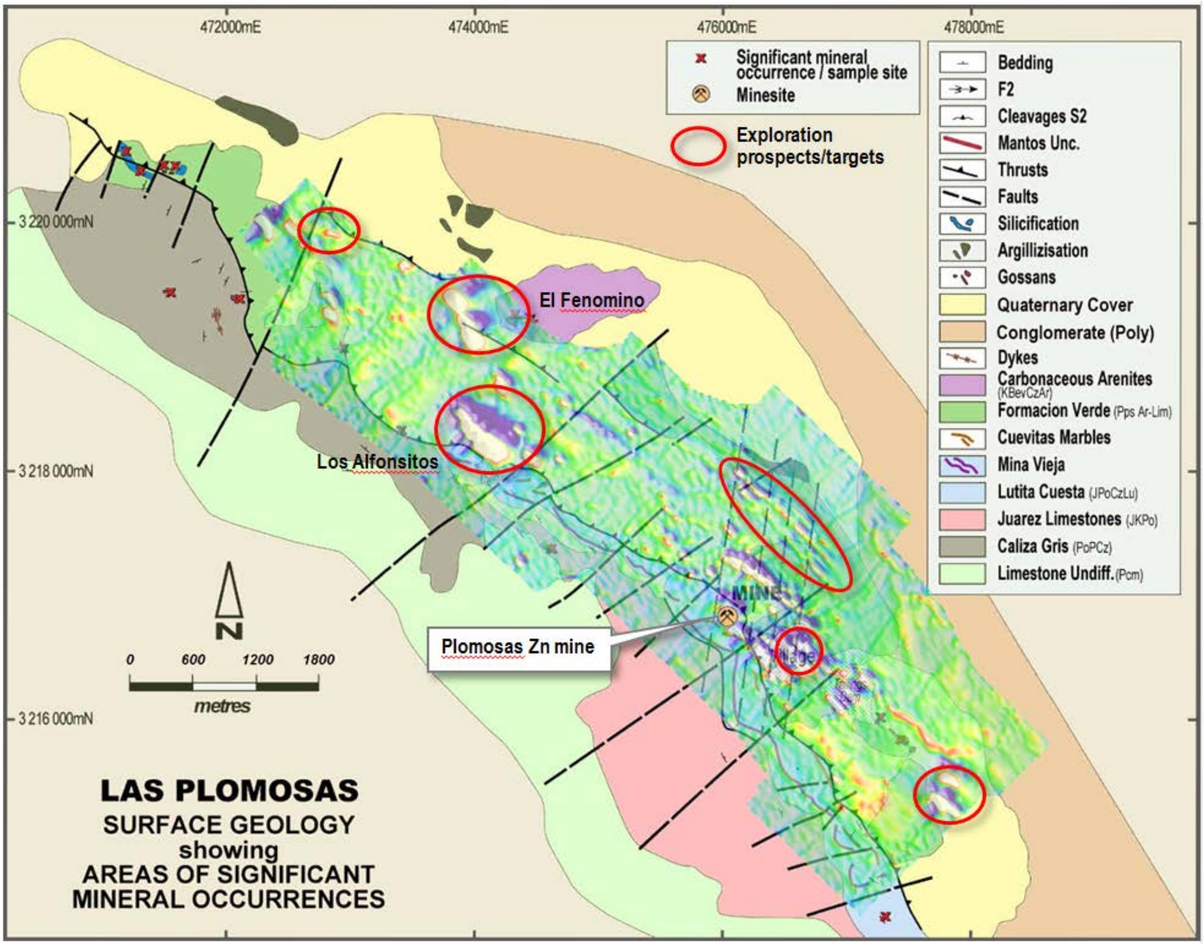

Figure 15: Plan view of regional geology overlain on aeromagnetic survey results. First pass near mine exploration program defined prospective geology including the mine sequence extending from the Plomosas mine site along with encouraging anomalous rock chip samples. Several priority areas have been highlighted that warrant further follow up.

FUNDING

Bankable Feasibility Study

The results of the Feasibility Studies including the Definitive Cost Study were presented to potential financiers and offtake counterparties and several proposals were received which were subject to ongoing negotiations in the latter part of the year. Relations with these groups are still strong notwithstanding the decision post year end to accept the proposal put to the Company by Grupo Mexico which saw a pathway to immediate production, low capex and low transport costs.

Rights issue & Convertible Notes

In November-December 2017, CZL raised $2.062 million through the issue of 171,851,717 fully paid ordinary shares at $0.012 per share (with a free 1 for 3 unlisted 2.5c, 31 December 2020 option). This raising was completed in two tranches to obtain required shareholder approvals.

During the June quarter, CZL raised $1.300M funds through convertible notes with the following key terms:

- Convertible at the 12 month anniversary or by election by lender
- Interest payable at 10% p.a.
- Convertible at the lower of A$0.01 and the price that the next capital raising is completed at for each share, subject to shareholder approval

The total value of convertible notes held by the company as at 30 June 2018 was $1.977M

CORPORATE

Board changes

The Company undertook a review of its organisational and technical structure as it increased its focus on near term production. This was designed to make sure the experience and skill set of management could meet the future requirements of the company as it moves to project development.

- Managing Director Will Dix stepped down from his role at the end of 2017 and on 5 March 2018 Mr Bradley Marwood was appointed as Chief Executive Officer. He brings to the company a wealth of expertise in transitioning exploration companies to operators. He has extensive international experience of underground mining and the refurbishment of processing plants and dealing with offtake counterparties.

- Mr Eduardo Valenzuela, a mining engineer with extensive experience, was appointed Technical Director on 22 January 2018 but unfortunately had to resign on 14 June, 2018 for personal reasons.

- Mr Andrew Beigel was appointed as a director stepping up from the Company Secretary and CFO functions and will maintain these functions while he serves on the Board.

- Ms Angela Pankhurst was appointed a Non-Executive Director effective 1 August 2018 and brings a strong accounting, financial management and corporate governance background to the group.

The Directors of Consolidated Zinc Limited present their report, together with the financial statements of the Group, being the Company and its controlled entity, for the financial year ended 30 June 2018.

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 during the year and at the date of this report are:

- Mr Stephen Copulos
- Mr Andrew Richards
- Ms Angela Pankhurst (appointed 1 August 2018)
- Mr Andrew Beigel (appointed 14 June 2018)
- Mr Will Dix (resigned 8 January 2018)
- Mr Luis Rogelio Martinez Valles (resigned 2 March 2018)
- Mr Eduardo Valenzuela (appointed 22 January 2018; resigned 14 June 2018)

COMPANY SECRETARY

- Mr Andrew Beigel

INFORMATION ABOUT THE DIRECTORS

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

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

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

Name	**Date Appointed**	**Date Resigned**
Collins Foods Limited	April 2013	October 2014
Crusader Resources Limited	March 2013	April 2018
Black Rock Mining Ltd	January 2015	Current
Restaurant Brands Ltd	April 2016	Current

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	July 2014	Current
Southern Hemisphere Mining Ltd	December 2013	May 2015

Andrew Beigel
(Director & Company Secretary)

Mr. Beigel has more than 20 years of corporate experience across a range of industries and has held executive positions with other ASX listed companies in the resources sector. He has previously been involved in development and funding of projects and bankable feasibility studies. Mr. Beigel is a member of CPA Australia.

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

Angela Pankhurst
(Non-Executive Director)

Ms Pankhurst originally a Chartered Accountant undertaking audit and CFO roles, who increasingly took on non-executive and executive roles in the international resource sector becoming Managing Director of Central Asia Resources Limited in 2011 when she managed the development of the Company's gold project in Kazakhstan.

Ms Pankhurst has worked in both resource and non-resource sectors in numerous countries, including Australia, Kazakhstan, Nigeria, Dominican Republic and others in Africa and Asia.

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

Name	Date Appointed	Date Resigned
Panterra Gold Limited	April 2012	Current
Imritec Limited	September 2014	Current

Eduardo Valenzuela
(Non-Executive Director)

Mr Eduardo Valenzuela joined the Board as Technical Director on 22 January 2018.

Eduardo Valenzuela is a mining engineer who graduated from the University of Chile and also has a Master of Business in International Management from Curtin University in Western Australia. He has extensive industry experience in Australia, Latin America, USA, Asia, and the Middle East, with senior roles including Manager Strategic Planning and Project Manager Phase IV Expansion with BHP Minerals (Escondida, Chile); Manager Latin America with BHP Engineering; Mine Manager at Murrin Murrin in WA; Mining Industry Specialist with the International Finance Corporation (IFC) in the USA and Senior Project Manager and Project Director with SKM (now Jacobs).

Mr Valenzuela resigned his position with Consolidated Zinc on 14 June 2018.

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

PRINCIPAL ACTIVITIES

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

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

OPERATIONS REVIEW

During the reporting year Consolidated Zinc focussed entirely on northern Mexico where the Company's flagship, the high grade zinc-lead-silver Plomosas Project, is located in the state of Chihuahua. While encouraging results were obtained in the regional exploration program most work was directed to advancing the project to production status.

After completing a Scoping Study in the first half, the Mineral Resource was updated with an increase in tonnage and resource category confidence, particularly in the Tres Amigos mineralised zone. The resource is open along strike and at depth within the mine area and efforts are ongoing to further extend and infill that resource in order to better establish production plans and mine schedules.

This work and the upgraded Mineral Resource underpinned further investigations in order to develop a Bankable Feasibility Study (BFS) which incorporated a review of various mining and processing options for restarting production at Plomosas. In the latter part of the financial year a mining schedule was developed and a Definitive Cost Study was completed. The results of the BFS work were presented to potential financiers and offtake counterparties which culminated, post financial year completion, in the Company's decision to commence mining at Plomosas in September 2018.

FINANCIAL REVIEW

Profit and Loss

The Group recorded a loss after tax attributable to the owners of the Company for the year ended 30 June 2018 of $1.432 million (30 June 2017: $1.442 million), representing a loss per share of 0.18 cents (30 June 2017: 0.32 cents). The losses were primarily due to administration and employee expenses, foreign currency translation loss due to adverse movements of the US Dollar and Mexican Peso when translated to the Group's presentation currency.

Balance Sheet

Total current assets decreased by $1.851M, mainly through reductions in cash $2.748M, partly offset by an increase in trade receivables of $0.896M, due to a reduction in supplier advance payables and a re-classification of VAT receivable from non-current to current at balance date.

Total non-current assets increased by $3.292M, primarily due to an increase in capitalised exploration expenditure. This was offset by a reduction in non-current trade receivables, following a reclassification of VAT receivable to a current trade receivable at balance date.

Total liabilities increased by $1.089M to $3.450M million primarily due to a net increase in borrowings of $0.994M to $1.994M due to the issue of $1.300M of additional convertible notes and the conversion of $0.322M of prior year convertible notes into ordinary shares.

Total equity interests attributable to the Company's shareholders increased by $0.363M to $15.767M, partly offset by a loss for the year of $1.432M.

Cashflow

As at 30 June 2018, the Group held cash on hand and deposit of $0.335M (2017: $3.084M).

Net cash outflows from operations and investing activities were $0.691M and $4.970M respectively. Financing activities raised $3.020M after capital raising expenses.

Financing

Equity raisings

In November-December 2017, CZL raised $2.062 million through the issue of 171,851,717 fully paid ordinary shares at $0.012 per share (with a free 1 for 3 unlisted 2.5c, 31 December 2020 option). This raising was completed in two tranches to obtain required shareholder approvals.

Convertible Notes

During the June quarter, CZL raised $1.300M funds through convertible notes with the following key terms:

- Convertible at the 12 month anniversary or by election by lender
- Interest payable at 10% p.a.
- Convertible at the lower of A$0.01 and the price that the next capital raising is completed at for each share, subject to shareholder approval

The total value of convertible notes held by the company as at 30 June 2018 was $1.977M

DIVIDENDS PAID OR RECOMMENDED

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

LIKELY DEVELOPMENTS AND EXEPCTED RESULTS OF OPERATIONS

The Group will continue the exploration, development and pathway to production of the Plomosas in Mexico.

In evaluating the likely achievement of these outcomes, the following risk factors should be taken into consideration:

Single Exploration and Development Asset

The Group's future primary income generating asset will be the Plomosas Project, and the Group is therefore at risk that adverse performance of that project resulting from internal or external factors may impact future returns.

Operating costs and Production

Production costs incurred by the Group are subject to a variety of factors including, but not limited to: fluctuations in input costs such as diesel, which are determined by global markets, changes in economic conditions which impact on margins required by contracting partners and changes in assumptions such as Mineral Resources.

Significant movements in a combination of these elements, could have a material adverse effect on operating costs of the Group.

Estimate of Mineral Resources

Due to the nature of Mineral Resources no assurance can be given that any particular level of recovery of minerals will be realised from the resources mined and processed through the Santa Eulalia plant, which may impact on the future financial and operational performance of the Group.

Going Concern

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

Working Capital Deficiency

As at balance date, the consolidated entity had a net working capital deficiency of $1.583 million. Included in the working capital deficiency are current liabilities of $1.994 million, being convertible notes and associated accrued interest payable, more fully described in Note 13.

The Directors believe the going concern assumption is appropriate, as at the date of this report, the share price of the Company is trading at a significant premium to exercise price of the convertible notes, the convertible notes are held by significant shareholders including the non-executive Chairman and the assumptions utilised in the cashflow forecast (the forecast zinc/lead prices, production volumes and operating costs) demonstrate surplus cashflow generated by the commencement of mining will be sufficient to repay the convertible notes and other current liabilities.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The exploration activities of entities in the consolidated entity are subject to environmental regulations imposed by various regulatory authorities, particularly those relating to ground disturbance and the protection of rare and endangered flora and fauna.

Entities in the consolidated entity have complied with all environmental requirements up to the date of this report.

CORPORATE STRUCTURE

Consolidated Zinc Limited (ACN 118 554 359) is a company limited by shares that is incorporated and domiciled in Australia. It listed on the Australian Securities Exchange on 15 June 2006 (ASX: CZL).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as set out in this annual financial report for the year ended 30 June 2018 there have not been any other significant changes in the state of affairs of the Group during the financial year.

EVENTS AFTER THE REPORTING DATE

Other than set out below, no matters or circumstances have arisen since the end of the year ended 31 December 2016 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 10 July 2018, the Company annoucned Ms Angela Pankhurst had accepted the position of Non-Executive Director and would join the Board on 1 August 2018.

- On 3 August 2018, the Company announced it had raised an additional $300,000 from the issue of convertible notes on a 12 month term, convertible at the lower of 1 cent per share or the next capital raising price and a coupon interest rate of 10.0% per annum from existing major shareholders.

- On 10 August 2018, the Company announced it received a claim by Pandion Minerals Pty Ltd ("Pandion") pursuant to which Pandion claims to be conditionally entitled to a 10% in the Plomosas Project in Mexico being free carried until the BFS is completed. The Plomosas Project is presently owned by a joint venture company Minera Latin America Zinc ("MLAZ"), in which the Group has a 51% interest. The pre-condition for the Pandion 10% to be issued is that the Company acquires a further 39% of MLAZ.

  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.

- On the 5 September 2018, the Company announced it would recommence mining at Plomosas immediately following the execution of an ore toll treatment and zinc/lead concentrate offtake agreement with Grupo Mexico. The Company raised $1.25 million from the issue of convertible notes to existing major shareholders with a 12 month term (extendable to 24 months by mutual agreement) at a 10% coupon interest rate, convertible at 1.0 cent per share (if converted within 12 months) or 1.5 cents per share (if converted between 12-24 months).

- On 20 September 2018, the Company announced it had mined and delivered the first ore from the Tres Amigos deposit at Plomosas to the Santa Eulalia concentrator owned by Grupo Mexico.

- On 25 September 2018, the Company announced a share purchase plan (SPP) to eligible shareholders at an issue price of 2.4 cents per share with a maximum subscribtion subscription for 62,500,000 shares to raise $1.5 million (subject to the Boards discretion). Funds raised from the SPP will be used to fund the purchase of additional equity in the Mexican subsidary that has ownership of the Plomosas Project and for working capital.

INFORMATION ON DIRECTORS

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

Current Director	Number of ordinary shares	Number of options granted	Number of options vested	Number of options unvested	Expiry date	Exercise price	Performance Rights
Stephen Copulos	225,395,821	-	-	-	-	-	-
- Unlisted Options	-	15,613,889	15,613,889	-	31 Dec 2018	$0.06	-
- Unlisted Options	-	11,111,111	11,111,111	-	31 Dec 2020	$0.025	-
- Performance Rights	-	-	-	-	-	-	1,500,000
Andrew Richards	4,370,000	-	-	-	-	-	-
- Unlisted Options		2,500,000	2,500,000	-	5 June 2020	$0.06	-
- Performance Rights	-	-	-	-	-	-	1,500,000
Andrew Beigel	62,500	-	-	-	-	-	-
- Unlisted Options	-	-	-	-	-	-	-
- Performance Rights	-	-	-	-	-	-	-
Angela Pankhurst	-	-	-	-	-	-	-
- Unlisted Options		-	-	-	-	-	-
- Performance Rights	-	-	-	-	-	-	-

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
Directors		
Stephen Copulos	8	8
Andrew Richards	8	8
Andrew Beigel	1	1
Eduardo Valenzuela	2	1
William Dix	5	5
Luis Rogelio Martinez Valles	5	-

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 and performance right schemes with the prior approval of shareholders. Executives may also participate in employee share option and performance right schemes, with any option or performance right issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options and performance rights to executives and senior managers outside of approved employee option and performance right plans in exceptional circumstances; and
- **d)** other benefits - executive directors and senior managers are eligible to participate in superannuation schemes and other appropriate additional benefits.

Non-executive Remuneration

Shareholders approve the maximum aggregate remuneration for non-executive directors. The Remuneration Committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations, if appropriate. The maximum aggregate remuneration approved for non-executive directors is currently $150,000.

It is recognised that non-executive directors' remuneration is ideally structured to exclude equity based remuneration. However, whilst the Group remains small and the full Board, including the non-executive directors, are included in the operations of the Group more closely than may be the case with larger companies the non-executive directors are entitled to participate in equity based remuneration schemes.

All directors are entitled to have their indemnity insurance paid by the Group.

Bonus or Profit Participation Plan

Performance incentives may be offered to executive directors and senior management of the Group through the operation of a bonus or profit participation plan at the ultimate discretion of the Board.

Directors and Key Management Personnel

The following persons acted as Directors and/or Key Management Personnel (KMP) of the Group during or since the end of the financial year:

Mr. S. Copulos	Chairman (Non-Executive)
Mr. William Dix	Managing Director -resigned 9 January 2018
Mr. Andrew Richards	Director (Executive)
Mr. Eduardo Valenzuela	Director (Non-Executive) – appointed 22 January 2018 – resigned 14 June 2018
Mr. Luis Rogelio Martinez Valles	Director (Non-Executive) – resigned 2 March 2018
Mr. Andrew Beigel	Company Secretary and Director – appointed 14 June 2018
Ms. Angela Pankhurst	Director (Non-Executive) – appointed 1 August 2018
Mr. Brad Marwood	Chief Executive Officer – appointed 4 March 2018

Details of Remuneration for year ended 30 June 2018

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

Key Management Person	Salary and Wages	Superannuation	Share based Payments	Total Remuneration	Performance-based Remuneration
	Short-term Benefits	Post-employment Benefits			
	$	$	$	$	%
2018					
Stephen Copulos	100,000	-	-	100,000	-
William Dix	128,331	-	-	128,331	-
Andrew Richards	164,000	-	-	164,000	-
Eduardo Valenzuela	25,000	-	27,400	52,400	52
Luis Rogelio Martinez Valles	35,164	-	-	35,164	-
Andrew Beigel	54,795	5,205	-	60,000	-
Brad Marwood	68,094	-	12,659	80,753	16
	575,384	5,205	40,059	620,648	
2017					
Stephen Copulos	100,000	-	33,500	133,500	25
William Dix	219,996	-	44,667	264,663	17
Andrew Richards	100,000	-	33,500	133,500	25
Luis Rogelio Martinez Valles	30,000	-	-	30,000	-
Andrew Beigel	54,795	5,205	-	60,000	-
	504,791	5,205	111,667	621,663	

Shares held by KMP

Key Management Person	Held at start of year/ on appointment	Conversion of debt instrument	Acquired	Balance on Resignation	Held at year end
2018					
Stephen Copulos	145,187,488	26,875,000	43,333,333	-	215,395,821
William Dix	2,730,000	-	-	(2,730,000)	-
Andrew Richards	2,370,000	-	-	-	2,370,000
Andrew Beigel	62,500	-	-	-	62,500
Luis Rogelio Martinez Valles	-	-	-	-	-
Brad Marwood	-	-	-	-	-
Eduardo Valenzuela	-	-	-	-	-
	150,349,988	26,875,000	43,333,333	(2,730,000)	217,828,321
2017					
Stephen Copulos	73,189,554	7,177,778	64,820,156	-	145,187,488
William Dix	1,625,000	-	1,105,000	-	2,730,000
Andrew Richards	1,680,000	-	690,000	-	2,370,000
Luis Rogelio Martinez Valles	25,000,000	-	(25,000,000)	-	-
	101,494,554	7,177,778	41,615,156	-	150,287,488

Options over ordinary shares held by KMP

Key Management Person	Held at start of year	Granted as compensation	Lapsed or expired	Other changes*	Held at the end of year	Vested and exercisable at the end of the year
2018						
Stephen Copulos	15,613,889	-	-	11,111,111	26,725,000	26,725,000
William Dix	5,000,000	-	(5,000,000)	-	-	-
Andrew Richards	2,500,000	-	-	-	2,500,000	2,500,000
Luis Rogelio Martinez Valles	-	-	-	-	-	-
Brad Marwood	-	3,000,000	-	-	3,000,000	-
Eduardo Valenzuela	-	-	-	-	-	-
Andrew Beigel	-	-	-	-	-	-
	23,113,889	3,000,000	(5,000,000)	11,111,111	32,225,000	29,225,000
2017						
Stephen Copulos	17,675,000	-	(2,061,111)	-	15,613,889	15,613,889
William Dix	5,000,000	-	-	-	5,000,000	-
Andrew Richards	2,500,000	-	-	-	2,500,000	-
Luis Rogelio Martinez Valles	-	-	-	-	-	-
	25,175,000	-	(2,061,111)	-	23,113,889	15,613,889

*Free attaching options on acquisition of shares (three free options for each share) allotted in the December 2017 share subscription.

No options were exercised during 2018 and 2017.

Performance Rights held by KMP

Key Management Person	Held at start of year	Granted as compensation	Lapsed or expired	Held at the end of year
2018				
Stephen Copulos	2,000,000	-	(500,000)	1,500,000
Eduardo Valenzuela	-	1,500,000	(1,500,000)	-
Brad Marwood	-	3,000,000	-	3,000,000
William Dix	2,666,666	-	(2,666,666)	-
Andrew Richards	2,000,000		(500,000)	1,500,000
Andrew Beigel	-	-	-	-
Luis Rogelio Martinez Valles	-	-	-	-
	6,666,666	4,500,000	(5,166,666)	6,000,000

Share-based remuneration

Performance Rights

A total of 4,500,000 Performance Rights Options were issued to the KMPs as an incentive component of their remuneration, linked to the performance of the Company. The performance rights were granted as follows:

Granted to		Number
Mr Eduardo Valenzuela	(i)	1,500,000
Mr Brad Marwood	(ii)	3,000,000
Total number of performance rights granted		4,500,000

(i) Granted to Mr Eduardo Valenzuela

The 1,500,000 Performance Rights are to be granted as follows:

- 500,000 Class A Performance Rights.
- 500,000 Class B Performance Rights.
- 500,000 Class C Perfromance Rights.

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

Class of equity instruments	Performance Condition	Expiry Date
Class A Performance Rights	(a) Upon the Company announces a JORC Code compliant resource of not less than 1,200,000 tonnes of mineralisation at a combined grade of at least 17% (Zn+Pb); or (b) A Takeover Event occurs	30 September 2019
Class B Performance Rights	(a) Upon the commencement of construction of a mine at the Company's Plomosas Project; or (b) A Takeover Event occurs	30 September 2019
Class C Performance Rights	(a) Upon the Company's shares achieving a 10 day VWAP of $0.15 or more for a period of 10 consecutive trading days; or (b) A Takeover Event occurs	30 September 2019

Mr Valeunzela's performance rights lapsed upon his resignation on 14 June 2018. The total fair value of the performance rights granted to Mr Valeunzela of $27,400 was expensed as share based remuneration during the financial year.

(ii) Granted to Mr Brad Marwood

Performance Rights

The 3,000,000 Performance Rights are to be granted as follows:

- 1,000,000 Class A Performance Rights.
- 1,000,000 Class B Performance Rights.
- 1,000,000 Class C Perfromance Rights.

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

Class of equity instruments	**Performance Condition**	**Expiry Date**
Class A Performance Rights	(a) Upon the Company obtaining 90% equity in the Plomosas Project and commencement of early production; or (b) A Takeover Event occurs.	31 December 2018
Class B Performance Rights	(a) Upon the commissioning of plant and mine operations; or (b) A Takeover Event occurs	30 September 2019
Class C Performance Rights	(a) Upon achieving production levels equal to or greater than 200,000tpa; or (b) A Takeover Event occurs	30 June 2020

Options over ordinary shares

A total of 3,000,000 options were issued to the Mr Brad Marwood as a key component of the incentive portion of his remuneration in order to retain his services and to provide incentive linked to the performance of the Company. The performance rights were granted as follows:

- 1,000,000 Class A Options at an exercise price of $0.06.
- 1,000,000 Class B Options at an exercise price of $0.06.
- 1,000,000 Class C Options at an exercise price of $0.06.

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

Class of Performance Rights	**Performance Condition**	**Expiry Date**
Class A Options	The date on which the Company achieves 90% equity in the Plomosas Project and commencement of early production	31 December 2018
Class B Options	The date on which the Company commissions plant and mine operations	30 September 2019
Class C Options	The date on which the Company achieves the production levels of greater than 200,000tpa	30 June 2020

Shares Issued on Exercise of Compensation Options

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

Employment contracts of directors and senior executives

The Non-Executive Chairman, Mr Stephen Copulos, is employed through a consultancy agreement with Eyeon Investments of which Mr Copulos is a related party. The fee Eyeon Investments receives for Mr Copulos services is $100,000 per annum inclusive of any statutory superannuation 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 event prescribed in the constitution occurs.

Mr Andrew Richards is employed through a consultancy agreement with ARC Resources Pty Ltd ("ARC") of which he is a Director. The fee ARC receives for Mr Richards services is $100,000 per annum plus statutory superannuation. If Mr Richards performances services greater than 12 days per month, an additional daily rate of $1,000 is payable. The service contract is on a 3 year term which expired during the current financial year and has been extended on the same terms and conditions until a revised service contract is entered into.

Mr Brad Marwood is employed through a consultancy agreement with Corporate Mining Resources Pte Ltd ("CMR") of which he is a Director. The fee CMR receives for Mr Marwood' services is $250,000 per annum plus statutory superannuation. CMR entered into a 4 year agreement with the Company commencing 4 March 2018, in the event employment is terminated by the Company other than for gross misconduct, the full balance of the remaining term is payable. CMR can terminate the agreement with 3 months' notice.

The employment of the Company Secretary, Mr Andrew Beigel, is under a letter of appointment with an annual remuneration of $60,000 inclusive of statutory superannuation. Mr Beigel's term is ongoing basis unless he resigns from office or otherwise ceases to hold office.

Consolidated entity performance and link to remuneration

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

Voting and comments made at the Company's 2017 Annual General Meeting ("AGM")

The 2017 Remuneration Report was voted for without any commentary or discussion at the 2017 AGM, on a show of hands with proxy votes for of 140,294,342; votes against of 30,000 and 155,187,844 votes abstaining.

[End of Remuneration Report - Audited]

SHARES UNDER OPTION

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

Grant Date	Date of Expiry	Exercise Price	Number Under Option
Various	31 December 2018	$0.06	126,172,002
5 June 2015	5 June 2020	$0.06	2,500,000
Various	31 December 2020	$0.06	40,000,000
Various	31 December 2020	$0.025	57,283,882
Various	30 June 2023	$0.06	1,250,000
4 March 2018	31 December 2018	$0.06	1,000,000
4 March 2018	30 September 2019	$0.06	1,000,000
4 March 2018	30 June 2020	$0.06	1,000,000
Total options over ordinary shares			226,205,884

At the date of this report, the Company has 6,500,000 performance rights on issue of which 5,500,000 expiring on or before 30 September 2019 and 1,000,000 expiring on 30 June 2020. Performance rights vest and are convertible into ordinary shares upon achieving performance targets, on or before their respective expiry dates.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings. The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

No non-audit services were performed during the year.

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

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

Auditors

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

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2018 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.

ANDREW RICHARDS
Executive Director

DATED this 30th day of September 2018

Caution Regarding Forward Looking Statements and Forward Looking Information:

This report contains forward looking statements and forward looking information, which are based on assumptions and judgments of management regarding future events and results. Such forward-looking statements and forward-looking information involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual market prices of zinc and lead, the actual results of current exploration, the availability of debt and equity financing, the volatility in global financial markets, the actual results of future mining, processing and development activities, receipt of regulatory approvals as and when required and changes in project parameters as plans continue to be evaluated.

Except as required by law or regulation (including the ASX Listing Rules), Consolidated Zinc undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.

Production Targets:

Production targets referred to in this report are underpinned by estimated Mineral Resources which have been prepared by competent persons in accordance with the requirements of the JORC Code. The production targets in this report are sourced from both Indicated and Inferred Mineral Resources and it should be noted that there is a low geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target will be realised.

There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. The stated production target is based on the Company's current expectations of future results or events and should not be solely relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Consolidated Zinc Limited for the year ended 30 June 2018, 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: 30 September 2018

Unit 16, First Floor
Spectrum Offices
100 Railway Road
(Cnr Hay Street)
Subiaco WA 6008

Tel : (08) 6389 5222
Fax : (08) 6389 5255
mail@butlersettineri.com.au
www.butlersettineri.com.au

Locked Bag 18
Subiaco WA 6904
Australia

Consolidated statement of profit or loss and other comprehensive income for the year ending 30 June 2018

	Note	2018 $	2017 $
Revenue			
Interest revenue		-	110
Other revenue		9,673	-
Expenses			
Exploration & evaluation expenses		-	(750)
Administrative expense	3	(555,363)	(624,088)
Personnel expenses	4	(660,340)	(622,695)
Impairment		-	(400)
Foreign exchange loss		(136,986)	(200,858)
Loss on disposal of financial asset		(98,551)	-
Interest expense		(16,767)	(34,237)
Loss from continuing operations before income tax expense		(1,458,334)	(1,482,918)
Income tax expense	5	-	-
Loss from continuing operations after income tax expense		(1,458,334)	(1,482,918)
Discontinued operations			
Loss for the year from discontinued operations	9 (c)	(7,899)	-
Net loss for the year		(1,466,233)	(1,482,918)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Translation difference on foreign exchange		(491,737)	(995,271)
Total comprehensive loss for the year		(1,957,970)	(2,478,189)
Net loss is attributable:			
Owners of Consolidated Zinc Limited		(1,432,005)	(1,442,417)
Non-controlling interests		(34,228)	(40,501)
Total loss from continuing operations		(1,466,233)	(1,482,918)
Total comprehensive loss is attributable to:			
Owners of Consolidated Zinc Limited		(1,947,365)	(1,869,276)
Non-controlling interests		(10,605)	(608,913)
Net loss for the period		(1,957,970)	(2,478,189)
Earnings per share			
Basic and diluted loss per share from continuing and discontinued operations (cents)	6	(0.18)	(0.32)
Basic and diluted loss from continuing operations (cents)	6	(0.18)	(0.32)
Basic and diluted loss from discontinued operations (cents)	6	(0.00)	-

The accompanying notes form part of these financial statements

Consolidated statement of financial position as at 30 June 2018

	Note	2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents	7	335,489	3,083,992
Trade and other receivables	8	1,530,643	631,344
Financial assets		1,000	2,400
TOTAL CURRENT ASSETS		1,867,132	3,717,736
NON CURRENT ASSETS			
Trade and other receivables	8	78,513	1,313,189
Plant and equipment	10	147,753	51,138
Exploration expenditure	11	16,426,284	11,995,894
TOTAL NON CURRENT ASSETS		16,652,550	13,360,221
TOTAL ASSETS		18,519,682	17,077,957
CURRENT LIABILITIES			
Trade and other payables	12	986,050	890,940
Equity refundable		469,849	469,849
Borrowings	13	1,994,158	1,000,000
TOTAL CURRENT LIABILITIES		3,450,057	2,360,789
TOTAL LIABILITIES		3,450,057	2,360,789
NET ASSETS		15,069,625	14,717,168
EQUITY			
Issued capital	14	34,233,365	32,106,372
Reserves	15	(100,720)	231,205
Accumulated losses		(18,365,220)	(16,933,215)
Total capital and reserves attributable to the owners of Consolidated Zinc Limited.		15,767,424	15,404,362
Non-controlling Interests		(697,799)	(687,194)
TOTAL EQUITY		15,069,625	14,717,168

The accompanying notes form part of these financial accounts

Consolidated statement of cash flows for the year ending 30 June 2018

	Note	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(691,128)	(1,996,242)
Interest received		-	110
Net cash used in by operating activities	17 (a)	(691,128)	(1,996,132)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(125,924)	(30,423)
Payment for exploration expenditure		(4,844,261)	(4,689,595)
Net cash used in investing activities		(4,970,185)	(4,720,018)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,862,220	5,474,420
Proceeds from refundable equity		-	469,849
Proceeds from borrowings		1,300,000	-
Payment of capital raising expenses		(141,728)	(309,883)
Net increase in provided by financing activities		3,020,492	5,634,386
Net increase/(decrease) in cash held		(2,640,821)	(1,081,764)
Foreign currency translation		(107,682)	(417,000)
Cash and cash equivalents at the beginning of the financial year		3,083,992	4,582,756
Cash and cash equivalents at the end of the financial year	7	335,489	3,083,992

The accompanying notes form part of these financial accounts

Consolidated statement of changes in equity
for the year ending 30 June 2018

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

The accompanying notes form part of these financial accounts

Consolidated statement of changes in equity
for the year ending 30 June 2018

	Issued Capital $	Accumulated Losses $	Option & Performance Shares Reserve $	Foreign Currency Translation Reserve $	Owners of The Parent $	Non Controlling Interest $	Total $
Balance at 1 July 2017	32,106,372	(16,933,215)	1,018,739	(787,534)	15,404,362	(687,194)	14,717,168
Net loss for the year from continued operations	-	(1,424,106)	-	-	(1,424,106)	(34,228)	(1,458,334)
Net loss for the year from discontinued operations	-	(7,899)	-	-	(7,899)	-	(7,899)
Other comprehensive (loss) for the year net of tax	-	-	-	(515,360)	(515,360)	23,623	(491,737)
Total comprehensive loss for the year	-	(1,432,005)	-	(515,360)	(1,947,365)	(10,605)	(1,957,970)
Transactions with owners							
Shares issued during the year (net of capital raising costs)	1,920,493	-	-	-	1,920,493	-	1,920,493
Equity settled share issuance costs	(116,000)	-	116,000	-	-	-	-
Conversion convertible notes to shares	322,500	-	-	-	322,500	-	322,500
Share based payments	-	-	67,434	-	67,434	-	67,434
Balance at 30 June 2018	**34,233,365**	**(18,365,220)**	**1,202,173**	**(1,302,894)**	**15,767,424**	**(697,799)**	**15,069,625**

The accompanying notes form part of these financial accounts

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The 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 30 September 2018 by the directors of the Company.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report is presented in Australian dollars which is considered to be the groups functional and presentation currency. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going concern

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

Working Capital Deficiency

As at balance date, the consolidated entity had a net working capital deficiency of $1.583 million. Included in the working capital deficiency are current liabilities of $1.994 million, being convertible notes and associated accrued interest payable, more fully described in ote 13.

The Directors believe the going concern assumption is appropriate, as at the date of this report, the share price of the Company is trading at a significant premium to exercise price of the convertible notes, the convertible notes are held by significant shareholders including the non-executive Chairman and the assumptions utilised in the cashflow forecast (the forecast zinc/lead prices, production volumes and operating costs) demonstrate surplus cashflow generated by the commencement of mining will be sufficient to repay the convertible notes and other current liabilities.

a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Consolidated Zinc Limited as at 30 June 2018 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 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 of loss.

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

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

c) Plant and Equipment

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

Plant and equipment

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.

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 Entity, 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.

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.

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.
All revenue is stated net of the amount of goods and services tax (GST).

p) Borrowing costs

All borrowing costs are recognised in the income statement 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 associated GST or VAT, unless the GST or VAT incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST or VAT receivable or payable. The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST or VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows..

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 assessments by the Australian and Mexican Taxation Authorities.

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 21.

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 Groups subsidiary in Mexico utilises Mexican Peso as the functional currency and as at balance date, all other controlled entities in the Group utilise Australian Dollars as the functional currency.

The consolidated financial statements are presented in Australian dollars.

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.

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.

Adoption of New and Revised Standards

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

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

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

Standards and Interpretations in issue not yet effective

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

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2018	30 June 2019
AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share Based Payments transactions'	1 January 2018	30 June 2019
AASB 2017-1 'Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 cycle and other amendments'	1 January 2018	30 June 2019
AASB Interpretation 22 'Foreign Currency Transactions and Advanced Consideration'	1 January 2018	30 June 2019
AASB 16 'Leases –Accounting for leases'	1 January 2019	30 June 2020

NOTE 2. KEY MANAGEMENT PERSONNEL COMPENSATION

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

Mr. S. Copulos	Chairman (Non-Executive)
Mr. William Dix	Managing Director
Mr. Andrew Richards	Director (Executive)
Mr. Luis Rogelio Martinez Valles	Director (Non-Executive)
Mr. Eduardo Valenzuela	Director (Non-Executive)
Mr. Andrew Beigel	Director and Company Secretary
Mr. Brad Marwood	Chief Executive Officer

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

	2018 $	2017 $
Short terms benefits	580,589	509,996
Share based payments	40,059	111,667
	620,648	621,663

Other transactions with key management personnel

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

Key management personnel balances

Fees Outstanding	2018 $	2017 $
Director fees payable to WRECKT Pty Ltd, a company of which William Dix is a director (+)	-	18,333
Director fees payable to Arc Resources Pty Ltd, a company of which Andrew Richards is a director (+)	8,333	8,333
Director fees payable to The Eyeon Investments Family Trust, a company of which Stephen Copulos is a director (+)	16,665	25,000
Director fees payable to Andes Consulting Pty Ltd, a company of which Eduardo Valenzuela is a director (+)	8,333	-

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

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

NOTE 3. ADMINISTRATION EXPENSES

	Note	2018 $	2017 $
Administration		(151,731)	(137,911)
Consultancy and legal expenses		(153,340)	(227,780)
Compliance and regulatory expenses		(67,119)	(45,712)
Communication		(4,653)	(4,527)
Depreciation and amortisation		(547)	(412)
Occupancy		(4,880)	(4,274)
Travel and accommodation		(137,831)	(172,910)
Audit fees	*(i)*	(35,262)	(30,562)
		(555,363)	(624,088)

(i) Audit fees

	2018	2017
Audit and assurance services	(35,262)	(30,562)
Total Auditors' remuneration	(35,262)	(30,562)

NOTE 4. EMPLOYEE EXPENSES

	2018 $	2017 $
Director and employee related expenses	(592,906)	(511,028)
Share-based payments	(67,434)	(111,667)
	(660,340)	(622,695)

NOTE 5. INCOME TAX

	2018 $	2017 $
Reconciliation of income tax expense to prima facie tax payable		
The prima facie tax payable on (benefit) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax benefit on operating loss at 27.5% (2017: 27.5%)	(401,042)	(407,802)
Add Tax effect of:		
Non-deductible items	(19,031)	21,695
Deferred tax asset not brought to account	420,073	386,107
Income tax attributable to operating loss	-	-

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward, amounts to approximately $14,252,240 (2017: $11,465,444) and capital losses of $1,258,856 (2017: $0) have not been brought to account at 30 June 2018 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 2018.

NOTE 6. EARNINGS PER SHARE

	2018 $	2017 $
a) Basic earnings per share attributable to the ordinary equity holders of the Company	(0.18)	(0.32)
Basic earnings per share from continued operations attributable to the ordinary equity holders of the Company	(0.18)	(0.32)
Basic earnings per share from discontinued attributable to the ordinary equity holders of the Company	-	-
b) Loss used to calculate basic EPS	(1,432,005)	(1,442,417)
Loss from continuing operations	(1,424,106)	(1,442,417)
Loss from discontinued operations	(7,899)	-

	Number of Shares	Number of Shares
c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	817,968,952	467,141,430

NOTE 7. CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Cash at bank	334,739	3,083,242
Cash on hand	750	750
	335,489	3,083,992

NOTE 8. TRADE AND OTHER RECEIVABLES

	Note	2018 $	2017 $
Current			
Trade receivables		26,191	56,718
Prepayments Other		5,823	574,626
Indirect taxes receivable	(i)	1,498,629	-
		1,530,643	631,344
Non-Current			
Loan to related party	(ii)	78,513	78,513
Indirect taxes receivable	(i)	-	1,234,676
		78,513	1,313,189

(i) The indirect tax credits balance in Mexico of $1,498,629 (2017: $1,234,676) was reclassified from non-current to current at the reporting date, as the claimed amount is expected to be released as either a cash refund or offset against VAT payable to the Mexican tax authorities within 12 months from balance date.

(ii) The outstanding loan of $78,513 is repayable upon commencement of mining operations at Plomosas by a party related to a former Director Mr. Luis Rogelio Martinez Valles.

NOTE 9. RELATED PARTIES

a) Group entities

	Country of Incorporation	Percentage Owned (%) 2018	2017
Subsidiaries of Consolidated Zinc *Limited:*			
Arena Exploration Pty Ltd	Australia	100	100
Newera Resources Mongolia LLC	Mongolia	-	100
Minera Latin American Zinc	Mexico	51	51

b) Other transactions with related parties

At 30 June 2018, a loan was outstanding from a company associated with a former Director Mr. 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.

Other than those included in the Key Management Personnel disclosures (Note 2) there have been no other transactions with related parties during the reporting year or balances outstanding at 30 June 2018.

c) Discontinued operation

During the financial year the company disposed of its Mongolian subsidiary, Newera Resources Mongolia LLC ("Newera"), for US$1 plus costs to dispose of the entity of $7,899. The balance of intercompany loan owed by Newera were fully impaired by the Company as non-recoverable, resulting in the net assets of Newera being nil at the time of disposal.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

	2018 $	2017 $
PLANT AND EQUIPMENT		
At cost	186,810	66,744
Accumulated depreciation	(39,057)	(15,606)
Total plant and equipment	147,753	51,138
Movement in Plant and equipment		
Balance at beginning of year	**51,138**	**28,541**
Additions	125,923	30,423
Depreciation expense	(547)	(412)
Depreciation expense transferred to exploration expenditure	(23,994)	(8,124)
Foreign exchange effect	(4,767)	710
Balance at end of year	**147,753**	**51,138**

NOTE 11. EXPLORATION EXPENDITURE

	2018 $	2017 $
Exploration expenditure	16,426,284	11,995,894
Movement in Exploration expenditure		
Opening balance	**11,995,894**	**8,078,016**
Exploration incurred during the year	4,716,350	3,796,847
Foreign exchange effect	(285,960)	121,031
Balance at end of year	**16,426,284**	**11,995,894**

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

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

NOTE 12. TRADE AND OTHER PAYABLES

	2018 $	2017 $
Trade creditors	935,007	865,355
Other payables and accruals	51,043	25,585
	986,050	890,940

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

NOTE 13. BORROWINGS

	Note	2018 $	2017 $
Convertible notes on issue	(i)	1,977,500	1,000,000
Accrued interest on convertible notes		16,658	-
		1,994,158	1,000,000

(i) Movement in convertible notes		
Balance at beginning of year	**1,000,000**	**1,505,000**
Issued during the year	1,300,000	-
Converted to ordinary shares of Company during the year	(322,500)	(505,000)
	1,977,500	**1,000,000**

During the year the Company raised $1,300,000 with the issue of convertible note tranches B and C, as disclosed below.

An amount of $322,500 of convertible loan funds were converted during the year at a price of $0.012 for each share.

Terms of convertible notes on issue

Convertible Note – Tranche A

The Tranche A convertible notes on issue at balance date is $677,500. The terms of these convertible notes are as follows:

- Interest rate: 0% per annum
- Maturity date: 14 October 2017. The term of the convertible note has been extended by the holder on a [monthly basis].
- Conversion price: lower of 1.2 cents per share or the last capital raising at the Maturity Date. Conversion subject to shareholder approval.

Convertible Note – Tranche B

The Tranche B convertible notes on issue at balance date is $800,000. The terms of these convertible notes are as follows:

- Interest rate: 10% per annum
- Maturity date: 12 months from the receipt of funds. Maturity dates vary from 19 April 2019 to 1 May 2019.
- Conversion price: lower of 1.0 cent per share or the last capital raising at the Maturity Date. Conversion subject to shareholder approval.

Convertible Note – Tranche C

The Tranche C convertible notes on issue at balance date is $500,000. The terms of these convertible notes are as follows:

- Interest rate: 10% per annum
- Maturity date: 12 months from the receipt of funds. Maturity dates are $300,000 on 7 June 2019 and $200,000 on 29 June 2019.
- Conversion price: lower of 1.0 cent per share or the last capital raising at the Maturity Date. Conversion subject to shareholder approval.

NOTE 14. ISSUED CAPITAL

	2018 $	2017 $
924,938,165 (2017: 726,211,447) Fully paid ordinary shares	34,033,365	32,106,372

a) Ordinary Shares

	2018		2017	
	Number of Shares	$	Number of Shares	$
At the beginning of the year	726,211,447	32,106,372	410,639,291	26,719,651
Shares issued during the year				
22 July 2016 – Capital Raising	-	-	7,300,000	292,000
22 July 2016 – Convertible Note	-	-	11,884,222	534,790
29 July 2016 – Conversion of options	-	-	1,174	117
4 January 2017 – Capital Raising	-	-	31,436,701	943,101
29 May 2017 – Capital Raising	-	-	264,950,059	4,239,201
22 December 2017 – Convertible Note	26,875,000	322,500	-	-
22 December 2017 – Capital Raising	107,681,717	1,292,181	-	-
22 December 2017 - Capital Raising	16,666,667	200,000		
26 March 2018 – Capital Raising	47,503,333	570,040	-	-
4 April 2018 - Exercise of option	1	-	-	-
Share issue costs	-	(257,728)	-	(622,488)
At the end of the year	924,938,165	34,233,365	726,211,447	32,106,372

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 2017 Annual Report.

b) Capital management

The working capital position of the Group as follows:	2018 $	2017 $
Cash and cash equivalents	335,489	3,083,992
Financial assets	1,000	2,400
Trade and other receivables	1,530,643	631,344
Trade and other payables	(986,050)	(890,940)
Equity refundable	(469,849)	(469,849)
Borrowings	(1,994,158)	(1,000,000)
Working capital position	(1,582,925)	1,356,947

NOTE 15. RESERVES

a) Option & Performance Shares Reserve

	2018 $	2017 $
Balance at the beginning of the year	1,018,739	594,468
Performance rights expensed during year	55,559	111,667
Options issued during year	127,875	312,604
Balance at the end of the year	1,202,173	1,018,739

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 21.

b) Foreign Currency Translation Reserve

Balance at the beginning of the year	(787,534)	(360,675)
Movement during year	(515,360)	(426,859)
Balance at the end of the year	(1,302,894)	(787,534)

The foreign currency translation reserve movement results from translation of the Mexican subsidiary balances from the Mexican Pesos, being the subsidiary's functional currency, to the Australian Dollar, being the Group's presentation currency.

NOTE 16. COMMITMENTS AND CONTINGENCIES

a) Commitments

The Group has commitments in respect to its tenement annual rental and licence costs, and for the corporate office lease in Perth.

(i) Commitments in respect to tenements

	2018 $	2017 $
– not later than 12 months	205,732	219,057
– between 12 months and 5 years	822,929	876,230
– greater than 5 years	6,186,895	7,049,554
	7,215,556	8,144,841

The commitments in respect to tenements cover the total annual expenditure commitments up until the various expiry dates of 2052 to 2060.

(ii) Office lease

The Group has contracts for the lease of a serviced office space in Perth, Australia (3 months cancellation notice) and an office in Chihuahua City, Mexico (not cancellable). The minimum commitments in respect to these contracts are as follows:

– not later than 12 months	40,251	11,680
– between 12 months and 2 years	31,577	-
	71,828	11,680

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% 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 ("MLAZ"), in which the Group has a 51% interest. The pre-condition for the Pandion 10% to be issued is that the Company acquires a further 39% of MLAZ.

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.

NOTE 17. CASH FLOW INFORMATION

	2018 $	2017 $
a) Reconciliation of Cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash at bank and in hand	335,489	3,083,992
Reconciliation of Cash Flow from Operations with Operating Loss after Income Tax		
Operating loss after income tax	(1,466,233)	(1,482,918)
Non-cash flows in loss after income tax		
Share-based payment expense	79,309	111,667
Depreciation and amortisation	547	412
Loss on foreign currency translation	136,986	200.858
Loss on disposal of asset	98,551	-
Loss on discounted operation	7,899	-
Interest on convertible notes	16,767	29,790
Changes in assets and liabilities		
Increase in current trade and other receivables	(896,299)	(404,594)
Decrease/(increase) in other assets	1,400	400
Decrease/(increase) in non-current trade and other receivables	1,234,676	(688,657)
Increase/(decrease) in trade and other payables	95,109	236,910
Net Cash Flow used in Operating Activities	(691,128)	(1,996,132)

b) Non Cash Financing and Investing Activities	2018 $	2017 $
Included in capital raising fees are the following:		
Issue of 4,250,000 employee options	11,875	-
Issue of 4,500,000 performance rights to directors and employees	55,559	-
Issue of 40,000,000 options for capital raising costs	116,000	-
Issue of 5,000,000 performance rights to directors	-	111,667
Issue of 23,572,000 unlisted options to consultant in lieu of payment	-	312,604
Issue of 11,884,222 shares in relation to provision of convertible notes	-	534,790

NOTE 18. RELATED PARTY TRANSACTIONS

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

At 30 June 2018, a loan was outstanding from a company associated with a former Director Mr. 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 19. FINANCIAL INSTRUMENTS

a) Financial Risk Management

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

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

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

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

Financial Assets	**2018**	**2017**
	$	**$**
Cash and cash equivalents	335,489	3,083,992
Financial assets at fair value through profit or loss		
Held for trading	1,000	2,400
Trade and other receivables - current	1,530,643	631,344
Trade and other receivables – non current	78,513	1,313,189
Total Financial Assets	1,945,645	5,030,925
Trade and other payables	986,049	890,940
Equity refundable	469,849	469,849
Borrowings	1,994,158	1,00,000
Total Financial Liabilities	3,450,057	2,360,790

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 and credit risk.

Interest rate risk

The Group does not have any debt that may be affected by interest rate risk. Cash balances held by the group are subject to interest rate risk

Sensitivity analysis

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

Liquidity risk

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

Foreign Currency risk

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

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Group has a material credit risk exposure to indirect taxes received from the Mexican Government.

	2018 $	**2017 $**
Cash and cash equivalents	335,489	3,083,992
	335,489	3,083,992

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.

	Floating Interest Rate		Fixed Interest Rate				Non-Interest Bearing		Total		Weight Effective Interest Rate	
			1 Year or Less		1 to 5 Years							
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 %	2017 %
Financial Assets												
Cash	335,489	3,083,992	-	-	-	-	-	-	335,489	3,083,992	0.00	0.00
Investments held for trading	-	-	-	-	-	-	1,000	2,400	1,000	2,400	-	-
Trade and other receivables - current	-	-	-	-	-	-	1,530,643	631,344	1,530,643	631,344	-	-
Trade and other receivables – non current	-	-	-	-	-	-	78,513	1,313,189	78,513	1,313,189	-	-
Total Financial Assets	335,489	3,083,992	-	-	-	-	1,610,156	1,946,933	1,945,645	5,030,925		
Financial Liabilities												
Trade and other payables	-	-	-	-	-	-	986,049	890,400	986,049	890,400	-	-
Equity refundable	-	-	-	-	-	-	469,849	469,849	469,849	469,849	-	-
Borrowings	-	-	1,977,500	-	-	-	16,658	1,000,000	1,994,158	1,000,000	-	-
Total Financial Liabilities	-	-	1,977,500	-	-	-	1,472,556	2,360,790	3,450,057	2,360,790	-	-

NOTE 20. 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 Chief Executive Officer is responsible for allocating resources and assessing performance of the operating segments.

Subsequent to year-end the Group entered into a sales contract to derive all of its revenue from sales of zinc, lead and silver ore to a single customer.

NOTE 21. SHARE-BASED PAYMENTS

During the year, a total of 101,533,904 options were issued (2017: 23,572,000) of which: 40,000,000 options were issued in settlement of advisory fees; 4,250,000 options were issued as remuneration; and 57,283,904 were issued pursuant to a share subscription. In addition, 4,500,000 performance right options were issued to directors and key management personnel as share based payments (2017: 5,000,000).

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Group with full dividend and voting rights. Details of the options granted are shown in the table below.

	2018		2017	
	Number of options	**Exercise price per option $**	**Number of options**	**Exercise price per option $**
Outstanding at the beginning of the year	160,109,502	0.06	151,126,533	0.03
Granted – unlisted options issued free attached to shares issued for conversion of convertible loans	-	-	5,611,111	0.06
Granted – unlisted options share based payment to advisors	40,000,000	0.06	23,572,000	0.06
Granted – unlisted options free attached to share issue	57,283,904	0.025	3,650,000	0.06
Granted – unlisted options director options	1,250,000	0.06	-	-
Granted – unlisted employee options	3,000,000	0.06	-	-
Exercised	-	-	(1,174)	0.10
Expired	(27,437,500)	0.10	(23,848,968)	0.10
Outstanding at year-end	234,205,906		160,109,502	
Exercisable at year-end	231,205,906		152,609,502	

The weighted average remaining contractual life of options outstanding at year end was 16.8 months (2017: 17.6 months).

The weighted average exercise price of the options on issue is $0.051 (2017: $0.06 per option).

a) Expenses arising from share-based payment transactions

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

- 3,000,000 Performance Rights Options granted to an employee
- 1,500,000 Performance Rights Option granted to a director
- 4,250,000 Unlisted Employee Options exercisable at $0.06 each. Expiry dates vary and are all excerciable on or before 30 June 2023
- 40,000,000 Unlisted Advisor options exercisables at $0.06 each on or before 31 December 2020

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

Performance Rights

A Total of 500,000 Performance Rights Options were issued to an employee on 22 December 2017 as follows:

- 250,000 Performance Rights – class A;
- 250,000 Performance Rights – class B

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

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

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

Total value of $15,500 was expensed as share based payments for the financial period.

A Total of 1,500,000 Performance Rights Options were issued to Eduardo Valenzuela on 2 March 2018 as follows:

- 500,000 Performance Rights – class A;
- 500,000 Performance Rights – class B
- 500,000 Performance Rights – class C

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

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

Class of Performance Rights	Performance Condition	Expiry Date
Class A Performance Rights	Upon the Company announces a JORC Code compliant resource of not less than 1,200,000 tonnes of mineralisation at a combined grade of at least 17% (Zn+Pb)	30 September 2019
Class B Performance Rights	Upon the commencement of construction of a mine at the Company's Plomosas Project	30 September 2019
Class C Performance Rights	Upon the Company's shares achieving a 10 day VWAP of $0.15 or more for a period of 10 consecutive trading days	30 September 2019

Total value of $27,400 was expensed as share based payments for the financial period.

A total of 3,000,000 Performance Rights Options were issued to Corporate Mining Resources Pte Ltd, a company associated to Mr Brad Marwood on 4 March 2018 as follows:

- 1,000,000 Performance Rights – class A;
- 1,000,000 Performance Rights – class B
- 1,000,000 Performance Rights – class C

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

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

Class of Performance Rights	**Performance Condition**	**Expiry Date**
Class A Performance Rights	The company obtaining 90% interest in the Plomosas Project and commencement of early production	31 December 2018
Class B Performance Rights	Commissioning of plant and mine operations	30 September 2019
Class C Performance Rights	Achieving greater than 200,000 tpa production levels	30 June 2020

Total value of $7,331 was expensed as share based payments for the financial period.

Options

1,250,000 Unlisted employee options were issued on 22 December 2017 for past and future performance of an employee, these are exercisable at $0.06 each on or before 30 June 2023. Total value of $11,875 vested immediately and the amount expensed as share based payments for the period.

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

Item	Advisor Options
Number of Options	1,250,000
Exercise price ($)	0.06
Valuation (grant) date	22 December 2017
Expiry Date	30 June 2023
Expiration period (years)	5.50
Vesting date	Nil
Exercise conditions	Nil
Value	$0.0095

40,000,000 Unlisted advisor options were issued on 2 March 2018, these are exercisable at $0.06 each on or before 31 December 2020. Total value of $116,000 vested immediately and the amount expesed to capital raising costs for the period.

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

Item	Advisor Options
Number of Options	40,000,000
Exercise price ($)	0.025
Valuation (grant) date	2 March 2018
Expiry Date	31 December 2020
Expiration period (years)	2.00
Vesting date	Nil
Exercise conditions	Nil
Value	$0.0029

3,000,000 Unlisted employee options were issued to Corporate Mining Resources Pte Ltd, a company associated to Mr Brad Marwood on 4 March 2018 as follows:

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

The Options were granted in three tranches with the vesting conditions and milestone dates set out below:

Class of Options	Performance Condition	Exercise Price	Expiry Date	Value
Class A 1,000,000 Options	The company obtaining 90% interest in the Plomosas Project and commencement of early production	$0.06 per share	31 December 2018	0.72 cents per share
Class B 1,000,000 Options	Commissioning of plant and mine operations	$0.06 per share	30 September 2019	0.92 cents per share
Class C 1,000,000 Options	Achieving greater than 200,000 tpa production levels	$0.06 per share	30 June 2020	0.98 cents per share

Total value of $5,328 was expensed as share based payments for the financial period.

NOTE 22. 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.

	2018 $	2017 $
Current Assets	362,319	3,110,403
Non-Current Assets	19,852,000	16,322,311
TOTAL ASSETS	20,214,319	19,432,714
Current Liabilities	2,702,159	1,682,195
TOTAL LIABILITIES	2,702,159	1,682,195
NET ASSETS	17,512,160	17,750,519
EQUITY		
Issued capital	34,233,364	32,106,372
Reserves	1,202,175	1,018,739
Accumulated losses	(17,923,379)	(15,374,592)
TOTAL EQUITY	17,512,160	17,750,519
STATEMENT OF COMPREHENSIVE INCOME		
Total Loss	(2,548,785)	(1,336,830)
Total Comprehensive Income	(2,548,785)	(1,336,830)

Consolidated Zinc Limited does not hold any deed of cross guarantee for the debts of its subsidiary company as at 30 June 2018 (2017: Nil).

Consolidated Zinc Limited has no contingent liabilities at 30 June 2018 (2017: Nil).

Consolidated Zinc Limited has no commitments for the acquisition of property, plant and equipment as at 30 June 2018 (2017: Nil).

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

NOTE 23. GROUP DETAILS

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

Level 13
37 St George's Terrace
PERTH WA 6000

NOTE 24. EVENTS AFTER THE REPORTING DATE

Other than set out below, no matters or circumstances have arisen since the end of the year ended 31 December 2016 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 10 July 2018, the Company announced Ms Angela Pankhurst had accepted the position of Non-Executive Director and would join the Board on 1 August 2018.

- On 3 August 2018, the Company announced it had raised an additional $300,000 from the issue of convertible notes on a 12 month term, convertible at the lower of 1 cent per share or the next capital raising price and a coupon interest rate of 10.0% per annum from existing major shareholders.

- On 10 August 2018, the Company announced it received a claim by a company named Pandion pursuant to which Pandion claims to be conditionally entitled to a 10% in the Plomosas Project in Mexico being free carried until the BFS is completed. The Plomosas Project is presently owned by a joint venture company Minera Latin America Zinc (“MLAZ”), in which the Group has a 51% interest. The pre-condition for the Pandion 10% to be issued is that the Company acquires a further 39% of MLAZ.

  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.

- On the 5 September 2018, the Company announced it would recommence mining at Plomosas immediately following the execution of an ore toll treatment and zinc/lead concentrate offtake agreement with Grupo Mexico. The Company raised $1.25 million from the issue of convertible notes to existing major shareholders with a 12 month term (extendable to 24 months by mutual agreement) at a 10% coupon interest rate, convertible at 1.0 cent per share (if converted within 12 months) or 1.5 cents per share (if converted between 12-24 months).

- On 20 September 2018, the Company announced it had mined and delivered first ore from the Tres Amigos deposit at Plomosas to the Santa Eulalia concentrator owned by Grupo Mexico.

- On 25 September 2018, the Company announced a share purchase plan (SPP) to eligible shareholders at an issue price of 2.4 cents per share with a maximum subscribtion for 62,500,000 shares to raise $1.5 million (subject to the Boards discretion). Funds raised from the SPP will be used to fund the purchase of additional equity in the Mexican subsidary that has ownership of the Plomosas Project and for working capital.

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 2018 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:

ANDREW RICHARDS
Executive Director

DATED this 30th day of September 2018

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

Report on the Financial Report

Opinion

We have audited the financial report of Consolidated Zinc Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018 the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We have conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical requirements in accordance with the Code.

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

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying the opinion expressed above, attention is drawn to the following matter. As a result of matters referred to in Note 1 to the financial report, "Going Concern", the ability of the Group to continue as a going concern is dependent upon the Group raising further working capital. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period.

Unit 16, First Floor
Spectrum Offices
100 Railway Road
(Cnr Hay Street)
Subiaco WA 6008

Tel : (08) 6389 5222
Fax : (08) 6389 5255
mail@butlersettineri.com.au
www.butlersettineri.com.au

Locked Bag 18
Subiaco WA 6904
Australia

Butler Settineri (Audit) Pty Ltd
RCA No. 289109 ABN 61 112 942 373

These matters were addressed in the context of our audit of the financial report as a while, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Exploration expenditure (*refer note 11)* The Group operates as an exploration entity and as such its primary activities entail expenditure focussed on the exploration for and evaluation of economically viable mineral deposits. These activities are currently limited to the Plomosas Project located in Chihuahua, Mexico. All exploration and evaluation expenditure incurred has been capitalised and recognised as an asset in the Statement of Financial Position. The closing value of this asset is \$16,426,284 as at 30 June 2018. The carrying value of exploration and evaluation assets is subjective based on the Group's intention, and ability, to continue to explore the asset. The carrying value may also be affected by the results of ongoing exploration activity indicating that the mineral reserves and resources may not be commercially viable for extraction. This creates a risk that the asset value included within the financial statements may not be recoverable.	Our audit procedures included the following: • ensuring the Group's continued right to explore in the relevant exploration area including assessing documentation such as exploration and mining licences; • enquiring of management and the directors as to the Group's intentions and strategies for future exploration activity and reviewing budgets and cash flow forecasts; • assessing the results of recent exploration activity to determine whether there are any indicators suggesting a potential impairment of the carrying value of the asset; • assessing the Group's ability to finance the planned exploration and evaluation activity; and • assessing the adequacy of the disclosures made by the Group in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue and auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain and understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significant in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included on pages 27 to 32 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Consolidated Zinc Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 30 September 2018

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

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement can be found on the Company's website at www.consolidatedzinc.com.au.

SHAREHOLDINGS

The names of the substantial shareholders listed on the Company's register as at 27 September 2017:

Shareholder	Number	Percentage of issued capital held
Copulos Group	225,395,821	24.82
Farjoy Pty Ltd	82,630,000	9.10
Chris Retzos	67,349,224	9.27
Jetosea Pty Ltd	38,286,369	5.27

CLASS OF SHARES AND VOTING RIGHTS

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

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

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

SECURITIES EXCHANGE LISTING

Quotation has been granted for 924,983,187 ordinary shares of Consolidated Zinc Limited on all member exchanges of the *Australian Securities Exchange* and trade under the symbol CZL.

RESTRICTED SECURITIES

There are currently no restricted securities on issue.

ON MARKET BUYBACK

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

DISTRIBUTION OF SHAREHOLDERS (as at 27 September 2018)

Shares Range	No of Holders	Units	%
100,001 and above	612	894,239,251	96.68
10,001 – 100,000	633	30,309,045	3.28
5,001 – 10,000	24	190,986	0.02
1,001 – 5,000	62	154,350	0.02
1 – 1,000	147	44,555	0.00
Total	**1,478**	**924,938,187**	**100.00**

There are 352 holders of unmarketable parcels comprising a total of 2,341,047 ordinary shares.

Unlisted options (as at 27 September 2018)

Unlisted Options	No of Holders	Units on issue
Exercisable at $0.06 on or before 31 December 2018	1053	126,172,002
Exercisable at $0.06 on or before 5 June 2020	2	7,500,000
Exercisable at $0.025 on or before 31 December 2020	25	97,283,882
Exercisable at $0.06 on or before 5 June 2020	1	1,250,000
Total		**224,705,884**

TWENTY LARGEST SHAREHOLDERS
(As at 27 September 2018)

	Name	Number of Shares	%
1	COPULOS SUPERANNUATION PTY LTD	104,467,147	11.29
2	FARJOY PTY LTD	82,630,000	8.93
3	SPACETIME PTY LTD	31,804,167	3.44
4	SUPERMAX PTY LTD	31,591,541	3.42
5	EYEON INVESTMENTS PTY LTD	30,000,000	3.24
6	WESTPARK OPERATIONS PTY LTD	26,566,212	2.87
7	RETZOS FAMILY PTY LTD	22,500,000	2.43
8	RETZOS EXECUTIVE PTY LTD	18,283,012	1.98
9	BNP PARIBAS NOMINEES PTY LTD	18,146,955	1.96
10	MR ANDREW GIANKOS	15,267,055	1.65
11	PAUL CONSTANTINOU SUPERANNUATION PTY LTD	12,625,159	1.36
12	GLENEAGLE SECURITIES NOMINEES PTY LIMITED	12,500,000	1.35
13	EQUITAS NOMINEES PTY LIMITED	11,820,174	1.28
14	SHAYDEN NOMINEES PTY LTD	10,620,000	1.15
15	MITROPOULOS NOMINEES PTY LTD	10,100,000	1.09
16	BLAMNCO TRADING PTY LTD	10,000,000	1.08
17	CITYWEST CORP PTY LTD	9,270,834	1.00
18	UBS NOMINEES PTY LTD	8,750,000	0.95
19	SPACETIME PTY LTD	8,668,800	0.94
20	UBS SECURITIES AUSTRALIA LIMITED	8,333,334	0.90
		483,944,390	**52.32**

The schedule of tenements and concessions held by the Company as at 30 September 2018 are summarised in the Table below.

Consolidated Zinc Limited – Tenement schedule						
Lease	**Project**	**Name**	**Type**	**Lease Status**	**Expiry Date**	**CZL Equity**
Mexico						
217641	Plomosas	La Falla	Mining	Granted	05/08/2052	51%
218242	Plomosas	La Verdad	Mining	Granted	16/10/2052	51%
225527	Plomosas	El Olvido	Exploitation	Granted	19/09/2055	51%
224880	Plomosas	Pronto	Exploitation	Granted	20/06/2055	51%
218272	Plomosas	Ripley	Exploitation	Granted	16/10/2052	51%
216882	Plomosas	La México	Exploitation	Granted	04/06/2052	51%
227077	Plomosas	Don Lucas	Exploitation	Granted	03/05/2056	51%
227078	Plomosas	Don Lucas II	Mining	Granted	03/05/2056	51%
227664	Plomosas	Don Lucas III	Mining	Granted	27/07/2056	51%
230175	Plomosas	Don Lucas IV	Mining	Granted	26/07/2057	51%
235942	Plomosas	Don Sebastain	Exploration	Granted	19/04/2060	51%

CONSOLIDATED ZINC LIMITED
ABN 27 11 8 554 359
LEVEL 13, 37 ST GEORGES TERRACE, PERTH WA 6000
T +61 8 9322 3406 F +61 8 6141 3101

WWW.CONSOLIDATEDZINC.COM.AU