



ABN 27 118 554 359

Interim Financial Report

For the six months ended

30 June 2021



CORPORATE DIRECTORY

DIRECTORS	Mr Andrew Richards – Non-Executive Chairman Mr Brad Marwood – Managing Director Mrs Angela Pankhurst –Executive Director
COMPANY SECRETARY	Mr Anthony Italiano
PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE	Level 2 35 Outram Street WEST PERTH WA 6005
SHARE REGISTRY	Link Market Services Limited Level 4 152 St George’s Terrace PERTH WA 6000 +61 8 9211 6670
SECURITIES EXCHANGE (ASX: CZL)	Australian Securities Exchange Level 40 152-158 St George’s Terrace PERTH WA 6000
SOLICITORS	AGH Law Level 2, 66 Kings Park Road WEST PERTH WA 6005
AUDITORS	HLB Mann Judd (WA Partnership) Level 4 130 Stirling Street PERTH WA 6000
CONTACT DETAILS	Postal: P.O. Box 839 WEST PERTH WA 6872 Ph: + 61 (8) 9322 3406 Website: www.consolidatedzinc.com.au Email: info@conzinc.com.au



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DIRECTORS' REPORT

The directors present the financial report of Consolidated Zinc Limited (the "Company") and controlled entities (the "Group") for the half year ended 30 June 2021 (the "reporting period").

DIRECTORS

Mr Andrew Richards – Non-Executive Chairman

Mr Brad Marwood – Managing Director

Mrs Angela Pankhurst – Executive Director

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

COMPANY SECRETARY

Mr Anthony Italiano

PRINCIPAL ACTIVITIES

The principal activity of the Company during the reporting period was the mining of zinc and lead ores, refurbishment of the processing facility, and exploration for zinc, lead and gold at its Plomosas Project.

REVIEW OF OPERATIONS

MEXICO – The Plomosas Project

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

The Plomosas Project covers 12 Exploration and Exploitation Concessions totalling 3,019ha in an area with an extensive history of exploration and development in base metal operations. Plomosas is in the northern Mexican state of Chihuahua, which neighbours Texas, USA, and is accessed by a two-hour flight from Dallas (Figures 1 to 3). Records show the Plomosas Project to be in the global zinc industry's upper quartile for grade, with approx. 2.5 million tonnes of ore having been mined since 1943, with average historical grades of 15-25% Zinc (Zn) + 2-7% Lead (Pb) with 40-60 g/t Silver (Ag) and clean mineralogy.

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

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

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

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

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



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

DIRECTORS' REPORT



Figure 2: Plomosas Project tenement plan.



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



Interim Financial Report for the six months ended 30 June 2021

DIRECTORS' REPORT

MINING OPERATIONS

During the reporting period, ore mined was 18,086 tonnes of the semi-oxide ore ("SOX") between Level 7 and Level 9 using room and pillar mining with gallery stopes developed where the ground support allows.

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

PROCESSING

A total of 16,831 tonnes of ore were processed, with 1,300 tonnes of payable zinc, 297 tonnes of payable lead and 2,367 ounces of payable silver sold in zinc and lead concentrates.

On 1 May 2021, the Company commenced commercial production of zinc and lead concentrates from the refurbished Plomosas processing plant. Since that date, 4,352 tonnes of ore was processed at the Plomosas processing plant, with a zinc to zinc concentrate recovery of 52.5% and lead to lead recovery of 41.2%. Lower than expected Plomosas plant production occurred during the quarter due to efforts to improve plant performance and equipment breakdowns. Commercial production ramped up to 2,542 tonnes processed in June.

The Company has identified areas to improve availability and process recovery at the Plomosas plant including the reinstatement of the secondary crusher, additional cyclones and additional pre-conditioning tanks to increase pre-conditioning time. This will improve the consistency of the grind size and pre-conditioning time to improve zinc and lead recovery.

In addition, ore was processed under a toll treatment arrangement with toll treatment provider Triturado y Minerales La Piedrera S.A. de CV, which operates the Aldama processing facility (the "Aldama Plant"), located close to the Plomosas Mine.

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

RESOURCE UPDATE

The Company announced the results from the annual resource estimate update, independently completed by Ashmore Advisory Pty Ltd ("ASH") in compliance with the JORC (2012) reporting guidelines, contains 941,000 tonnes @ 13.0% Zn and 3.4% Pb for 152,000 tonnes of contained metal in Indicated and Inferred categories.

This is a decrease of 2.4% of resource tonnage and 3.7% contained zinc metal over the previous resource estimate announced to the ASX on 29 April 2020. The reduction in Mineral Resource derives from the depletion of the geological models of the Level 7 Semi-oxide ("SOX") mineralised zones for mining conducted during 2020.

Of significant importance is that some 40% of the 2020 production was mined from stopes outside of the existing Mineral Resource however, current data is not sufficient for inclusion in the updated Mineral Resource.

Refer to the ASX announcement dated 18 March 2021 for full details.



**Table 1: Plomosas March 2021 Mineral Resources Estimate
Mining Depleted to 31 December 2020
(3% Zn cut off)**

Prospect	Indicated Mineral Resource						
	Tonnage t	Zn %	Pb %	Ag g/t	Zn t	Pb t	Ag Oz
Level 7	72,000	19.4	9.3	57.0	14,000	6,700	132,600
Tres Amigos	42,000	7.7	2.3	12.0	3,300	1,000	16,200
Tres Amigos North	38,000	7.8	3.6	13.1	2,900	1,400	15,800
Total	152,000	13.3	6.0	33.6	20,200	9,100	164,600
Prospect	Inferred Mineral Resource						
	Tonnage t	Zn %	Pb %	Ag g/t	Zn t	Pb t	Ag Oz
Level 7	136,000	13.2	6.1	30.9	17,900	8,300	134,800
Tres Amigos	439,000	14.0	1.2	11.6	61,600	5,300	163,100
Carola	59,000	11.5	5.1	31.4	6,800	3,000	59,500
Las Espadas	77,000	10.5	4.2	14.8	8,000	3,200	36,400
Tres Amigos North	78,000	10.1	3.6	16.7	7,900	4,200	41,800
Total	789,000	13.0	2.9	17.2	102,100	22,700	435,500
Prospect	Total Mineral Resource						
	Tonnage t	Zn %	Pb %	Ag g/t	Zn t	Pb t	Ag Oz
Level 7	208,000	15.3	7.2	39.9	31,900	15,100	267,300
Tres Amigos	481,000	13.5	1.3	11.6	64,800	6,300	179,300
Carola	59,000	11.5	5.1	31.4	6,800	3,000	59,500
Las Espadas	77,000	10.5	4.2	14.8	8,000	3,200	36,400
Tres Amigos North	116,000	9.4	3.6	15.5	10,800	4,200	57,600
Total	941,000	13.0	3.4	19.9	122,300	31,700	600,200

REGIONAL EXPLORATION

Base Metal Exploration

Extension of current mine workings

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

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

Satellite deposit exploration

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

In particular, focus has increasingly turned to the Mina Mexico Prospect which demonstrates the potential to define a near-surface zinc deposit. Mina Mexico is a manto-style deposit located 1.5km north-west of Los Alfonsitos

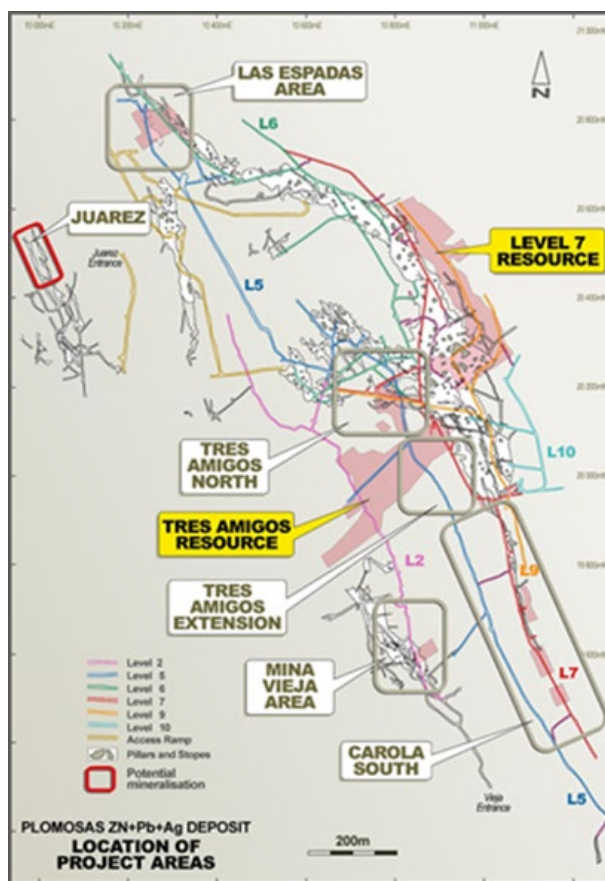


Figure 4: Location of Plomosas mine stopes, work areas and mineral resources.

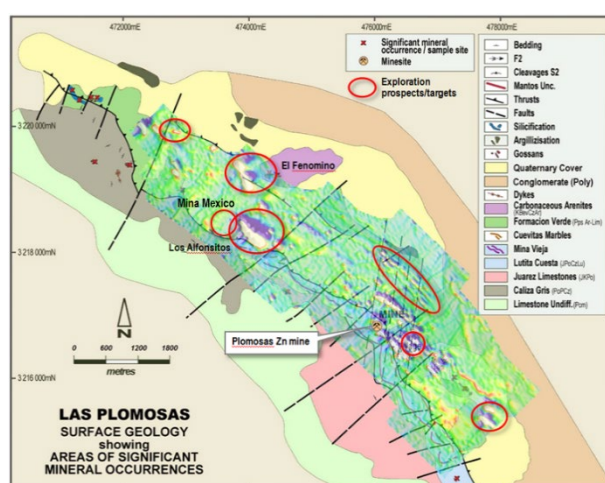


Figure 5: Las Plomosas Surface Geology and Targets.

and contains a stope where historical records indicate the average grade extracted was 22% zinc. The stope is over 100m long, 70m wide and 50m high.

Surface sampling at Mina Mexico in late 2017 returned high grades from dumps and fault extensions up to 28.55% Zn+Pb, averaging 22.36% Zn+Pb and mineralisation was mapped over a 50m length. CZL returned to continue surface mapping and investigation of the stope for safe access in 2021 and plans to complete the geological mapping and survey of the Mina Mexico prospect before confirmation drilling to define possible near-term open pittable resources.

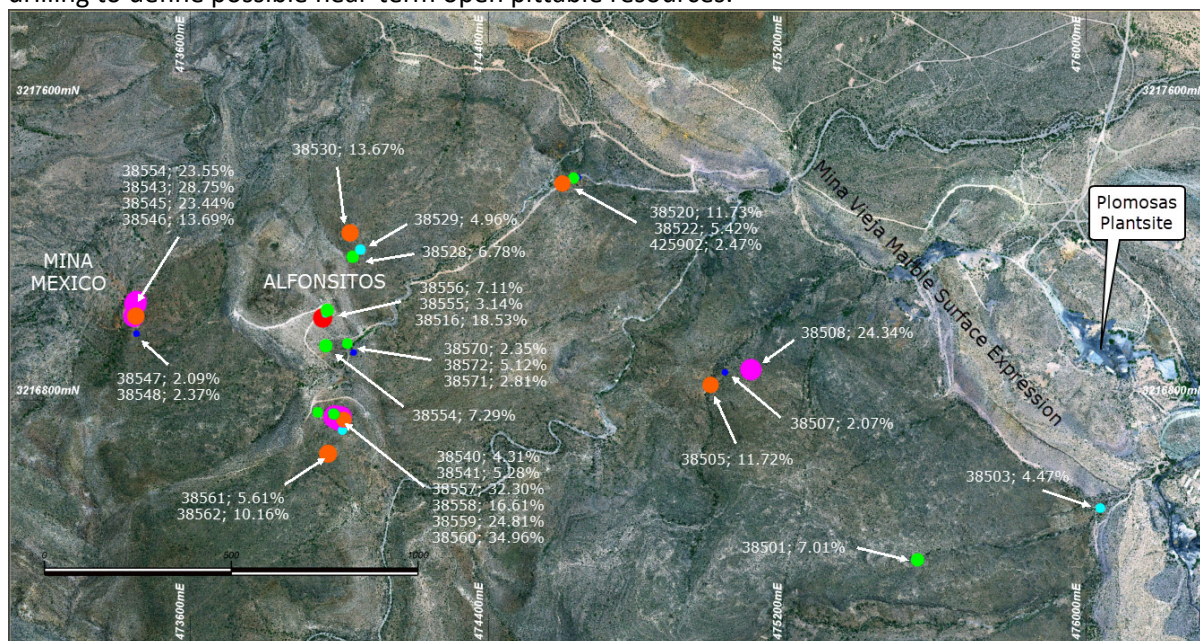


Figure 6: Regional exploration assay results from surface sampling to the north-west of Plomosas mine. Mostly rock chip, channel and occasional dump samples are shown. Sample assays were previously announced to the market on 8 November 2017 and 8 December 2017.

Gold Exploration

Historical exploration reports prepared in 2006 and 2008 for Plomosas indicated the presence of gold within the Plomosas mining lease concessions. Initial follow up field work in late 2020 identified the location of historical samples and mapped prospective structures. However, assay results did not demonstrate strike continuity and the tenor of grades (peak 2.02g/t Au and most below 0.18g/t Au) have downgraded the prospectivity for gold within the Plomosas tenements.



Figure 7: Extensive workings within the oxide chamber of the Manto at Mina Mexico prospect. This photo has been extracted from a report previously prepared for Compania Retec Guarú S.A. de C.V (A Simulation 43-101 Document of the Plomosas Property: Chihuahua, Mexico).



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DIRECTORS' REPORT

Financial Performance and Financial Position

The net loss of the consolidated entity after income tax for the half year ended 30 June 2021 was US\$0.469 million (six months to 30 June 2020: loss of US\$2.118 million).

As at 30 June 2021, the Group had total assets of US\$6.689 million (31 December 2020: US\$5.291 million) and total liabilities of US\$3.038 million (31 December 2020: US\$3.105 million). Total cash was US\$0.252 million (31 December 2020: US\$0.753 million) and borrowings were US\$0.097 million (31 December 2020: US\$0.094 million).

SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the period ended 30 June 2021 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.

AUDITOR'S INDEPENDENCE

Section 307C of the Corporations Act 2001, requires our Auditors, HLB Mann Judd, to provide the Directors with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 29 and forms part of the Directors' report for the half year ended 30 June 2021.

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

Brad Marwood

Managing Director

9 September 2021

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.



Interim Financial Report for the six months ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	For the six months ended 30-Jun-21 USD	For the six months ended 30-Jun-20 USD
Sales revenue	4(a)	3,688,480	1,636,388
Cost of sales		(3,523,792)	(2,040,454)
		164,688	(404,066)
Other income		34,295	104,858
Exploration and evaluation expenses	4(b)	(190,816)	(241,951)
Administrative expense	4(c)	(177,572)	(540,163)
Personnel expenses	4(d)	(340,311)	(342,791)
Foreign exchange gain/(loss)		63,422	(544,138)
Fair value of financial instruments through profit or loss		-	123,576
Interest expense		(22,273)	(272,989)
Loss from continuing operations before income tax expense		(468,567)	(2,117,664)
Income tax expense		-	-
Loss from continuing operations after income tax expense		(468,567)	(2,117,664)
Net loss for the period		(468,567)	(2,117,664)
Attributable to:			
Equity holders of the parent entity		(468,567)	(2,117,664)
Non-controlling interests		-	-
Loss for the period		(468,567)	(2,117,664)
Total comprehensive loss for the period		(468,567)	(2,117,664)
Loss per share for loss attributable to the ordinary equity holders of the parent entity:			
Basic and diluted loss per share (cents per share)		(0.166)	(1.749)

The accompanying notes form part of these financial accounts



Interim Financial Report for the six months ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Note</i>	As at 30-Jun-21 USD	As at 31-Dec-20 USD \$
Assets			
<i>Current assets</i>			
Cash & cash equivalents		252,445	752,658
Trade & other receivables	5	2,259,817	1,679,355
Inventory	6	1,116,635	772,111
Financial assets		3,082	3,006
Total current assets		3,631,979	3,207,130
<i>Non-current assets</i>			
Trade & other receivables	5	12,653	32,651
Property, plant & equipment	7 (a)	1,856,657	870,185
Mine and development property	7 (b)	1,187,881	1,180,972
Other non-current assets		21	-
Total non-current assets		3,057,212	2,083,808
Total assets		6,689,191	5,290,938
Liabilities			
<i>Current liabilities</i>			
Trade & other payables	8	2,941,317	3,010,763
Borrowings	9	96,781	94,354
Total current liabilities		3,038,098	3,105,117
<i>Non-current liabilities</i>			
Provision for rehabilitation	7 (b)(i)	31,416	-
Total non-current liabilities		31,416	-
Total liabilities		3,069,514	3,105,117
Net assets		3,619,677	2,185,821
Equity			
Issued capital	10	36,685,617	34,838,110
Reserves		(7,021,183)	(7,076,099)
Accumulated losses		(26,044,757)	(25,576,190)
Total equity		3,619,677	2,185,821

The accompanying notes form part of these financial accounts



Interim Financial Report for the six months ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

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

The accompanying notes form part of these financial accounts



Interim Financial Report for the six months ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 (continued)

	Issued capital	Accumulated losses	Share-based Payments Reserve	Foreign Currency Translation Reserve	NCI Reserve	Total
	USD	USD	USD	USD	USD	USD
For the six months ended 30 June 2020						
At 31 December 2019	30,931,000	(23,161,274)	463,196	(1,007,123)	(6,506,280)	719,519
Loss for the period after income tax from continuing operations	-	(2,117,664)	-	-	-	(2,117,664)
Total comprehensive income for the period	-	(2,117,664)	-	-	-	(2,117,664)
Transactions with owners in their capacity as owners:						
Issue of new shares net of issuance costs	1,542,212	-	-	-	-	1,542,212
Conversion of convertible note - net of costs	170,508	-	-	-	-	170,508
Share based payments	(17,523)	-	54,980	-	-	37,457
	1,695,197	-	54,980	-	-	1,750,177
At 30 June 2020	32,626,197	(25,278,938)	518,176	(1,007,123)	(6,506,280)	352,032

The accompanying notes form part of these financial accounts



Interim Financial Report for the six months ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30-Jun-21 USD	For the six months ended 30-Jun-20 USD
Cash flows from operating activities		
Receipts from customers	3,159,754	2,135,967
Payments to suppliers and employees	(4,457,155)	(3,094,361)
Payment of interest	-	(27,527)
Net cash (outflow) from operating activities	(1,297,401)	(985,921)
Cash flows from investing activities		
Payments for property, plant and equipment	(1,050,319)	(20,709)
Net cash (outflow) from investing activities	(1,050,319)	(20,709)
Cash flows from financing activities		
Proceeds from issue of shares	1,980,050	1,281,213
Proceeds from borrowings	-	261,000
Repayment of convertible notes	-	(137,260)
Payment of capital raising expenses	(132,543)	(159,292)
Net cash inflow from financing activities	1,847,507	1,245,661
Net (decrease)/increase in cash and cash equivalents	(500,213)	239,031
Foreign currency translation	-	-
Cash and cash equivalents at the beginning of the period	752,658	529,686
Cash and cash equivalents at the end of the period	252,445	768,717

The accompanying notes form part of these financial accounts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 31 December 2020 and any public announcements made by the Company and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

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

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

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Accounting policies and methods of computation

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

Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2021

In the reporting period ended 30 June 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 30 June 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

Significant accounting judgments and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 31 December 2020.

Statement of compliance

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

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

Going concern

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

The going concern basis is determined as being appropriate as at balance date as a result of the following:

- the consolidated entity had a net working capital surplus of \$0.594 million at balance date; and
- the cashflow forecasts which the directors have relied upon for assessing the going concern assumption indicate the Plomosas operations will generate positive free cashflows during the year.

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

Should the forecasts not be achieved, there is a material uncertainty that may cast significant doubt as to whether the Company will continue as a going concern and, therefore, whether it will be able to realise its assets, in particular its mine development assets (\$1,187,881) and a significant proportion of its property, plant & equipment (\$1,856,657) and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

2. OPERATING SEGMENTS

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

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

Interim Financial Report for the six months ended 30 June 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. DIVIDENDS

The Company did not pay or propose any dividends in the half year to 30 June 2021.

4. PROFIT AND LOSS INFORMATION

	For the 6 months ended 30-Jun-21 \$	For the 6 months ended 30-Jun-20 \$
a) Sales revenue		
Zinc revenue	3,643,348	1,994,908
Lead revenue	613,335	435,931
Silver revenue	66,900	9,542
Treatment Charge - Zinc Concentrate	(501,510)	(643,650)
Treatment Charge - Lead Concentrate	(133,593)	(159,435)
Refining charge - Silver	-	(908)
	3,688,480	1,636,388
b) Exploration & evaluation expenses	(190,816)	(241,951)
c) Administrative expenses		
Administration	(36,634)	(46,946)
Consultancy and legal expenses	(4,144)	(4,283)
Compliance and regulatory expenses	(61,276)	(41,727)
Communication	(3,526)	(5,360)
Covid-19 care and maintenance	-	(372,577)
Depreciation and amortisation	(110)	(15,740)
Occupancy	(8,506)	6,801
Travel and accommodation	(9,785)	(34,357)
Audit fees	(53,591)	(25,974)
	(177,572)	(540,163)
d) Personnel expenses		
Directors' fees	(194,399)	(259,038)
Employee expenses	(76,378)	(37,025)
Superannuation expenses	(14,618)	(9,271)
Share-based payments	(54,916)	(37,457)
	(340,311)	(342,791)

Interim Financial Report for the six months ended 30 June 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. TRADE AND OTHER RECEIVABLES

	30-Jun-21 USD	31-Dec-20 USD
Current		
Trade receivables	781,190	249,042
Other receivable	600	629
Prepayments	98,440	224,969
Indirect taxes receivable ¹	1,339,587	1,164,715
Receivable from the Plomosas Project former joint venture partner ²	40,000	40,000
	2,259,817	1,679,355
Non-current		
Receivable from the Plomosas Project former joint venture partner ²	12,653	32,651
	12,653	32,651

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

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

6. INVENTORY

	30-Jun-21 USD	31-Dec-20 USD
Warehouse inventory	198,150	143,484
Stockpiles	401,608	372,180
Concentrate	516,877	256,447
	1,116,635	772,111

Interim Financial Report for the six months ended 30 June 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. NON-CURRENT ASSETS

a) Property, plant and equipment	30-Jun-21 USD	31-Dec-20 USD
Plant and Equipment		
At cost	2,094,019	1,022,468
Accumulated depreciation	(237,362)	(152,283)
	1,856,657	870,185
Movement in carrying amount		
Balance at the beginning of the year	870,185	416,273
Additions	1,071,550	525,451
Depreciation in Cost of Sales	(85,078)	(71,539)
Balance at the end of the period/year	1,856,657	870,185
 b) Mine and development property	 30-Jun-21 USD	 31-Dec-20 USD
Mine and development property		
At cost	1,657,288	1,625,872
Accumulated depreciation	(469,407)	(444,900)
	1,187,881	1,180,972
Movement in carrying amount		
Balance at the beginning of the year	1,180,972	1,472,767
Additions	-	153,105
Rehabilitation obligation (i)	31,416	-
Amortisation	(24,507)	(444,900)
Balance at the end of the period/year	1,187,881	1,180,972

(i) Rehabilitation obligation

During the half year ended 30 June 2021, the Company re-estimated its rehabilitation obligations based on area disturbed, which resulted in an increase of \$0.031 million in the rehabilitation provision and a corresponding increase in the mine and development property asset.

Impairment

The Group has identified an impairment indicator on its Plomosas Zinc-Lead-Silver Project given lower than budgeted recovery from the Plomosas processing plant from commissioning in April 2021 to 30 June 2021. Accordingly, the mine and development property asset has been assigned to a cash generating unit for the purpose of assessing the recoverable amount.

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

Interim Financial Report for the six months ended 30 June 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. TRADE AND OTHER PAYABLES

	30-Jun-21 USD	31-Dec-20 USD
Trade creditors	2,605,787	2,533,650
Other payables and accruals	223,490	382,698
Provision for annual leave	112,040	94,415
	2,941,317	3,010,763

The Company terminated the mining contract with the service provider ("Ganti") in November 2019. The Group has disputed the cost claims submitted by Ganti, as in the Company's opinion it is not in accordance with the mining contract. Rather than follow the contractual dispute resolution scheme, Ganti submitted proceedings in the Federal District Court of Mexico claiming Mexican Peso 23,632,639 (inclusive of 16% VAT). The Group's Mexican subsidiary has recorded this claim in full, offset by the cost value of the illegal theft of inventory by Ganti in January 2020 with a net amount of US\$1.035 million recorded as a trade payable to Ganti.

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

9. BORROWINGS

	30-Jun-21 USD	31-Dec-20 USD
Short-term borrowings		
Loans from related parties	96,781	94,354
	96,781	94,354
<i>Movement in loans from related parties</i>		
Loan principal	75,180	77,020
Interest payable	21,601	17,334
	96,781	94,354
<i>Movement in loans from related parties</i>		
Balance at the beginning of the year	77,020	560,480
Repayment of loan to related parties	-	(481,320)
Effect of foreign currency translation at period end	(1,840)	(2,140)
	75,180	77,020
<i>Movement in interest on loans from related parties</i>		
Balance at the beginning of the year	17,334	49,067
Interest for the period	8,920	34,864
Interest converted into fully paid shares	-	(67,679)
Effect of foreign currency translation at period end	(4,653)	1,082
	21,601	17,334
	96,781	94,354



Interim Financial Report for the six months ended 30 June 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. ISSUED CAPITAL

a) Share capital

	30-Jun-21	30-Jun-21	31-Dec-20	31-Dec-20
	Number of shares	USD	Number of shares	USD
Ordinary shares paid net of costs	301,357,813	36,685,617	237,607,802	34,838,110

		Issue price	Number of	
<i>Reconciliation of movement in Issued capital</i>		(A\$ cents)	shares	USD
	Balance at 1 January 2020		1,669,808,313	30,931,000
26-Feb-20	Conversion of Convertible note and interest	1	50,000,000	329,800
26-Feb-20	Shares granted as remuneration	0.007	3,875,000	17,892
26-Feb-20	Conversion of performance rights	0	2,250,000	28,198
01-Jun-20	Rights issue	0.03	575,311,631	1,149,446
18-Jun-20	Placement shares	0.03	190,000,000	392,767
21-Oct-20	Rights issue	0.03	679,430,439	1,435,751
18-Dec-20	Conversion of convertible note and interest	0.03	393,451,627	896,361
21-Dec-20	Capital consolidation		(3,326,519,208)	-
	Issuance costs		-	(343,105)
	Balance at 31 December 2020		237,607,802	34,838,110

	Balance at 1 January 2021		237,607,802	34,838,110
15-Feb-21	Placement shares	0.04	56,250,000	1,748,779
18-May-21	Placement shares	0.04	7,500,000	231,270
18-May-21	Exercise of options (CZLOB)	0.09	11	1
	Issuance costs		-	(132,543)
	Balance at 30 June 2021		301,357,813	36,685,617

Interim Financial Report for the six months ended 30 June 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. ISSUED CAPITAL (continued)

b) Options over ordinary shares

	30-Jun-21	30-Jun-21	31-Dec-20	31-Dec-20
	Number of	Exercise	Number of	Exercise
Options over ordinary shares	options	price per	options	price per
		option (A\$)		option (A\$)
Outstanding at the beginning of the period	69,702,325		8,218,921	-
Granted – rights issue	-	-	68,118,999	0.09
Expired	-		(6,635,595)	0.59
Exercised	(11)	0.09		
Outstanding at the end of the period	69,702,314		69,702,325	-
Exercisable at the end of the period	69,702,314		69,702,325	-
Weighted average remaining life (months)	23.0		30.9	
Weighted average exercise price (A\$)	0.10		0.09	

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

c) Performance rights

		30-Jun-21		31-Dec-20	
		Number of performance rights	Exercise price (A\$)	Number of performance rights	Exercise price (A\$)
Outstanding at the beginning of the period		6,249,999	-	130,000,000	-
Granted during the period	(i)	8,500,000	-	-	-
Expired during the period		-		(2,250,000)	-
Exercised during the period		-		(7,000,000)	-
Capital consolidation		-		(114,500,001)	
Outstanding at the end of the period		14,749,999		6,249,999	
Exercisable at the end of the period		-		-	
Weighted average remaining life (months)		19.8		12	

(i) Performance rights granted during the period

Performance rights granted during the period	
Grant date	14-May-21
Number of performance rights granted	8,500,000
Exercise price	nil
Expiry date	31-Dec-23
Share price at grant date (A\$)	0.0400
Fair value per performance right (A\$)	0.0319
Value of the performance rights granted (A\$)	271,235
Performance condition	A 20 day VWAP of \$0.12 on or before 31 December 2023

During the period, a total of \$12,906 (A\$16,952) was expensed in respect to the performance rights granted during the period.

Each right is converted to one ordinary share upon vesting. The performance rights vest when the vesting (performance) conditions are met. No performance rights will vest if the conditions are not satisfied, hence the minimum value of the performance rights yet to vest is nil. The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value of the performance rights that is yet to be expensed.

Interim Financial Report for the six months ended 30 June 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. ISSUED CAPITAL (continued)

c) Capital management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. The capital risk management policy remains unchanged from the 31 December 2020 Annual Report.

	30-Jun-21 USD	31-Dec-20 USD
Cash and cash equivalents	252,445	752,658
Financial assets	3,082	3,006
Inventory	1,116,635	772,111
Trade and other receivables	2,259,817	1,679,355
Trade and other payables	(2,941,317)	(3,010,763)
Borrowings	(96,781)	(94,354)
Working capital position	593,881	102,013

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

11. RELATED PARTIES

a) Transactions with related parties

The Group has entered into an amendment to its loan agreement with its non-executive director Mr Andrew Richards to extend the maturity date of the unsecured loans disclosed in Note 9 from 30 June 2021 to 30 September 2021.

12. COMMITMENTS AND CONTINGENCIES

a) Commitments

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

	30-Jun-2021 USD	31-Dec-2020 USD
not later than 12 months	153,389	161,288
between 12 months and 5 years	766,945	806,441
greater than 5 years	4,306,020	4,527,774
	5,226,354	5,495,503

b) Contingencies

Contingent Assets

There are no contingent assets.

Contingent Liabilities

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

Interim Financial Report for the six months ended 30 June 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. COMMITMENTS AND CONTINGENCIES (continued)

b) Contingencies (continued)

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

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

13. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the period ended 30 June 2021 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.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) The financial statements and notes set out on pages 13 to 27 are in accordance with the *Corporations Act 2001*, including:
 - (i) Complying with Australian Accounting Standards AASB134 '*Interim Financial Reporting*', the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- (b) There are reasonable grounds to believe that Consolidated Zinc Limited will be able to pay its debts as and when they become due and payable.

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



Brad Marwood
Managing Director
Perth
9 September 2021

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Consolidated Zinc Limited for the half-year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia
9 September 2021



M R Ohm
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Consolidated Zinc Limited

Report on the Condensed Interim Financial Report*Conclusion*

We have reviewed the accompanying interim financial report of Consolidated Zinc Limited ("the company") which comprises the condensed consolidated statement of financial position as at 30 June 2021, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

Material uncertainty related to going concern

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

Responsibility of the directors for the financial report

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

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HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 E: mailbox@hlbwa.com.au

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
9 September 2021



M R Ohm
Partner