



AND CONTROLLED ENTITIES

ANNUAL REPORT

**FOR THE YEAR ENDED
30 JUNE 2020**

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Corporate Governance Statement

The Company's Corporate Governance Statement can be found on the Company's website at <http://www.altazinc.com/about-us/corporate-governance>.

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CHAIRMAN'S LETTER

Last year I wrote to shareholders of the renewed confidence and enthusiasm that Alta and its management have to further unlock the untapped geological potential at the Gorno Zinc Project in Italy.

We were fortunate to engage Geraint Harris as the new Managing Director in September 2019 to lead our highly capable Alta team and to bring his fresh perspectives, relevant mining experience and track record of outstanding shareholder returns with his previous company Adriatic Metals.

I am delighted to report to shareholders that the Alta team has responded enthusiastically and with refreshed impetus to the task of unlocking the potential value of Gorno and our other assets under Geraint's guidance.

A key objective this year has been to define additional higher grade resources at Gorno. As our drilling results reported during the year attest, our belief in the potential of the Pian Bracca zone to produce exciting new discoveries has been overwhelmingly confirmed.

Drilling is currently ongoing at Pian Bracca and following on from this we plan to test the Ponente area, where our geologists have similarly applied their growing geological knowledge of the Gorno area and achieved extremely encouraging channel sampling results.

Alta's objective has always been to restart mining operations at Gorno. I am confident that upcoming drilling of key targets, focussing on Pian Bracca and Ponente, will yield the discovery of additional areas of mineralisation to help build a more robust mineral inventory in support of us achieving that objective.

In addition, we continue to be excited about the Punta Corna Cobalt Project given what we know of the project from our previous research coupled with the growing importance within the EU to secure local sources of supply of Battery Metals. Our follow up exploration campaign at Punta Corna is taking place this month, with an experienced team assembled on-site to complete an intensive, low cost program.

All of these actions would not be possible without local expertise and for this we are very fortunate to have established a highly experienced administrative team working with very supportive regulators who collectively are doing everything possible to enable all key activities to be carried out on a timely basis.

These activities rely on significant funding, and for this I am most grateful to all of Alta's new and existing shareholders who have supported our recent fundraising activities. Most notably, our recent SPP offer was significantly oversubscribed. We are most appreciative of the overwhelming support received and glad to have been able to provide all shareholders the opportunity to participate, albeit it was necessary to scale back the applications received.

In closing, I would like to thank my fellow Directors, our staff, contractors and all other stakeholders for their efforts. As a fellow shareholder, I look forward to the next year with great anticipation of the results of our exploration activities and would like to sincerely thank all shareholders for their continued support.

Yours sincerely



Alexander Burns
Executive Chairman

24 September 2020

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OPERATIONS REPORT

ITALIAN PROJECTS

Alta Zinc Limited's (Alta or the Company) primary focus is its brownfields Gorno Zinc Project, located in the Lombardy region. The Company also holds the Punta Corna Cobalt Project, in the Piedmont region. Alta has built a strong project team that understands the regulatory framework and environmental requirements and has developed a rapport with national stakeholders and the community.

During the year in review, Alta's key focus was on exploration with the key objective to discover additional high value zinc and lead mineralisation that can eventually feed into an up-scaled mine plan for Gorno. In tandem, work continued on environmental studies and permitting activities, including the submission of an application to renew and extend the existing mining licence at Gorno.



Figure 1: Location of Italian Projects

Gorno Zinc Project

The Gorno Zinc Project is located in the Lombardy region of northern Italy and encompasses an extensive Mississippi Valley type (MVT) zinc-lead geological system. The Lombardy Region has a long history of mining extending back over 2,500 years to the Celtic period and the Gorno licences cover a number of partly interconnected zinc-lead mines that were exploited up until the early 1980's.

Investigation of historical records has established that the Gorno Zinc Project area contains more than 230km of underground workings and recorded historical production of over 800,000 tonnes of zinc metal contained in very high quality zinc concentrates (55-57% Zn for sulphide concentrates) from ore averaging 14.5% Zn+Pb over a production life of 102 years from 1883 to 1982. The concentrating plant closed in 1985, with significant geologic inventory remaining and operations have been dormant since then.

*Gorno Exploration***Pian Bracca Diamond Drilling**

The Pian Bracca zone lies 600m to the east of the existing Zorzone Resource. Using the information from archival research, historical drilling by SAMIM, a geophysics study and channel sampling reported in October 2019, a new diamond drilling program commenced in November 2019 with drill pad locations established in the existing underground tunnels.

The diamond drilling and channel sampling from the Pian Bracca Zone to 30 June has resulted in mineralisation being established over a total strike extension of 415m since the start of drilling.

During the year, a total of 18 holes were drilled for almost 2000m at Pian Bracca, with reported assay results confirming the thickness and high-grade nature of the mineralisation present in the target zone.

The drilling has substantiated the assay grades obtained from the nearby channel samples, and further, that mineralisation is continuous both beneath and between the multiple levels of historic development.

Selected drilling results include:

- **15.0m at 14.1% Zn and 4.2% Pb (18.3% Zn+Pb) and 70g/t Ag from 65.3m (PBD13A);**
- **2.4m at 27.0% Zn and 6.4% Pb (33.4% Zn+Pb) and 59g/t Ag from 37.6m (PBD13);**
- **3.7m at 12.0% Zn and 6.4% Pb (18.4% Zn+Pb) and 78g/t Ag from 79.0m (PBD16); and**
- **7.6m at 8.2% Zn, 3.4% Pb (11.6% Zn+Pb) and 17g/t Ag from 34.2m (PBD17).**

Table 1: Highlighted results of holes drilled to date (showing down hole thickness)

| Hole ID | From m | To m | Intercept m | Ag g/t | Zn % | Pb % | Pb+Zn % |
|---------|-----------|---------|----------------|-----------|---------|---------|------------|
| PBD01 | 18.0 | 20.0 | 2.0 | 23 | 13.3 | 2.9 | 16.1 |
| PBD01 | 36.6 | 47.2 | 10.6 | 34 | 7.2 | 2.3 | 9.5 |
| PBD02 | 23.4 | 31.9 | 8.5 | 19 | 17.0 | 2.0 | 19.1 |
| PBD02 | 40.3 | 41.0 | 0.7 | 52 | 21.6 | 7.7 | 29.3 |
| PBD02 | 56.9 | 68.9 | 12.0 | 38 | 9.5 | 2.6 | 12.1 |
| PBD03 | 58.0 | 68.7 | 10.7 | 52 | 11.8 | 3.0 | 14.8 |
| PBD03 | 74.7 | 75.4 | 0.7 | 58 | 8.4 | 2.3 | 10.6 |
| PBD04 | 54.7 | 57.0 | 2.3 | 21 | 13.4 | 2.6 | 16.0 |
| PBD04 | 64.2 | 67.5 | 3.3 | 39 | 8.1 | 2.6 | 10.8 |
| PBD05 | 31.4 | 32.1 | 0.7 | 30 | 18.2 | 3.6 | 21.8 |
| PBD05 | 59.5 | 71.6 | 12.1 | 60 | 15.1 | 4.3 | 19.4 |
| PBD06 | 13.9 | 16.8 | 2.9 | 11 | 5.1 | 1.4 | 6.5 |
| PBD06 | 52.8 | 59.6 | 6.9 | 31 | 7.4 | 2.2 | 9.6 |
| PBD07 | 16.3 | 23.0 | 6.8 | 14 | 8.8 | 2.3 | 11.1 |
| PBD07 | 25.7 | 26.4 | 0.7 | 8 | 5.6 | 1.6 | 7.1 |
| PBD08 | 27.7 | 31.4 | 3.7 | 26 | 8.5 | 3.1 | 11.6 |
| PBD08 | 34.0 | 37.1 | 3.1 | 42 | 12.5 | 3.6 | 16.2 |
| PBD08 | 64.2 | 68.5 | 4.3 | 20 | 4.2 | 1.3 | 5.4 |
| PBD09 | 0.0 | 8.8 | 8.8 | 36 | 9.7 | 4.9 | 14.6 |
| PBD09 | 80.5 | 85.1 | 4.6 | 25 | 9.8 | 3.5 | 13.4 |
| PBD09A | 0.0 | 10.1 | 10.1 | 5 | 1.5 | 0.9 | 2.4 |
| PBD10 | 0.0 | 0.7 | 0.7 | 6 | 8.2 | 1.5 | 9.8 |

| Hole ID | From m | To m | Intercept m | Ag g/t | Zn % | Pb % | Pb+Zn % |
|---------|-----------|---------|----------------|-----------|---------|---------|------------|
| PBD11 | 5.2 | 13.9 | 8.7 | 22 | 13.3 | 3.7 | 17.0 |
| PBD11 | 55.4 | 59.8 | 4.4 | 44 | 3.0 | 1.1 | 4.0 |
| PBD12 | 0.0 | 11.3 | 11.3 | 11 | 3.5 | 1.7 | 5.2 |
| PBD13A | 0.0 | 0.7 | 0.7 | 94 | 5.5 | 10.7 | 16.2 |
| PBD13A | 12.5 | 22.3 | 9.8 | 3 | 1.6 | 0.6 | 2.2 |
| PBD13A | 55.1 | 55.8 | 0.7 | 38 | 15.3 | 2.8 | 18.0 |
| PBD13A | 65.3 | 80.3 | 15.0 | 143 | 14.1 | 4.2 | 18.3 |
| PBD13 | 37.6 | 40.0 | 2.4 | 59 | 27.0 | 6.4 | 33.3 |
| PBD14 | 34.8 | 40.1 | 5.3 | 17 | 4.5 | 1.2 | 5.7 |
| PBD15 | 24.0 | 28.1 | 4.1 | 10 | 5.2 | 1.9 | 7.1 |
| PBD16 | 79.0 | 82.7 | 3.7 | 78 | 12.0 | 6.4 | 18.4 |
| PBD17 | 0.0 | 0.7 | 0.7 | 144 | 12.5 | 15.5 | 28.0 |
| PBD17 | 34.2 | 41.8 | 7.6 | 17 | 8.2 | 3.4 | 11.6 |

Hole PBD13A returned the highest grade and longest sample interval drilled to date with 15.0m at 14.1% Zn and 4.2% Pb (18.3% Zn+Pb) and 70g/t Ag from 65.3m and highlights the quality of the mineralisation that has been consistently intersected at Pian Bracca, clearly establishing it as a high quality source of potential production in future mine planning.

The drilling results have also demonstrated the continuity of a second layer of high-grade mineralisation beneath the Pian Bracca mineralisation (stratabound mineralisation), which lies approximately 20m below the Pian Bracca zone. Figures 2 and 3 summarise the drilling and mineralisation discovered to date at Pian Bracca and demonstrate how a relatively small amount of targeted exploration from existing development can discover significant quantities of high-grade and thick mineralisation in a historically underexplored area.

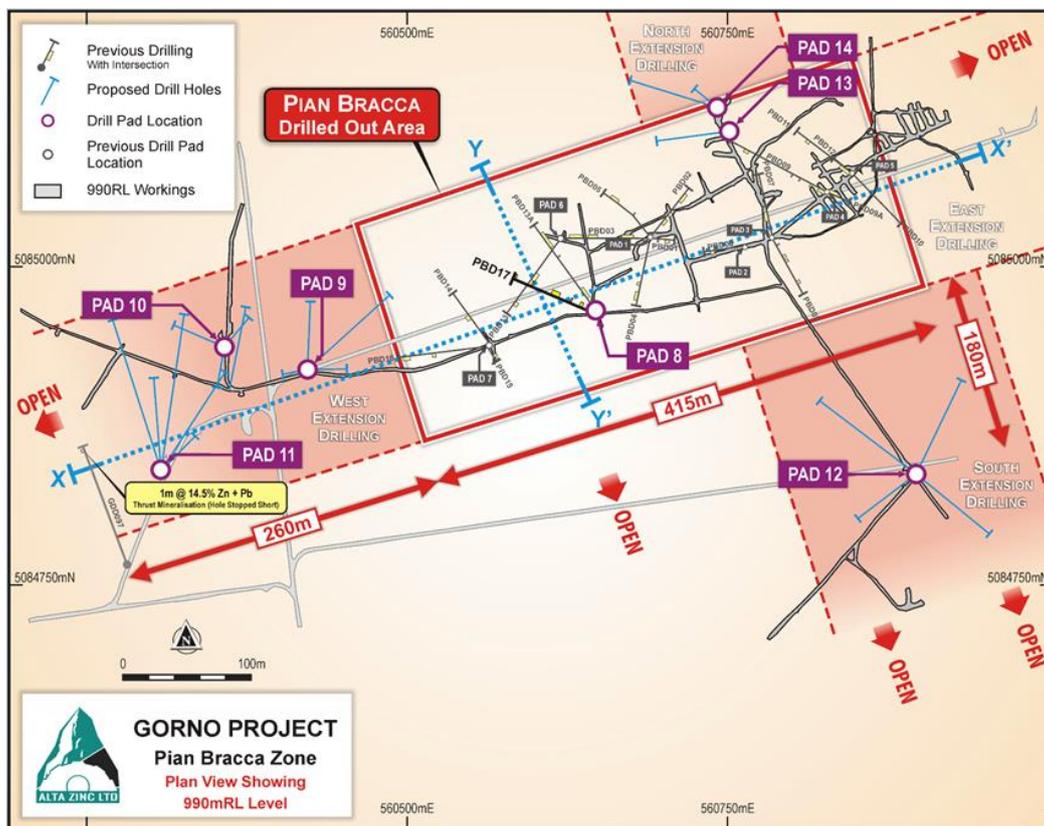


Figure 2: Plan view showing recent drilling & the planned Pian Bracca drilling campaign

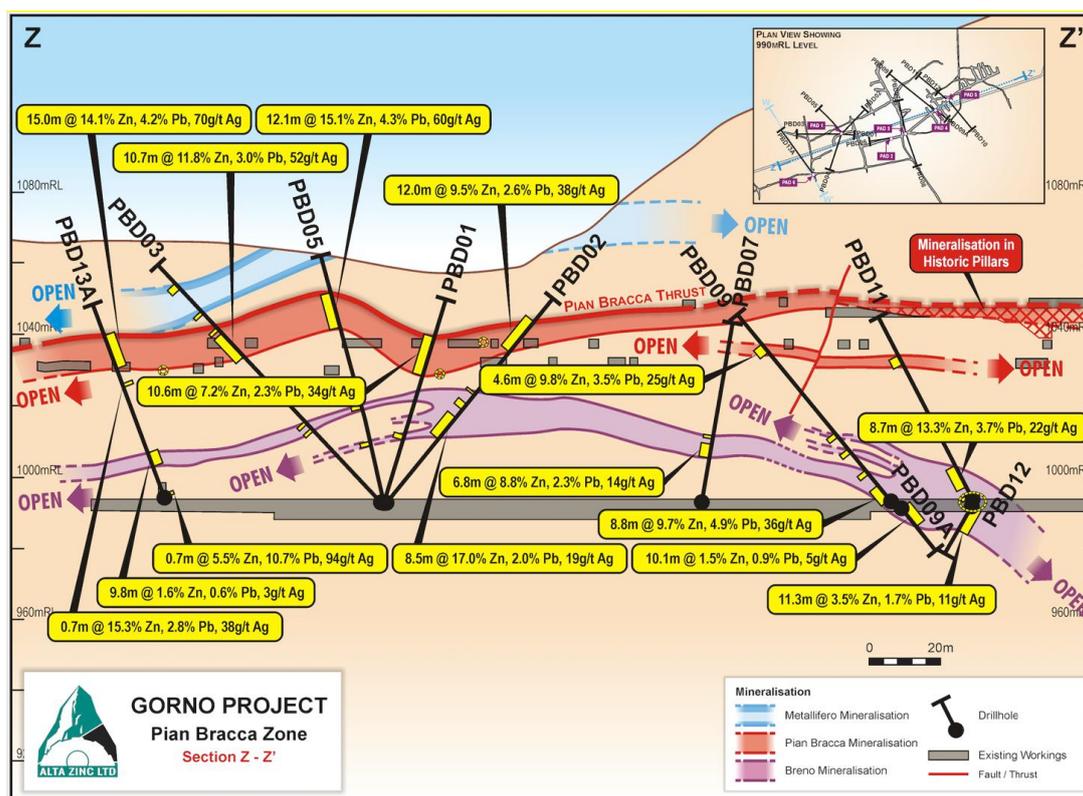


Figure 3: Long-section showing highlighted drill results within the Pian Bracca Zone

Drilling operations were suspended in April 2020 as a result of restrictions decreed by the Italian government to control the COVID-19 virus. Alta's geology team made good use of the hiatus in drilling to undertake an in-depth review of the drilling results in the context of the historic data from the wider project area. Normal site exploration activities in Italy resumed in June, and notably drilling was able to restart in early July as our drilling contractor Edilmac had retained its equipment at site.

Ponente channel sampling

Following the mapping of underground development and a review of historical data, channel sampling was undertaken in the Ponente area, 850m to the north-west of Pian Bracca. The stratabound mineralisation in the Ponente area was partially mined in the past with stopes of 8-10m average height. The recent channel sampling has demonstrated grades of up to 51.5% Zn and 7.3% Pb (58.8% Zn+Pb) and 80g/t Ag (POCH04), which highlights the high-grade tenor of the mineralisation exposed and visible in the sidewalls of existing development.

Following up on detailed geological analysis of new prospective areas the Ponente Zone was identified 850m north-west of Pian Bracca, which establishes a new potentially high-grade exploration target in addition to the Pian Bracca Zone. The stratabound mineralisation in the Ponente area was partially mined in the past with stopes of 8-10m average height. Repeating the process successfully completed at Pian Bracca, channel sampling has been conducted at Ponente yielding similar results including the following:

- 2.4m at 51.5% Zn and 7.3% Pb (58.8% Zn+Pb) and 80g/t Ag (POCH04); and
- 2.2m at 28.8% Zn and 3.2% Pb (32.0% Zn+Pb) and 39g/t Ag (POCH09).

Table 2 shows the recent channel sample results at Ponente and comparatively at Pian Bracca.

Table 2: Highlighted Channel Sample Assays from Ponente & Pian Bracca (cut orthogonal to mineralisation, full drive height including dilution)

| Hole ID | From | To | Intercept | Ag | Zn | Pb | Pb+Zn |
|---|------|-----|-----------|-----|------|-----|-------|
| | m | m | m | g/t | % | % | % |
| Ponente Channel Sample Results | | | | | | | |
| POCH01 | 0.0 | 1.8 | 1.8 | 19 | 1.1 | 2.5 | 3.7 |
| POCH02 | 0.0 | 2.5 | 2.5 | 59 | 11.7 | 3.0 | 14.7 |
| POCH03 | 0.0 | 2.4 | 2.4 | 38 | 7.9 | 2.4 | 10.3 |
| POCH04 | 0.0 | 2.4 | 2.4 | 80 | 51.5 | 7.3 | 58.7 |
| POCH05 | 0.0 | 1.8 | 1.8 | 3 | 6.4 | 0.6 | 7.1 |
| POCH06 | 0.0 | 1.7 | 1.7 | 5 | 12.4 | 0.8 | 13.2 |
| POCH07 | 0.0 | 2.1 | 2.1 | 90 | 30.2 | 5.0 | 35.2 |
| POCH08 | 0.0 | 2.8 | 2.8 | 46 | 20.1 | 5.3 | 25.4 |
| POCH09 | 0.0 | 2.2 | 2.2 | 39 | 28.8 | 3.2 | 32.0 |
| POCH10 | 0.0 | 2.0 | 2.0 | 21 | 14.9 | 1.4 | 16.3 |
| Pian Bracca Channel Sample Results | | | | | | | |
| PBCH01 | 0.0 | 2.6 | 2.6 | 29 | 7.4 | 2.7 | 10.1 |
| PBCH02 | 0.0 | 2.3 | 2.3 | 42 | 13.3 | 2.4 | 15.6 |
| PBCH03 | 0.0 | 2.6 | 2.6 | 48 | 9.9 | 2.8 | 12.7 |
| PBCH04 | 0.0 | 2.2 | 2.2 | 31 | 10.5 | 2.3 | 12.8 |
| PBCH05 | 0.0 | 2.1 | 2.1 | 62 | 16.4 | 4.5 | 20.9 |
| PBCH06 | 0.0 | 2.1 | 2.1 | 52 | 8.5 | 2.5 | 11.0 |
| PBCH07 | 0.0 | 2.4 | 2.4 | 49 | 11.2 | 5.0 | 16.2 |
| PBCH08 | 0.0 | 2.7 | 2.7 | 128 | 19.1 | 4.4 | 23.5 |
| PBCH09 | 0.0 | 2.0 | 2.0 | 128 | 39.5 | 9.4 | 48.9 |
| PBCH10 | 0.0 | 2.4 | 2.4 | 21 | 16.2 | 2.4 | 18.6 |
| PBCH11 | 0.0 | 2.3 | 2.3 | 12 | 5.3 | 1.9 | 7.2 |
| PBCH12 | 0.0 | 2.1 | 2.1 | 9 | 4.2 | 1.7 | 5.8 |
| PBCH13 | 0.0 | 2.7 | 2.7 | 6 | 2.7 | 1.3 | 4.0 |
| PBCH14 | 0.0 | 2.8 | 2.8 | 41 | 30.4 | 5.0 | 35.3 |

These exciting results firmly secure Ponente as a high priority exploration target and work will commence to establish underground services in order to start drilling in Q4 2020. Figure 4 shows the planned drilling at Pian Bracca and at Ponente and highlights the significant accessible exploration opportunity that exists in just these two areas of demonstrated mineralisation.

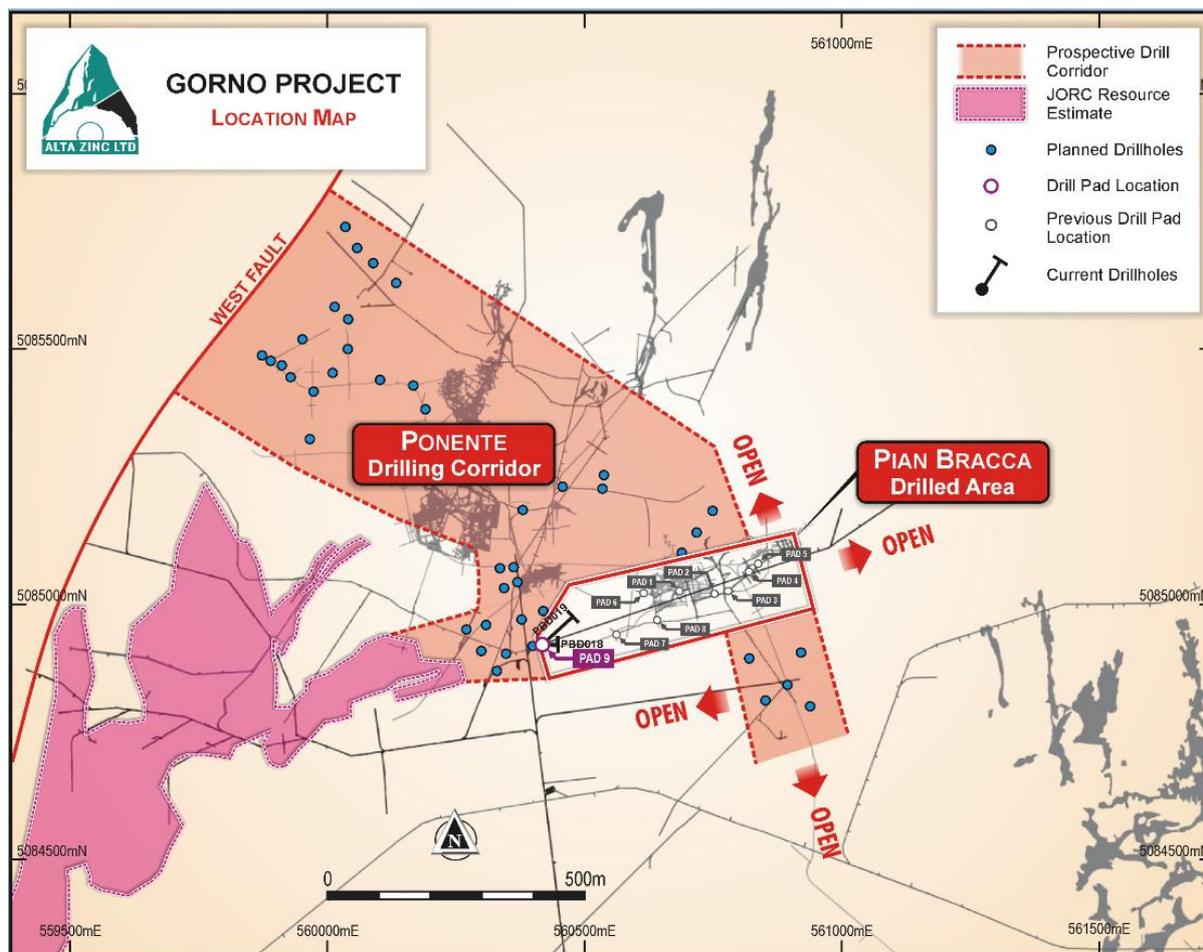


Figure 4: Plan layout showing actual drilling at Pian Bracca & the extensional drilling campaigns planned at Pian Bracca & Ponente

Advanced Metallurgical Testwork

In May 2020, Alta released metallurgical testing results for the Gorno Project. These show that high metallurgical recoveries at 96.0% for zinc, 74.2% for lead and 59.1% for silver can be achieved.

Notably, the zinc concentrate grade is 63.3% Zn with exceptionally low iron and silica values (1.66% Si and 0.62% Fe). The lead concentrate grade is 75.8% Pb with 810g/t Ag contained and also has exceptionally low levels of contaminants.

The pre-feasibility study (PFS) level of the testwork illustrates that the Gorno metallurgy is substantially de-risked compared to other exploration projects at a similar stage.

Figure 5 below shows the proposed Gorno mineral processing flowsheet. The simple crush, grind, flotation processing route envisaged is similar to that used with success historically at Gorno and is typical for many MVT type deposits, also with a low bond work index (of 11.65 kWh/t) and excellent metal liberation at a coarse grind size (P80 of 120 microns).

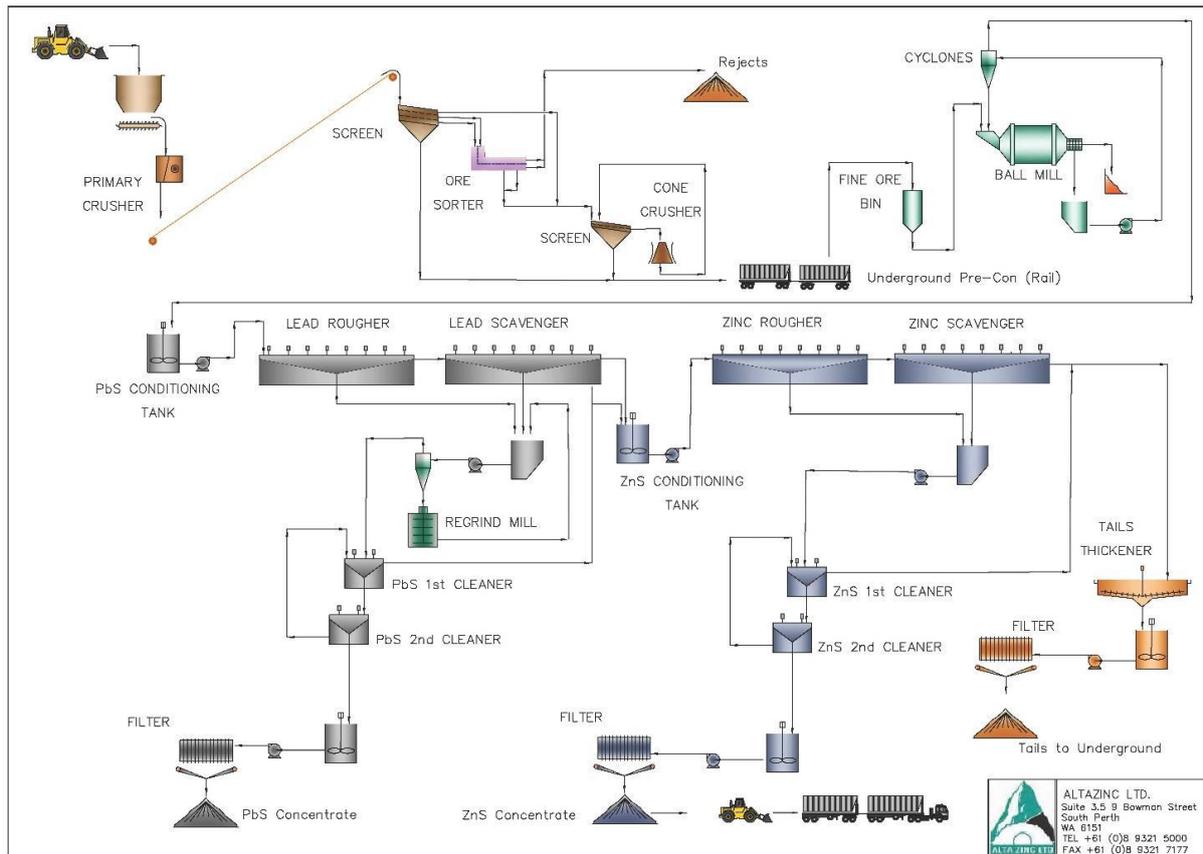


Figure 5: Proposed Gorno Mineral Processing Flowsheet

A preliminary independent concentrate marketing study confirms that these concentrates will be amongst the highest grade and cleanest concentrates available globally. As such they are likely to be highly sought after and have the potential to command superior economics, by European and worldwide smelters looking to improve the blend of their feedstock from the growing international supply of less high quality concentrates.

Permitting Activities

During the year Alta has significantly advanced the Gorno project's permitting status having completed an ESIA and environmental base-line study in accordance with the required Italian regulations. This enabled the Company to submit a full application in December for the renewal and expansion of the existing mining licence at Gorno (the Monica Mining Licence), which once approved will give full permission for construction and operation of the underground mine. This was a significant milestone which demonstrates that the permitting process for Gorno is well advanced and the Company is regularly engaging with the relevant Permitting stakeholders to ensure that their process can proceed as smoothly as possible.

During the year, significant work was also completed to consolidate and extend the tenure of the Company's Gorno Exploration Licence (EL). This was successfully granted in July, after the year ended, for a period of up to 6 years. This success was gained through working closely with the same stakeholders who are reviewing and administering the Monica Mining Licence renewal.

Safety and Environment

Alta has conducted comprehensive ongoing environmental monitoring to ensure that there are no harmful environmental consequences to our work program and this has yielded no issues. Furthermore, work has progressed on site and underground safely without any LTI's or medical aid cases.

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Punta Corna Cobalt Project, Piedmont, Northern Italy

Alta Zinc's Punta Corna Cobalt Project consists of two granted Exploration Licences (EL) which cover the historic Usseglio cobalt mining area in Piedmont, northern Italy. The project area is located approximately 300km from Alta Zinc's flagship Gorno Zinc Project.

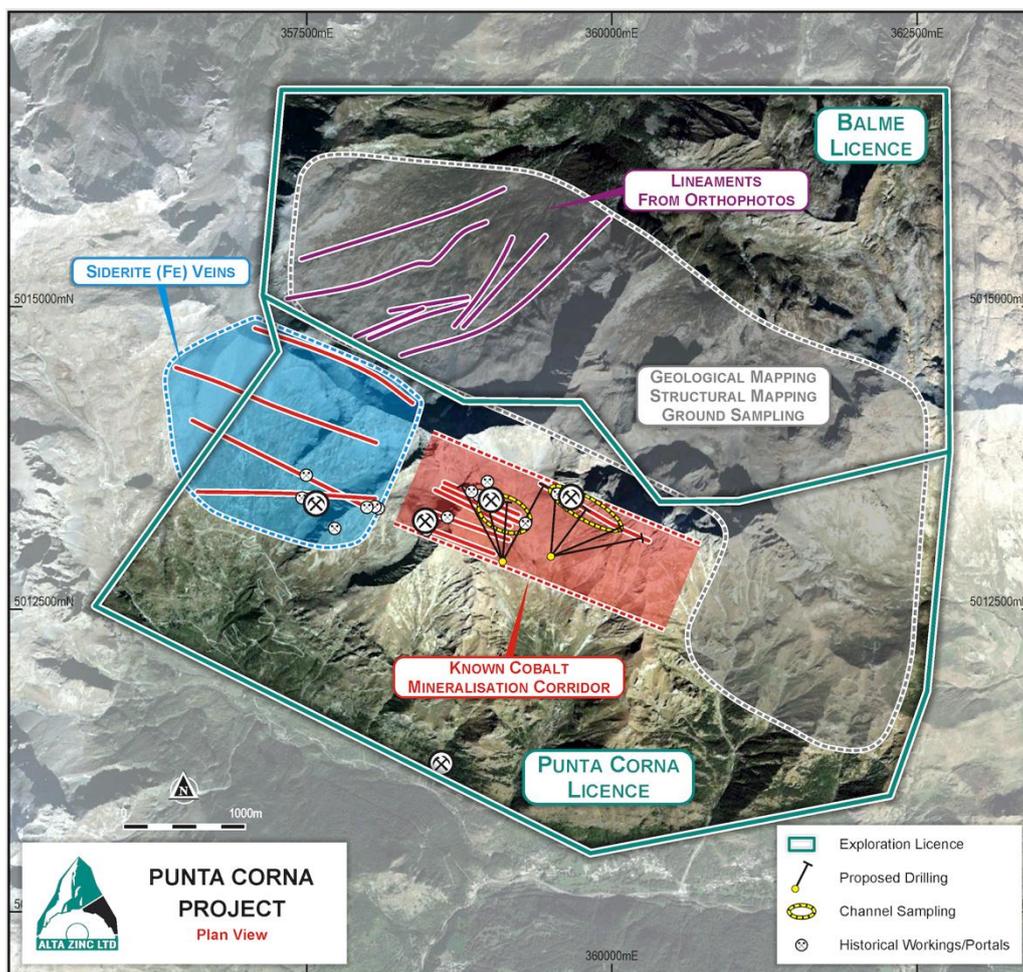


Figure 6: Punta Corna & Balme Cobalt Projects – Exploration Licence Areas

Cobalt was mined in the area during the 18th century, with the peak of historic mining activity occurring during the Age of Cobalt (1753-1823). According to archival records, the mines produced approximately 55 tonnes of cobalt metal that were exported to Wurttemberg in Germany as dye medium (cobalt blue).

In December 2018, the Company was awarded the Punta Corna EL which covers 14.3km² and in May 2019, the Balme EL covering the historic Usseglio area, and therefore now holds a combined prospective exploration area of 29.8km² encompassing the historic mining area and the northern strike of the mineralised lineaments.

To date, the Company has reported positive assay results from preliminary grab and rock chip samples, confirming Co-Ni-Cu-Sb-Ag mineralisation. The assay results were announced to the ASX on 9 November 2018 (refer to Figure 7).

Additionally, geological mapping, a petrographical and mineralogical study and further exploration sampling has been initiated in association with the University of Milan. This will assist by providing a better understanding of the mineralisation at Punta Corna in preparation for advancing the exploration campaign at this property.

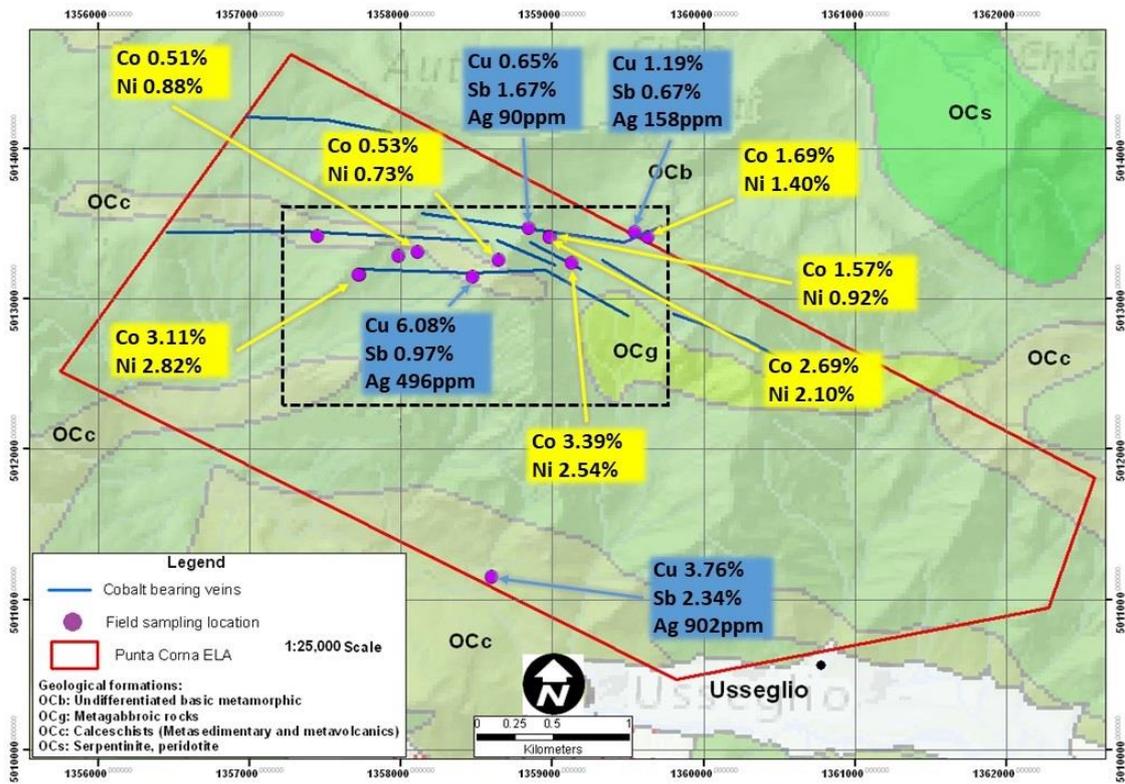


Figure 7: Punta Corno EL – general geology, sample locations & assay results

Notwithstanding that the cobalt price has retreated from its record high prices achieved at the beginning of 2018 of around US\$90,000/t, cobalt remains a strategic metal for battery production to support growing demand for the electric vehicle (EV) sector within Europe. Regulators and consumers are concerned about the dependence on supply from the DRC, reputedly the source of approximately 72% of current global supply last year, and the ethical nature of sources of supply. Consequently, cobalt will become of strategic importance to upstream European-based cobalt businesses.

Alta will be advancing the Punta Corno Cobalt Project as shown in Figure 8, commencing in Q3 2020 with a detailed geological field campaign to map and sample the known veins referred to in historical documentation discovered by the Company and attempt to discover new mineralised veins. By following this program, Alta intends to advance the asset so that it is poised to take advantage of any future resurgence in cobalt pricing.

| | | 2020 | | 2021 | | | |
|--------------------|-----------------------------|------|----|------|----|----|----|
| | | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| PUNTA CORNA | Vein exploration | █ | | | | | |
| | Vein sampling and Analysis | | █ | | | | |
| | Initial metallurgy | | | █ | | | |
| | Diamond drilling | | | | | █ | |
| BALME | Geological mapping/sampling | █ | | | | | |
| | Stream Sedim. Sampling | | █ | | | | |
| | Data Analysis | | | █ | | | |
| | Follow up sampling | | | | | █ | |

Figure 8: Punta Corno work program and schedule

AUSTRALIAN PROJECTS

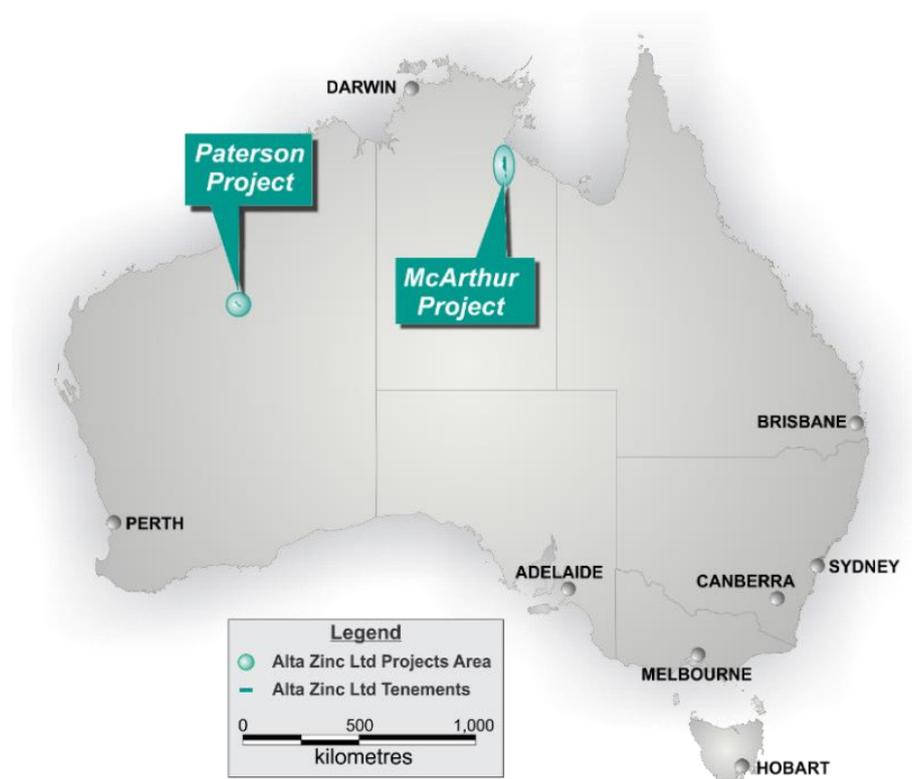


Figure 9: Location of Australian Projects

Paterson Project, Western Australia

The Paterson Project comprises of the exploration licence E45/4543 in the east Pilbara region. The tenement covers highly prospective parts of the Broadhurst Formation and includes the Eva Well prospect. Following a detailed study and review of geophysical and satellite data, E45/4534 was relinquished, to focus on the high priority targets presented in E45/4543.

McArthur River Project, Northern Territory

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

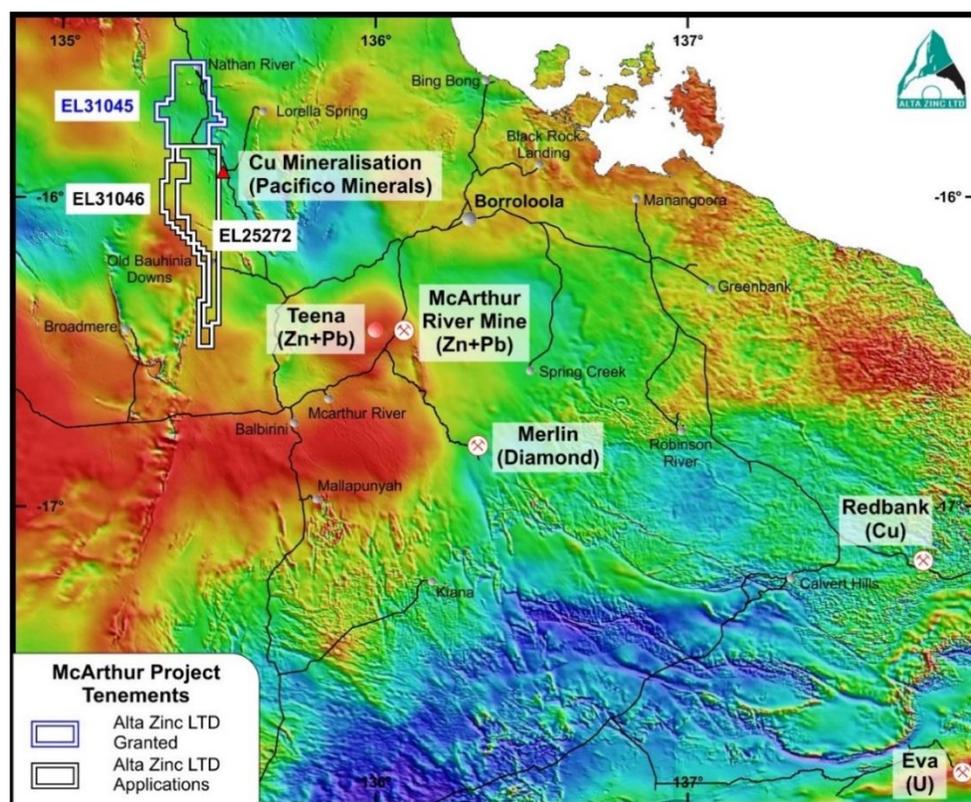


Figure 10: Location of McArthur River Project – Northern Territory

Competent Person Statements

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

The information in this Annual Report that relates to Mineral Resources is based on, and fairly represents, the Mineral Resources and information and supporting documentation extracted from the report, which was prepared by Mr Stephen Godfrey as Competent Person in compliance with the JORC Code (2012 edition) and released to ASX by the Company on 8 December 2017. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original Announcement. All material assumptions and technical parameters underpinning the Mineral Resource estimates in that previous release continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original Announcement.

Forward-looking Statement

Certain statements made in this Annual Report, contain or comprise certain forward-looking statements regarding Alta Zinc Limited’s exploration operations, economic performance and financial condition. Although Alta Zinc believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among

other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metals prices, exchange rates and business and operational risk management. Alta Zinc undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

Table 3: December 2017 Zorzone Mineral Resource Estimate Summary

| December 2017 OK Estimate Reported using a 1% Zinc Cut-off Grade Subdivided by JORC Code 2012 Resource Categories using ROUNDED figures | | | | | | | |
|--|-------------|------------|------------|------------|------------|-------------|-------------|
| Category | Tonnes (Mt) | Total Zinc | | Total Lead | | Silver | |
| | | Grade (%) | Metal (Kt) | Grade (%) | Metal (Kt) | Grade (ppm) | Metal (Moz) |
| Indicated | 2.1 | 5.1 | 107 | 1.4 | 29 | 30.9 | 2.1 |
| Inferred | 1.2 | 4.6 | 56 | 1.1 | 14 | 20.9 | 0.8 |
| Indicated + Inferred | 3.3 | 4.9 | 163 | 1.3 | 43 | 27.2 | 2.9 |

This table reproduced as it was first reported to the ASX on 8 December 2017.

DIRECTORS' REPORT

The directors present their report on the consolidated entity consisting of Alta Zinc Limited and its controlled entities (**Alta Zinc** or **the Group**) for the year ended 30 June 2020.

Directors

The following persons were directors of Alta Zinc Limited during the whole of the financial year and up-to the date of this report:

Mr Alexander Burns - *Executive Chairman*

Mr Stephen Hills - *Finance Director and Company Secretary*

Mr Marcello Cardaci - *Non-executive Director*

Mr Campbell Olsen - *Non-executive Director*

Mr Geraint Harris - *Managing Director (appointed 16 September 2019)*

Information on directors

The following information is current as at the date of this report.

Mr Alexander Burns, MBA – Executive Chairman

Mr Burns was Managing Director of Sphere Minerals Limited from 1998 – 2010. During this period, the company acquired and evaluated iron ore properties in Mauritania, West Africa. Sphere was subsequently taken over by Xstrata PLC in November 2010 for \$514 million. Mr Burns was also a non-executive Chairman of Shield Mining Limited (Shield), which was spun out of Sphere in 2006. Shield was a gold and base metals exploration company active in Mauritania and was taken over by Gryphon Minerals Limited in mid-2010.

During the past three years, Mr Burns has not served as a director of any other listed companies.

Mr Stephen Hills, B.Com B. Compt (Hons) CA – Finance Director and Company Secretary

Mr Hills was appointed to the board after initially joining the Group on 1 March 2017 as Chief Financial Officer. He has extensive experience in senior finance roles with public companies listed on the ASX and TSX, including fourteen years in mining companies with gold, nickel and copper producing assets. Before joining Alta Zinc, he was the Finance Director of Democratic Republic of Congo based Tiger Resources Limited from 2010, where he was involved with the financing, commissioning and operations of the Kipoi Copper Project. Before this, he was Chief Financial Officer and Company Secretary of Mirabela Nickel Limited from 2006, where he was involved in the company's listing on the TSX and subsequent capital raisings and the initial syndicated project financing completed in 2009 for the Santa Rita nickel mine in Brazil. From 2003, he was the Chief Financial Officer of Botswana-based gold producer Gallery Gold Limited, and since the early 1990's was Chief Financial Officer of Scientific Services Limited which provided laboratory services to the resources sector.

During the past three years, Mr Hills has not served as a director of any other listed companies.

Mr Marcello Cardaci, B.Juris, LLB, B.Com – Non-executive Director

Mr Cardaci is a consultant to Gilbert & Tobin's Corporate Advisory Group. Mr Cardaci has advised on a range of corporate and commercial matters including public and private equity fund raisings and public and private mergers, acquisitions and divestment. Mr Cardaci also regularly advises on issues relating to *Corporations Act* and *Australian Securities Exchange Listing Rules*. He has cross-border experience, having advised on numerous overseas transactions including capital raisings, takeovers, schemes of arrangements and the structuring of acquisitions and joint ventures in numerous countries. Mr Cardaci has also lectured in the securities law course conducted by the *Securities Institute of Australia* and is a past committee member of the State Branch of the *Australian Mining and Petroleum Law Association Limited*.

Mr Cardaci is the Chairman of the Remuneration Committee, Nomination Committee and Audit & Risk Committee when the full board meets in its capacity as these committees.

During the past three years, Mr Cardaci has also been serving as a director of the following listed companies:

- Manhattan Corporation Limited – appointed December 2006; and
- Cyprium Metals Ltd (formerly called Arc Exploration Ltd) – appointed 31 May 2018 resigned 10 July 2019.

Mr Campbell Olsen, B Eng, MBA – Non-executive Director

Mr Olsen is Chief Executive Officer and Director of Arete Capital Partners Pty Ltd, a resource-focussed global private equity firm. He has had a long career in private equity and operational management in the mining industry. He has deep experience in international private equity practice and process, having spent several years as an Investment Manager with Nomura Jafco and then General Manager (Australasia) with Advent International, a Boston-based multi-billion-dollar international private equity company.

In 2003, Mr Olsen established Polarity Capital, a private equity and advisory firm that specialized in a "hands-on" approach to its investments, with Mr Olsen regularly assuming the CEO role of investee companies for varying durations to provide turnaround and expansion strategies as well as drive and directional clarity. From an operational perspective, he has acquired, managed and run downstream mineral processing operations along with upstream resources assets both in Australia and abroad. His experience encompasses asset/opportunity identification, due diligence, negotiations of acquisition terms and structure, on-going operational reform and improvement through to exit strategies. He has managed exploration programs, JORC-compliant resource estimate programs, mine design and operations primarily across iron ore, silver and rare earth metals.

During the past three years, Mr Olsen has not served as a director of any other listed companies.

Mr Geraint Harris, B Eng (Hos), MSc Eng (Mining) – Managing Director (appointed 16 September 2019)

Mr Harris is a Mining Engineer with over 24 years of mining industry experience across production operations, technical consultancy, funds management and project finance. He specialises in gold and base metals and has worked in numerous countries including Europe, North and South America, Central Asia, the former Soviet Union and China. His most recent role was as the CEO of Adriatic Metals PLC (ASX: ADT), overseeing the technical and commercial aspects of two Zn-Pb-Au-Ag-Cu exploration projects in Bosnia and Herzegovina. Mr Harris was part of the team that commenced production at Anglo American's Lisheen zinc-lead mine in Ireland, where he gained relevant operational experience in ramping up and maintaining production at one of the most significant underground zinc producers in the world. He was also an Associate Director of RMB Resources, a firm who funded many junior resource companies on the Australian, North American and European markets.

During the past three years, Mr Harris had served as the CEO of Adriatic Metals PLC.

Directors' Interests in the Shares and Options of the Company and Related Bodies Corporate

As at the date of this report, the interests of the directors in the shares and options of Alta Zinc were:

| | Number of Ordinary Shares | | No. of Options Over Ordinary Shares | |
|-----------|---------------------------|-------------|-------------------------------------|------------|
| | Direct | Indirect | Direct | Indirect |
| A Burns | 4,994,281 | 428,564,515 | - | 25,000,000 |
| S Hills | - | - | 9,000,000 | - |
| M Cardaci | 1,712,344 | 182,699,710 | - | 16,666,667 |
| C Olsen | - | 1,712,344 | - | - |
| G Harris | 80,344,298 | - | 55,833,333 | - |

Principal Activities

The principal activity of the entities within the Group during the year was the exploration of a suite of tenements located throughout Italy and Australia.

Review of Operations**Operating Review, Business Strategy and Prospects**

The Group's operations, business strategies and prospects are discussed in detail in the *Operations Report* on page 1.

Operating Results for the Year

The consolidated net loss after tax of the Group for the year was \$3,761,334 (2019: \$3,269,858), resulting in a basic/diluted loss per share of \$0.18 per share (2019: \$0.22 basic/diluted loss per share).

Exploration expenditure for the year was \$3,226,935 (2019: \$481,561). Information about exploration activities is discussed in the *Operations Report*.

Administration expenditure for the year was \$387,357 (2019: \$1,026,865).

Capital Structure

As at the date of this report, the Group had 3,610,699,176 (2019: 1,829,884,311) fully paid ordinary shares on issue, and there were 463,512,394 (2019: nil) listed options and 147,390,289 (2019: 48,250,000) unlisted options over ordinary shares on issue.

A total of 380,514,417 ordinary shares and 75,000,000 unlisted options were issued during the year ended 30 June 2020.

Subsequent to the year end (as noted in Significant Events after the Balance Date below), a total of 1,408,550,448 ordinary shares, and options over ordinary shares consisting of 463,512,394 listed options and 46,390,289 unlisted options were issued, and are included in the totals of shares and options at the date of this report.

Share capital

During the year, ordinary shares were issued as follows:

- On 16 September 2019, the Company issued 8,250,000 shares in lieu of cash payment for consultancy fees due to Orme Minerals Services Ltd, of which Mr Harris is a director, for the period 1 July to 15 September 2019.
- On 1 November 2019, the Company issued 342,264,417 shares pursuant to the unconditional component of a share placement to raise approximately \$1.9 million.
- On 6 December 2019, the Company issued 30,000,000 shares, being the conditional component of the share placement, to Mr Geraint Harris following the approval by shareholders at the Annual General Meeting on 29 November 2019.

Unlisted Options

During the year, unlisted options over ordinary shares were issued as follows:

- On 4 October 2019, the Company issued 30,000,000 unlisted options pursuant to an agreement to appoint Discovery Capital Partners as strategic corporate advisor.
- On 6 December 2019, the Company issued 45,000,000 incentive options to the Managing Director, Mr Geraint Harris, as approved at the Annual General Meeting.

Cash on Hand

Cash on hand at 30 June 2020 was \$2,261,264 (2019: \$2,094,318), inclusive of \$2,202,149 held in trust pending the completion of tranche 1 of the placement announced on 25 June 2020.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Group other than those detailed elsewhere in this Review of Operations.

Significant Events after the Balance Date

On 25 June 2020, the Company announced a capital raising comprising a placement to raise approximately \$3.6 million and a share purchase plan (SPP) to raise approximately \$0.5 million, with both the placement and SPP shares to be issued at \$0.004 each with free attaching options on the basis of one option for every three shares issued (each with an exercise price of \$0.01 and expiry date of 31 January 2022).

The placement was undertaken in two tranches: on 1 July 2020 the Company issued 550,537,181 tranche 1 shares and on 27 August 2020 the Company issued 340,000,000 tranche 2 shares. A total of 296,845,727 attaching listed options was issued under the placement.

Having closed the SPP oversubscribed, on 4 September 2020 the Company issued 500,000,000 ordinary shares at \$0.004 together with 166,666,667 attaching options after accepting SPP proceeds of \$2 million.

In total, the capital raising activities outlined above raised \$5.6 million (before costs).

On 27 August 2020, the Company issued 18,013,267 ordinary fully paid shares to Directors in lieu of unpaid fees and salaries for the period 1 April to 30 June 2020 as approved by shareholders at a General Meeting held on 20 August 2020. The shares were issued at \$0.004 each, for a total value of \$72,053.

On 31 August 2020, the Company issued Discovery Capital Partners and Foster Stockbroking, who acted as joint lead managers to the placement, a total of 46,390,289 unlisted options for \$0.0001 per option (each with an exercise price of \$0.01 and expiry date of 28 February 2022).

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

Likely Developments and Expected Result

The Group will continue to undertake mineral exploration and ancillary permitting and technical studies to advance the status of its projects, with a primary focus on the advancement and development of the Gorno Zinc Project in Italy.

Environmental Regulation and Performance

The Group holds exploration tenements issued by the relevant regulatory authorities in which the Group operates, being the various states of Australia and Italy. The conditions attaching to these tenements and/or the relevant legislation in those jurisdictions impose obligations on the Group in relation to the environmental management of its operations on the tenements. There have been no known breaches of the Group's environmental obligations to which it is subject.

Share Options

As at the date of this report, there were 610,902,683 (2019: 48,250,000) options over ordinary shares on issue (101,000,000 options at 30 June 2020).

Refer to Note 15(c) of the consolidated financial statements for further details of the options outstanding as at 30 June 2020.

| Series No. | Number of options | Exercise price | Expiry date | Vesting date |
|--------------|--------------------|----------------|-------------|--------------|
| 23 | 4,000,000 | \$0.120 | 18-Nov-20 | Vested |
| 24 | 4,000,000 | \$0.180 | 18-Nov-20 | Vested |
| 25 | 250,000 | \$0.240 | 18-Nov-20 | Vested |
| 26 | 2,000,000 | \$0.100 | 28-Feb-22 | Vested |
| 27 | 2,000,000 | \$0.150 | 28-Feb-22 | Vested |
| 28 | 2,000,000 | \$0.200 | 28-Feb-22 | Vested |
| 30 | 11,750,000 | \$0.050 | 30-Jun-22 | Vested |
| 31 | 15,000,000 | \$0.008 | 18-Sep-24 | Vested |
| 32 | 15,000,000 | \$0.012 | 18-Sep-24 | 18-Sep-24 |
| 33 | 15,000,000 | \$0.008 | 16-Sep-24 | Vested |
| 34 | 15,000,000 | \$0.012 | 16-Sep-24 | Vested |
| 35 | 15,000,000 | \$0.016 | 16-Sep-24 | 16-Mar-21 |
| 36 | 46,390,289 | \$0.010 | 28-Feb-22 | Vested |
| AZIO* | 463,512,394 | \$0.010 | 31-Jan-22 | Vested |
| Total | 610,902,683 | | | |

A total of 75,000,000 unlisted options over ordinary shares were issued during the year ended 30 June 2020, including 45,000,000 options issued to a director under the *2018 Employee Incentive Plan*. Details of options granted to directors and KMP during the year ended 30 June 2020 are disclosed in the *Remuneration Report* (refer page 23).

A total of 509,902,683 options over ordinary shares was issued since the end of the year (refer to Significant Events after the Balance Date above).

Option holders do not have any right, by virtue of the option, to participate in any issue of shares by the Group or any related body corporate.

No shares or interests have been issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification and Insurance of Directors' and Officers

The Group has entered into a Deed of Access, Insurance and Indemnity (Deed) with each Director and the Company Secretary (Officers). Under the Deed, the Group indemnifies the Officers to the maximum extent permitted by law and the Constitution against legal proceedings, damage, loss, liability, cost, charge, expense, outgoing or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred by the Officers in connection with the Officers being an officer of the Group, the employment of the Officer with the Group or a breach by the Group of its obligations under the Deed.

Also, pursuant to the Deed, the Group must insure the Officers against liability and provide access to all board papers relevant to defending any claim brought against the Officers in their capacity as officers of the Group.

During, or since the financial year, the Group has paid premiums in respect of a contract insuring all the directors, company secretary, executives and employees of Alta Zinc against legal costs incurred in defending proceedings for conduct other than:

- (a) a wilful breach of duty; or
- (b) a contravention of sections 182 or 183 of the *Corporations Act 2001*; as permitted by section 199B of the *Corporations Act 2001*.

In accordance with a confidentiality clause under the insurance policy the amount of premium paid to insurers has not been disclosed. This is permitted under Section 300(9) of the *Corporations Act 2001*.

Auditor Independence and Non-Audit Services

The independence declaration from our auditors, Crowe Perth, for the year ended 30 June 2020 has been received and is attached to this report on page 63.

The Group's auditors, Crowe Perth, provided no non-audit services during the year ended 30 June 2020 (2019: nil).

Indemnification of auditors

No payment has been made to indemnify Crowe Perth during or since the financial year.

Directors' Meetings

During the financial year, 8 meetings of directors, including committees of directors, were held and the number of meetings attended by each director was as follows:

| | Director's Meetings | | Meeting of Committees | | | | | |
|------------------|---------------------|----------|-----------------------|----------|--------------|----------|------------|----------|
| | Eligible | Attended | Audit & Risk | | Remuneration | | Nomination | |
| | Eligible | Attended | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| Alexander Burns | 8 | 8 | 3 | 3 | 1 | 1 | 1 | 1 |
| Geraint Harris | 7 | 7 | 3 | 3 | 1 | 1 | 1 | 1 |
| Stephen Hills | 8 | 8 | 3 | 3 | 1 | 1 | 1 | 1 |
| Marcello Cardaci | 8 | 8 | 3 | 3 | 1 | 1 | 1 | 1 |
| Campbell Olsen | 8 | 7 | 3 | 3 | 1 | 1 | 1 | 1 |

Committee Membership

The role of the Audit and Risk, Remuneration and Nomination Committees is carried out by the full board. The directors consider that no efficiencies or benefits would be gained by establishing separate committees. Whilst the board has not established separate committees, it has adopted charters which describe the role, composition, functions and responsibilities of the full board when acting in its capacity as the Audit and Risk, Remuneration and Nomination Committees. Reference to committee meetings in the table above refers to separate meetings convened by the full board to specifically deal with the business of that committee in accordance with the charters of the Audit and Risk, Remuneration and Nomination Committees.

Proceedings on Behalf of the Group

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

Dividends

No dividends have been paid or declared during the financial year and the directors do not recommend the payment of a dividend.

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Remuneration Report (audited)

This Remuneration Report for the year ended 30 June 2020 outlines the remuneration arrangements in place for directors and executives of the Parent and the Group, in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Parent and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Details of KMP of the Parent and Group are set out below:

Key Management Personnel

Non-executive Directors

Mr Marcello Cardaci *Appointed 7 October 2014*

Mr Campbell Olsen *Appointed 19 April 2018*

Executive Directors

Mr Alexander Burns Executive Chairman
Appointed Executive Chairman 7 October 2014
Appointed Chief Executive Officer 26 June 2017

Mr Stephen Hills Finance Director and Company Secretary
Appointed Chief Financial Officer 1 March 2017
Appointed Finance Director 26 June 2017
Appointed Company Secretary 27 February 2019

Mr Geraint Harris Managing Director
Appointed 16 September 2019

Executives

Mr Fabio Granitzio Exploration Manager, Italy
Appointed 28 November 2017, resigned 11 October 2018

Mr Sergio Di Giovanni Study Manager
Appointed 1 June 2018, resigned 31 December 2018

Mr Jamie Armes Company Secretary and Group Accountant
Appointed 1 July 2015, resigned 27 February 2019

Remuneration Policy

The *Remuneration Policy* of Alta Zinc has been developed by the Remuneration Committee in accordance with the *Remuneration Committee Charter*. The full Board currently performs the function of the Remuneration Committee. The *Remuneration Committee Charter* is set out on the Group's website at www.altazinc.com.

Emoluments of directors and executives are reviewed on an annual basis and are set by reference to employment market conditions, payments made by other companies of similar size and industry, and by reference to the skills and experience of the directors and executives.

Key Management Personnel (KMP) and related parties of KMP are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Engagement of Remuneration Consultants

The Remuneration Committee may at times seek external remuneration advice. No remuneration consultant was engaged during the year ended 30 June 2020 to provide remuneration recommendations in relation to KMP.

Non-executive Directors

The Group's policy is to remunerate non-executive directors at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not directly linked to individual performance. Given the Group is at an early stage of development and the financial restrictions placed on it, the Group may consider it appropriate to issue unlisted options to non-executive directors, subject to obtaining the relevant approvals. This policy is subject to annual review. The grant of options is designed to conserve cash reserves, recognise efforts and to provide non-executive directors with additional incentive to continue those efforts for the benefit of the Group.

The maximum aggregate amount of fees (including superannuation payments) that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting. The maximum amount of non-executive fees payable is currently set at \$250,000 per annum.

Executive Directors

Executive directors are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.

Executive directors pay and reward consists of a base salary, benefits and incentives. Long-term incentives may include options over unissued ordinary shares granted at the discretion of the Board and where applicable, subject to obtaining the relevant shareholder approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of service conditions.

Company Performance, Shareholder Wealth, Director and Executive Remuneration

The *Remuneration Policy* aims to align the objectives of shareholders and the Group with that of executive directors and executives through the issue of options over unissued shares. The granting of options is not subject to specific performance criteria, however, when granting options, the terms of the options are designed to provide an incentive that will contribute to increasing shareholder wealth. This is undertaken by determining an exercise price that exceeds the underlying share price at the date of grant and through vesting conditions that require a period of continuous employment. Remuneration of KMP is not dependent on company performance as the nature of the Group's operations are exploration, and therefore, not currently profit generating.

The following table shows the net profit/(loss) from continuing and discontinued operations and dividends for the last three years for the listed entity, as well as share prices at the end of the respective financial years:

| | 2018 | 2019 | 2020 |
|-------------------------|-------------|-------------|-------------|
| | \$ | \$ | \$ |
| Net profit/(loss) | (3,628,474) | (3,269,858) | (3,761,334) |
| Share price at year end | \$0.007 | \$0.003 | \$0.004 |
| Dividends paid | Nil | Nil | Nil |

Non-executive Director Remuneration

Fixed Remuneration

The aggregate remuneration paid to non-executive directors will not exceed the maximum amount in aggregate of \$250,000 per annum. The Constitution of Alta Zinc and the *ASX Listing Rules* specify that the non-executive director fee pool shall be determined from time to time by a general meeting of shareholders. The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders, and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers fees paid to non-executive directors of comparable companies when undertaking the annual review as well as the additional time commitment of directors who serve on one or more sub-committees. Non-executive directors do not currently receive additional remuneration for their membership of subsidiary boards or committees.

Non-executive directors are encouraged by the Board to hold shares in Alta Zinc.

The remuneration of non-executive directors for the period ending 30 June 2020 is detailed on page 24 of this report.

Variable Remuneration – Short-term Incentives

Non-executive directors do not receive performance-based bonuses.

Variable Remuneration – Long-term Incentives

The Group has no contractual obligation to provide long-term incentives to non-executive directors.

Executive Remuneration

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- reward executives for company and individual performance;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals of the Group; and
- ensure total remuneration is competitive by market standards.

Executive remuneration comprises of four components:

- base pay and benefits;
- short-term incentives;
- other remuneration such as statutory superannuation and social security contributions; and
- long-term incentives through equity-based compensation.

Base pay and benefits

Base pay is structured as a remuneration package that may be delivered as a combination of cash and salary sacrifice superannuation at the executives' discretion.

Base pay is reviewed annually to ensure the executives' pay is competitive with comparable positions of responsibility. This review may utilise external advisors to provide information on industry benchmarks. There is no guaranteed base pay increases included in any executive contracts.

Variable Remuneration – Short-term Incentives

At this time, any incentive paid to executives is at the absolute discretion of the Remuneration Committee and the Group has no contractual commitments to provide these incentives to executives. The Group's Policy permits the payment of short-term incentives to executives.

No short-term incentive bonuses were paid to Executives during the year ended 30 June 2020 (2019: Nil).

Variable Remuneration – Long-term Incentives

The Group has an *Employee Incentive Plan* (EIP) as a means of providing long-term incentives to all employees and key management personnel, other than non-executive directors. In accordance with the provisions of the plan, as approved by shareholders at the annual general meeting held 30 November 2018, at its discretion the Board may grant incentives under the plan for no consideration and determine the terms on which the incentives are granted. Where incentives are granted with vesting conditions, unless the Board determines otherwise, unvested incentives are forfeited when the holder ceases to be employed by the Group. Any options granted under the EIP carry neither rights to dividends nor voting rights and may be exercised at any time from the date of vesting to the date of their expiry.

The grant of options to KMP's is not subject to performance conditions as the nature of the Group's operations are loss making during mineral exploration. The Group has no contractual obligation to provide long-term incentives to key management personnel.

Contracts with Key Management Personnel

Alexander Burns – Executive Chairman

Mr Burns is employed under an Executive Service Agreement which commenced on 7 October 2014 for an original three-year term and was subsequently extended for a three-year term commencing 7 October 2017, on the same terms.

Mr Burns receives fixed remuneration of \$175,000 per annum, inclusive of superannuation, reviewed annually on or before 30 June each year.

In the event that his employment is terminated by the Company, other than for gross misconduct, Mr Burns is entitled to 1 month notice and a severance payment of 6 months' salary, together with 2 weeks' salary for each completed year of service. Mr Burns can terminate the agreement with 3 months' notice

Geraint Harris – Managing Director

The Company has a Consultancy Agreement with Orme Minerals Services Limited, a company controlled by Mr Harris, under which the services of Mr Harris have been engaged for two years commencing 16 September 2019 (subject to either party giving six-month notice) for a consulting fee of GBP12,500 per month.

Mr Harris is entitled to a director's fee of GBP1,500 per month, and in addition the Company granted Mr Harris 45 million options to acquire ordinary shares under the EIP.

Stephen Hills – Finance Director

Mr Hills is employed under an Executive Service Agreement which commenced 1 March 2017 for an original three-year term and was subsequently extended for a two-year term commencing 1 March 2020, on the same terms.

Mr Hills receives fixed remuneration of \$265,000 per annum, inclusive of superannuation, reviewed annually on or before 30 June each year.

In the event that his employment is terminated by the Company, other than for gross misconduct, Mr Hills is entitled to 1 month notice and a severance payment of 3 months salary, together with 2 weeks salary for each completed year of service. Mr Hills can terminate the agreement with 3 months notice.

Remuneration for the year ended 30 June 2020 and 30 June 2019

No director or senior executive appointed during the period received a payment before they started to hold the position, as part of the consideration for them agreeing to hold the position. The premium paid for Directors and Officers liability insurance is not included in the remuneration table below.

Alta Zinc Limited and Controlled Entities

Remuneration Report (audited)

Remuneration for the year ended 30 June 2020 and 30 June 2019 (continued)

| | Fixed remuneration | | | | | | Variable remuneration | |
|---|--------------------|--------------|----------|-----------------|---------|--------------------|-----------------------|---------|
| | Short-term | | | Post-employment | | Long-term | Options | Total |
| | Salary & fees | Non-Monetary | Other | Superannuation | Other | Long service leave | | |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Directors | | | | | | | | |
| Mr M Cardaci | | | | | | | | |
| 2020 ^{Note 1} | 54,795 | - | - | 5,205 | - | - | - | 60,000 |
| 2019 | 54,795 | - | - | 5,205 | - | - | - | 60,000 |
| Mr C Olsen | | | | | | | | |
| 2020 ^{Note 1} | 54,795 | - | - | 5,205 | - | - | - | 60,000 |
| 2019 ^{Note 5} | 60,000 | - | - | - | - | - | - | 60,000 |
| Mr G Harris | | | | | | | | |
| 2020 ^{Notes 1, 6} | 249,042 | - | - | - | - | - | 36,272 | 285,314 |
| 2019 | - | - | - | - | - | - | - | - |
| Mr A Burns | | | | | | | | |
| 2020 ^{Note 1} | 159,817 | - | - | 15,183 | - | 5,478 | - | 180,478 |
| 2019 ^{Notes 2,3} | 159,817 | 14,305 | (1,979) | 15,183 | - | 5,798 | - | 193,124 |
| Mr S Hills | | | | | | | | |
| 2020 ^{Note 1} | 242,009 | - | - | 22,991 | - | 5,873 | 1,147 | 272,020 |
| 2019 ^{Note 3} | 242,009 | - | 18,498 | 22,991 | - | 4,726 | 6,273 | 294,497 |
| Total Directors | | | | | | | | |
| 2020 | 760,458 | - | - | 48,584 | - | 11,351 | 37,419 | 857,812 |
| 2019 | 516,621 | 14,305 | 16,519 | 43,379 | - | 10,524 | 6,273 | 607,621 |
| Other Key Management Personnel (group) | | | | | | | | |
| Mr S Di Giovanni (resigned 31 December 2018) | | | | | | | | |
| 2020 | - | - | - | - | - | - | - | - |
| 2019 ^{Note 4} | 115,209 | - | - | 10,411 | - | (23) | 2,383 | 127,980 |
| Mr F Granitzio (resigned 11 October 2018) | | | | | | | | |
| 2020 | - | - | - | - | - | - | - | - |
| 2019 ^{Note 4} | 63,231 | - | 23,513 | - | (7,999) | - | - | 78,745 |
| Mr J Armes (resigned 27 February 2019) | | | | | | | | |
| 2020 | - | - | - | - | - | - | - | - |
| 2019 ^{Note 4} | 154,982 | - | (20,077) | 10,346 | - | (25,679) | 2,383 | 121,955 |
| Total Other Key Management Personnel | | | | | | | | |
| 2020 | - | - | - | - | - | - | - | - |
| 2019 | 333,422 | - | 3,436 | 20,757 | (7,999) | (25,702) | 4,766 | 328,680 |
| TOTAL | | | | | | | | |
| 2020 | 760,458 | - | - | 48,584 | - | 11,351 | 37,419 | 857,812 |
| 2019 | 850,043 | 14,305 | 19,955 | 64,136 | (7,999) | (15,178) | 11,039 | 936,301 |

Note 1: Deferred directors' remuneration

On 9 April 2020, the members of the Board agreed to have their cash compensation reduced by 50% for a period of up to six months with effect from 1 April 2020, with the deferred fees to be settled either in cash, or by equity compensation subject to shareholder approval. The fixed Directors remuneration disclosed in the above remuneration table includes the full amount of remuneration for the financial year, both paid and deferred.

At 30 June 2020, the deferred compensation for the period 1 April to 30 June 2020 was \$101,520:

| | \$ |
|--------------|----------------|
| Mr M Cardaci | 6,849 |
| Mr C Olsen | 6,849 |
| Mr G Harris* | 37,594 |
| Mr A Burns | 19,977 |
| Mr S Hills | 30,251 |
| Total | 101,520 |

*Deferred fees of GBP21,000 are translated to Australian Dollars at the closing rate as at 30 June 2020.

Remuneration for the year ended 30 June 2020 and 30 June 2019 (continued)

Note 2: Non-monetary benefits include fringe benefits.

Note 3: Other short-term benefits include movements in accrued annual leave.

Note 4: Other post-employment benefits include movements in entitlement accruals payable upon ceasing an employment relationship in Italy.

Note 5: Mr Olsen's Director fees were paid to Arete Capital Partners Pty Ltd during the year ended 30 June 2019.

Note 6: Part of Mr Harris' remuneration for the year ended 30 June 2020 was paid or payable to Orme Minerals.

Share based remuneration

During the year ended 30 June 2020, a total of 45 million options over ordinary shares was issued to KMP. The following table discloses vesting of share options granted to KMP as remuneration during the year.

| | Series | Award Date | Fair Value per Option (cents) | Exercise Price (cents) | Expiry Date | Vesting Date | Vested During Year No. |
|---------------------|--------|------------|-------------------------------|------------------------|-------------|--------------|------------------------|
| 30 June 2020 | | | | | | | |
| Mr G Harris | 33 | 29-Nov-19 | 0.154 | 0.800 | 16-Sep-24 | 16-Mar-20 | 15,000,000 |
| Mr G Harris | 34 | 29-Nov-19 | 0.090 | 1.200 | 16-Sep-24 | 16-Sep-20 | - |
| Mr G Harris | 35 | 29-Nov-19 | 0.056 | 1.600 | 16-Sep-24 | 16-Mar-21 | - |
| 30 June 2019 | | | | | | | |
| Mr S Hills | 29 | 3-Dec-18 | 0.041 | 2.500 | 30-Jun-20 | 30-Jun-19 | 3,000,000 |
| Mr S Hills | 30 | 3-Dec-18 | 0.084 | 5.000 | 30-Jun-22 | 30-Jun-20 | - |
| Mr J Armes | 29 | 2-Aug-18 | 0.060 | 2.500 | 30-Jun-20 | 30-Jun-19 | 1,500,000 |
| Mr J Armes | 30 | 2-Aug-18 | 0.099 | 5.000 | 30-Jun-22 | 30-Jun-20 | - |
| Mr S di Giovanni | 29 | 2-Aug-18 | 0.060 | 2.500 | 30-Jun-20 | 30-Jun-19 | 1,500,000 |
| Mr S di Giovanni | 30 | 2-Aug-18 | 0.099 | 5.000 | 30-Jun-22 | 30-Jun-20 | - |

Share options do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date. There were no forfeitures or alterations to the term and conditions of options awarded as remuneration since their award date during the year ended 30 June 2020. No options were exercised by KMP during the financial year ended 30 June 2020.

Terms and conditions of the share based payment arrangements

The fair value of options over ordinary shares granted to KMP during the year was determined using a Black-Scholes option pricing model based on the following inputs:

| | Series 33 | Series 34 | Series 35 |
|------------------------|-------------------|-------------------|-------------------|
| Number of options | 15,000,000 | 15,000,000 | 15,000,000 |
| Grant date | 29-Nov-19 | 29-Nov-19 | 29-Nov-19 |
| Expiry date | 16-Sep-24 | 16-Sep-24 | 16-Sep-24 |
| Exercise price (cents) | 0.8 | 1.2 | 1.6 |
| Share price (cents) | 0.6 | 0.6 | 0.6 |
| Vesting condition | Continued service | Continued service | Continued service |

Alta Zinc Limited and Controlled Entities

Remuneration Report (audited)

Options over ordinary shares held by key management personnel

The number of options over ordinary shares held by each of the Group KMP both directly and indirectly during the financial year is as follows:

| | Held at start of year | Granted as compensation | Lapsed or expired | Other net change * | Held at end of year | Vested and exercisable at end of year |
|---------------------|-----------------------|-------------------------|--------------------|--------------------|---------------------|---------------------------------------|
| 30 June 2020 | | | | | | |
| Directors | | | | | | |
| Mr G Harris | - | 45,000,000 | - | - | 45,000,000 | 15,000,000 |
| Mr S Hills | 12,000,000 | - | (3,000,000) | - | 9,000,000 | 9,000,000 |
| Executives | | | | | | |
| Mr F Granitzio | - | - | - | - | - | - |
| Mr S di Giovanni | - | - | - | - | - | - |
| Mr J Armes | - | - | - | - | - | - |
| Total | 12,000,000 | 45,000,000 | (3,000,000) | - | 54,000,000 | 24,000,000 |

| | Held at start of year | Granted as compensation | Lapsed or expired | Other net change ¹ | Held at end of year | Vested and exercisable at end of year |
|---------------------|-----------------------|-------------------------|-------------------|-------------------------------|---------------------|---------------------------------------|
| 30 June 2019 | | | | | | |
| Directors | | | | | | |
| Mr S Hills | 6,000,000 | 6,000,000 | - | - | 12,000,000 | 9,000,000 |
| Executives | | | | | | |
| Mr F Granitzio | - | - | - | - | - | - |
| Mr S di Giovanni | - | 3,000,000 | - | (3,000,000) | - | - |
| Mr J Armes | 1,500,000 | 3,000,000 | - | (4,500,000) | - | - |
| Total | 7,500,000 | 12,000,000 | - | (7,500,000) | 12,000,000 | 9,000,000 |

¹ Other net changes represent the number of options they held at the date of ceasing employment with the Group.

Shareholdings of key management personnel

Ordinary shares held in Alta Zinc Limited directly and indirectly

| | Held at start of year | Granted as remuneration | Issued on exercise of options | Other net change | Held at end of year |
|---------------------------|------------------------|-------------------------|-------------------------------|-------------------------|---------------------|
| 30 June 2020 | | | | | |
| Directors | | | | | |
| Mr G Harris | 8,250,000 ¹ | - | - | 30,000,000 ² | 38,250,000 |
| Mr A Burns | 353,564,515 | - | - | - | 353,564,515 |
| Mr S Hills | - | - | - | - | - |
| Mr M Cardaci ³ | 132,699,710 | - | - | - | 132,699,710 |
| Mr C Olsen | - | - | - | - | - |
| Total | 494,514,225 | - | - | 30,000,000 | 524,514,225 |

¹ Mr Harris held 8,250,000 shares at 16 September 2019, being the date of his appointment as Managing Director.

² The shares were issued to Mr Harris under a capital raising on exactly the same terms as the other investors; the issue was approved at the Annual General Meeting held on 29 November 2019.

³ Malvasia Pty Ltd as a trustee of the Spyder Super Fund, is the holder of 132,699,710 fully paid ordinary shares. Mr Cardaci is not a director, shareholder or involved in the management of Malvasia Pty Ltd nor is he a beneficiary of the Spyder Super Fund. A close family member is the sole director of Malvasia Pty Ltd and therefore Malvasia Pty Ltd is considered a related party of Mr Cardaci under the Corporations Act and AASB 124.

Other transactions and balances with key management personnel and their related parties

During the year, Gilbert & Tobin provided legal services to the Group of \$37,883 (2019: \$50,947). Mr Cardaci is a consultant to Gilbert & Tobin's Corporate Advisory Group. There was no balance owing to Gilbert & Tobin as at 30 June 2020 (2019: \$2,754). The services were entered into on normal commercial terms and have not been included in directors' remuneration as the fees were not paid for services provided by Mr Cardaci.

During the year, expense reimbursements of \$4,629 were paid to Orme Mineral Services Ltd (Orme Minerals), a UK-based company of which Mr Harris is a director. There was no balance owing to Orme Minerals at 30 June 2020 (2019: nil).

There have been no other transactions involving equity instruments other than those described in the tables above.

END OF REMUNERATION REPORT

This Director's Report is signed in accordance with a resolution of the directors.



Alexander Burns
Executive Chairman

24 September 2020

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AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Alta Zinc Ltd for the year ended 30 June 2020, 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.



Crowe Perth



Cyrus Patell
Partner

Signed at Perth, Western Australia dated this 24 September 2020

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

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STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

| | Note | Consolidated | |
|---|------|--------------------|--------------------|
| | | 2020 \$ | 2019 \$ |
| Other income | 4(a) | 74,000 | - |
| Administrative expenditure | 4(b) | (387,357) | (1,026,865) |
| Exploration expenditure | | (3,226,935) | (2,481,561) |
| Marketing expenditure | | (232,762) | (103,587) |
| Foreign exchange gain/(loss) | | 15,286 | 26,348 |
| Other expenses | | - | (5,894) |
| Operating loss | | (3,757,768) | (3,591,559) |
| Net finance income | 5 | (3,566) | 321,701 |
| Loss from continuing operations before income tax | | (3,761,334) | (3,269,858) |
| Income tax expense | 6 | - | - |
| Loss from continuing operations after income tax | | (3,761,334) | (3,269,858) |
| Net loss for the year | | (3,761,334) | (3,269,858) |
| Other comprehensive income | | | |
| <i>Items that may be re-classified to profit or loss</i> | | | |
| Exchange differences on translation of foreign operations | | (11,493) | 8,786 |
| Comprehensive income for the year, net of tax | | (11,493) | 8,786 |
| Total comprehensive loss for the year | | (3,772,827) | (3,261,072) |
| Loss per share | | | |
| From continuing operations: | | | |
| Basic earnings/(loss) per share (cents) | 7 | (0.18) | (0.22) |
| Diluted earnings/(loss) per share (cents) | 7 | (0.18) | (0.22) |

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

STATEMENT OF FINANCIAL POSITION

| | Note | Consolidated | |
|--|-------|------------------|------------------|
| | | 2020 \$ | 2019 \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 8 | 2,261,264 | 2,094,318 |
| Receivables | 9 | 355,289 | 260,132 |
| Total Current Assets | | 2,616,553 | 2,354,450 |
| Non- Current Assets | | | |
| Receivables | 9 | 78,443 | 40,654 |
| Plant & equipment | 10 | 133,351 | 147,685 |
| Right of use assets | 3(c) | 100,992 | - |
| Exploration and evaluation expenditure | 11 | 442,499 | 438,196 |
| Total Non-Current Assets | | 755,285 | 626,535 |
| TOTAL ASSETS | | 3,371,838 | 2,980,985 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 12 | 590,509 | 448,305 |
| Capital raising proceeds held in trust | 14(a) | 2,202,149 | - |
| Provisions | 13 | 231,958 | 229,703 |
| Lease liabilities | 3(c) | 102,446 | - |
| Total Current Liabilities | | 3,127,062 | 678,008 |
| Non-Current Liabilities | | | |
| Provisions | 13 | 37,993 | 23,842 |
| Total Non-Current Liabilities | | 37,993 | 23,842 |
| TOTAL LIABILITIES | | 3,165,055 | 701,850 |
| NET ASSETS | | 206,783 | 2,279,135 |
| EQUITY | | | |
| Equity attributable to equity holders of the parent | | | |
| Issued capital | 14(a) | 41,794,229 | 40,171,027 |
| Reserves | 14(b) | 358,895 | 1,109,561 |
| Accumulated losses | | (41,946,341) | (39,001,453) |
| TOTAL EQUITY | | 206,783 | 2,279,135 |

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

STATEMENT OF CHANGES IN EQUITY

| | Attributable to the equity holders of the Parent | | | | |
|--|--|-----------------------------|---|---|-------------|
| | Issued Capital \$ | Accumulated Losses \$ | Foreign Currency Translation Reserve \$ | Share Based Payment Reserve \$ | Total \$ |
| 30 June 2019 | | | | | |
| As at 1 July 2018 | 38,402,278 | (35,731,595) | 166,954 | 916,594 | 3,754,231 |
| Loss for the period | - | (3,269,858) | - | - | (3,269,858) |
| Other comprehensive income | - | - | 8,786 | - | 8,786 |
| Total comprehensive income/(loss) for the period | - | (3,269,858) | 8,786 | - | (3,261,072) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Share based payments | 1,808,146 | - | - | - | 1,808,146 |
| Transaction costs on shares issued | (39,397) | - | - | - | (39,397) |
| Share based payments | - | - | - | 17,227 | 17,227 |
| At 30 June 2019 | 40,171,027 | (39,001,453) | 175,740 | 933,821 | 2,279,135 |
| 30 June 2020 | | | | | |
| As at 1 July 2019 | 40,171,027 | (39,001,453) | 175,740 | 933,821 | 2,279,135 |
| Change in accounting policy (note 3(a)) | - | (1,763) | - | - | (1,763) |
| | 40,171,027 | (39,003,216) | 175,740 | 933,821 | 2,277,372 |
| Loss for the period | - | (3,761,334) | - | - | (3,761,334) |
| Other comprehensive income | - | - | (11,493) | - | (11,493) |
| Total comprehensive income/(loss) for the period | - | (3,761,334) | (11,493) | - | (3,772,827) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Shares issued | 1,889,072 | - | - | - | 1,889,072 |
| Transaction costs on shares issued | (265,870) | - | - | - | (265,870) |
| Reclassification upon expiry of options | - | 818,209 | - | (818,209) | - |
| Share based payments | - | - | - | 79,036 | 79,036 |
| At 30 June 2020 | 41,794,229 | (41,946,341) | 164,247 | 194,648 | 206,783 |

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

STATEMENT OF CASH FLOWS

| | Note | Consolidated | |
|---|------|--------------------|--------------------|
| | | 2020 | 2019 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | - | - |
| Payment to suppliers and employees (inclusive of GST) | | (3,600,506) | (3,454,016) |
| Interest received | | 1,593 | 17,596 |
| Net refund of IVA | | - | 1,387,359 |
| Other receipts | | 74,000 | - |
| Net cash flows used in operating activities | | (3,524,913) | (2,049,061) |
| Cash flows from investing activities | | | |
| Payments for security bonds | | - | (3,682) |
| Proceeds from reduction in security deposit | | - | 16,211 |
| Payments to acquire financial assets | | - | - |
| Net proceeds from the disposal of financial assets | | - | - |
| Purchase of plant and equipment | | (14,193) | (6,863) |
| Net cash flows (used in)/ provided by investing activities | | (14,193) | 5,666 |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 4,068,999 | 1,808,146 |
| Transaction costs on issue of shares | | (268,400) | (40,281) |
| Lease payments | | (99,111) | - |
| Net cash flows from financing activities | | 3,701,488 | 1,767,865 |
| Net increase/(decrease) in cash and cash equivalents | | 162,382 | (275,530) |
| Net foreign exchange difference | | 4,564 | - |
| Cash and cash equivalents at beginning of period | | 2,094,318 | 2,369,848 |
| Cash and cash equivalents at end of period | 8 | 2,261,264 | 2,094,318 |

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

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The financial report of Alta Zinc Limited (Alta Zinc or the Group) comprises of Alta Zinc Limited and its controlled entities for the year ended 30 June 2020. The financial report was authorised for issue in accordance with a resolution of the directors on 24 September 2020.

Alta Zinc (the Parent or the Company) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The Group is a for profit entity for financial reporting purposes under *Australian Accounting Standards*.

The nature of the operations and principal activities of the Group are described in the *Directors' Report*.

2. Summary of Significant Accounting Policies

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Alta Zinc Limited is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical cost and where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

Going Concern

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

The Group has incurred a net loss after tax from continuing operations for the year ended 30 June 2020 of \$3,761,334 (2019: \$3,269,858) and recorded net cash outflows from operating activities of \$3,524,913 (2019: \$2,049,061). At 30 June 2020, the Group had Cash on Hand of \$2,261,264 (2019: \$2,094,318), which includes \$2,202,149 held in trust pending completion of tranche 1 of the placement announced on 25 June 2020.

The Board believes that following completion of the Placement and Share Purchase Plan subsequent to 30 June 2020, the Group has sufficient funds, or access to other short term funding options, to adequately meet the Group's current commitments and short term working capital requirements. However, it is likely that further funding will be required by the Company in the medium to long term.

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

2. Summary of Significant Accounting Policies (continued)

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Alta Zinc Limited at the end of the reporting period. A controlled entity is any entity over which Alta Zinc has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. The control exists when the consolidated entity 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.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 16 to the financial statements.

In preparing the consolidated financial statements, all inter-company balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent.

The parent entity disclosures required under the Corporations Act 2001 have been included in Note 17 to the accounts.

(b) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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2. Summary of Significant Accounting Policies (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(c) Other Taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) and Italian Value Added Tax (VAT) except:

- when the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and
- receivables and payables, which are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2. Summary of Significant Accounting Policies (continued)

Cash flows are included in the statement of cash flows on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

(d) Plant and Equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and comprehensive income during the financial period in which they are incurred.

The depreciable amount of plant and equipment is depreciated on a diminishing value basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|----------------------|-------------------|
| Field equipment | 15% to 50% |
| Motor vehicles | 12.5% |
| Office equipment | 15% to 75% |
| Office furniture | 30% |

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 profit or loss and other comprehensive income.

(e) Exploration Expenditure

Exploration and evaluation expenditure is expensed as incurred. Tenement acquisition costs are initially capitalised. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area, sale of the respective areas of interest or where activities in the area have not yet reached a stage, which 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 carry forward costs in relation to that area of interest.

2. Summary of Significant Accounting Policies (continued)

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure.

(f) Leases

The Group has changed its policy in respect to leases on adoption of *AASB 16 Leases* (details in note 3).

Right-of-use assets

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

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

Lease liabilities

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

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

The Group presents right-of-use assets and lease liabilities as separate line items in the relevant sections of the Statement of Financial Position and additional information is shown in notes to the financial statements.

(g) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

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.

2. Summary of Significant Accounting Policies (continued)

(h) Foreign Currency Transactions and Balances

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars (\$) which is the functional and presentation currency of the Parent entity.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain 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 into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates, which reasonably approximate the rates prevailing on the transaction dates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2. Summary of Significant Accounting Policies (continued)

(i) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

(j) Equity Settled Compensation

The Group undertakes equity-settled share-based payments. 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 either the Binomial or 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.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Upon the exercise of awards, the balance of the share based payments reserve relating to those awards is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, is credited to share capital.

(k) Provisions

Provisions are recognised when the Group 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.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(m) Other Income

Interest income comprises interest receivable on funds invested and it is recognised in the profit or loss as it accrues, using the effective interest method.

(n) Trade and Other Receivables

Trade receivables, which generally have 30-day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made using the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. Bad debts are written off when identified.

2. Summary of Significant Accounting Policies (continued)

(o) Contributed Equity

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.

(p) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being paid within 45 days of recognition of the liability.

(q) Fair Value Measurement

The Group measures financial instruments at fair value at each statement of financial position date. Fair value is 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.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(r) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

2. Summary of Significant Accounting Policies (continued)

(s) 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.

Key Estimates

(i) Impairment of capitalised exploration and evaluation expenditure

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment indicator exists as outlined under AASB 6, the recoverable amount of the asset is determined. The future recoverability of capitalised exploration expenditure is dependent on a number of factors and will ultimately depend on whether the expenditure is recouped through exploitation or sale. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which the determination is made.

(ii) Share based payments

The Group measures the cost of equity settled transactions with employees and suppliers by reference to the fair value of the equity instrument at the date at which they are granted. The fair value of unlisted options is determined by using either a Black-Scholes or Binomial model. The assumptions (volatility, dividend yield and risk free rate) used are detailed in Note 15.

(iii) Italian Value Added Tax Receivable

The Italian value added tax receivable (VAT) represents the VAT that is recoverable from the Italian Agency of Revenue. The Group expects to recover a proportion of this receivable through offsetting various Italian employee taxes and social security contributions. In addition to offsetting, the receivable is also anticipated to be recovered through a refund process. The future recoverability of the VAT receivable is dependent on the Group continuing to be entitled to this offsetting arrangement and the refund request satisfying the Italian Agency of Revenue's requirements. To the extent that the VAT receivable is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which the determination is made.

(iv) Provision for rehabilitation

Rehabilitation costs are a normal consequence of mineral exploration and mining, and the majority of this expenditure is incurred on ceasing exploration activities or the end of the mine's life. In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of these expected future costs, and the estimated future level of inflation. The ultimate cost of rehabilitation is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements or the emergence of new restoration techniques.

Key Judgments

Capitalisation of exploration and evaluation expenditure

Under AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group has the option to expense exploration and evaluation expenditure as incurred, or to capitalise such expenditure (provided certain conditions are satisfied). The Group has elected to expense exploration and evaluation expenditure until such time as activities in an area have reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. However, costs associated with the acquisition of exploration tenements are initially capitalised.

2. Summary of Significant Accounting Policies (continued)

(s) Critical Accounting Estimates and Judgments (continued)

Key Judgments (continued)

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

(t) New, Revised or Amending Accounting Standards and Interpretations Adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the *Australian Accounting Standards Board (AASB)* that are mandatory for the current reporting period.

AASB 16 Leases

The Group has adopted AASB 16 Leases as issued in February 2016, which became effective on 1 July 2019. Details of the change in accounting policy are disclosed in note 3.

(u) New Accounting Standards and Interpretations Not Yet Mandatory or Early Adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. These standards and interpretations have been assessed and are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. Change in Accounting Policy

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

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

(a) Adjustments recognised on adoption of AASB 16

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

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of financial position as at 30 June 2020. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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

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

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

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

(b) Reconciliation of operating lease commitments to lease liabilities

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

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

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

3. Change in Accounting Policy (continued)

Extension and termination options

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

(c) Movement in right of use asset and lease liabilities during the year

| | 30-Jun-20 \$ |
|--|------------------|
| <i>Right of use asset</i> | |
| Carrying value at 1 July 2019 | 166,672 |
| Additions | 29,482 |
| Depreciation for the year | (95,522) |
| Effect of translation of foreign currency operation to group presentation currency | 360 |
| Carrying value at 30 June 2020 | <u>100,992</u> |
| <i>Lease liability</i> | |
| At 1 July 2019 | (168,435) |
| Additions | (29,482) |
| Lease payments | 99,111 |
| Interest | (3,287) |
| Effect of translation of foreign currency operation to group presentation currency | (353) |
| At 30 June 2020 | <u>(102,446)</u> |

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4. Profit and Loss

(a) Other income

Other income of \$74,000 includes amounts received under the Australian government Covid-19 economic response programs.

(b) Administrative expenses

| | | 30-Jun-20 A\$ | 30-Jun-19 A\$ |
|--|------|------------------|------------------|
| Legal fees | | 34,439 | 43,050 |
| Audit fees | (i) | 23,250 | 27,125 |
| Depreciation | | 40,051 | 31,774 |
| Other corporate and administration | | 176,474 | 109,274 |
| Employee benefits | (ii) | 1,086,489 | 1,049,823 |
| | | 1,360,703 | 1,261,046 |
| Exploration-related administration and employee costs | | (973,346) | (234,181) |
| | | 387,357 | 1,026,865 |
| <i>(i) Audit fees</i> | | | |
| Amounts received or due and receivable by the auditor of the parent entity, Crowe Perth for: | | | |
| - audit services | | 23,250 | 27,125 |
| - non-audit services | | - | - |
| | | 23,250 | 27,125 |
| <i>(ii) Employee benefits</i> | | | |
| Wages, salaries and directors' fees | | 939,499 | 960,691 |
| Superannuation and pension contributions | | 63,808 | 74,788 |
| Movement in long service leave provision | | 14,151 | (13,071) |
| Movement in annual leave provision | | 26,557 | (12,735) |
| Share-based payments | | 40,041 | 17,227 |
| Other employment taxes | | 2,433 | 22,923 |
| | | 1,086,489 | 1,049,823 |

5. Net Finance Income

| | 30-Jun-20 A\$ | 30-Jun-19 A\$ |
|---|------------------|------------------|
| <i>Finance income:</i> | | |
| Interest received | 1,593 | 16,726 |
| Unwinding of discount on Italian VAT receivable | - | 304,975 |
| | 1,593 | 321,701 |
| <i>Finance expense:</i> | | |
| Interest expense | (5,159) | - |
| | (3,566) | 321,701 |

6. Income Tax Expenses

| | 30-Jun-20 A\$ | 30-Jun-19 A\$ |
|---|--------------------|------------------|
| Reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows: | | |
| Accounting loss before income tax | (3,761,333) | (3,269,858) |
| Tax refundable at the statutory income tax rate - 30% (2019: 30%) | (1,128,400) | (980,958) |
| Non-deductible expenses | | |
| Share based payments | 19,437 | 5,168 |
| Other non-deductible expenses | 164,329 | 108,352 |
| Effect of different tax rates | 130,736 | 109,400 |
| Deferred tax asset not recognised | 816,744 | 757,065 |
| Timing differences not recognised | (2,846) | 973 |
| Income tax expense | - | - |
| Deferred tax assets not recognised | | |
| Tax losses Australia | 3,546,493 | 3,252,443 |
| Tax losses Italy | 5,232,312 | 5,892,141 |
| Other | 1,607,219 | 244,000 |
| Deferred tax liabilities offset against Deferred tax assets | (31,610) | (5,776) |
| | 10,354,414 | 9,382,808 |
| Deferred tax liabilities not recognised | | |
| Prepayments | 31,610 | 5,776 |
| Offset against Deferred tax assets | (31,610) | (5,776) |
| | - | - |

The Group has tax losses for which no deferred tax asset is recognised arising in Australia of \$11,821,645 (2019: \$10,841,477) and Italy of \$21,810,302 (2019: \$19,640,469). These tax losses are available for offset against future taxable profits of the Group subject to continuing to meet the relevant statutory tests. The Italian income tax rate is currently 24% (2019: 24%).

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7. Earnings per Share

| | 30-Jun-20 A\$ | 30-Jun-19 A\$ |
|--|----------------------|------------------|
| Loss attributable to ordinary shareholders | | |
| Loss for the period | (3,761,334) | (3,269,858) |
| Weighted average number of ordinary shares | | |
| Issued ordinary shares at the beginning of the year | 1,821,634,311 | 1,368,965,708 |
| Effect of shares issued during the year | 251,424,229 | 97,974,848 |
| Weighted average number of ordinary shares at 30 June | 2,073,058,540 | 1,466,940,556 |
| Loss per share | | |
| Basic and diluted loss per share (cents per share) | (0.18) | (0.22) |

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

8. Cash and Cash Equivalents

| | 30-Jun-20 A\$ | 30-Jun-19 A\$ |
|--------------------------|------------------|------------------|
| Cash on hand and at bank | 2,111,235 | 926,765 |
| Term deposits on call | 150,029 | 1,167,553 |
| | 2,261,264 | 2,094,318 |

The effective interest rate on cash and cash equivalents was 0.01% (2019: 0.37%). Short-term deposits mature every 7 to 60 days.

9. Receivables

| | | 30-Jun-20 A\$ | 30-Jun-19 A\$ |
|---------------------------|------|------------------|------------------|
| Current | | | |
| Prepayments | | 53,450 | 11,194 |
| Security deposits | (i) | 8,957 | 62,096 |
| Receivable indirect taxes | (ii) | 292,331 | 186,842 |
| Other receivable | | 551 | - |
| | | 355,289 | 260,132 |
| Non-current | | | |
| Security deposits | (i) | 40,691 | 40,654 |
| Receivable indirect taxes | (ii) | 37,752 | - |
| | | 78,443 | 40,654 |

- (i) Current security deposits represent payments made as guarantees under operating leases that the Group has entered into. Non-current security deposits include bonds and guarantees held with financial institutions on term deposit. The funds receive interest at fixed rates and have an average maturity of 12 months.
- (ii) Receivable indirect taxes include the Italian value added tax (VAT) receivable that is recoverable from the Italian Agency of Revenue through refunds and offsetting the employment tax liabilities in Italy.

10. Plant and Equipment

| | 30-Jun-20 | 30-Jun-19 |
|---------------------------------------|-----------|-----------|
| | A\$ | A\$ |
| Property, plant and equipment at cost | 427,964 | 417,220 |
| Accumulated depreciation | (294,613) | (269,535) |
| Carrying value | 133,351 | 147,685 |

Reconciliation of movement in carrying value

| | Field Equipment A\$ | Motor Vehicles A\$ | Office Furniture A\$ | Office Equipment A\$ | Total A\$ |
|--|---------------------------|--------------------------|----------------------------|----------------------------|--------------|
| Balance at 30 June 2018 | 79,370 | 50,935 | 8,023 | 36,801 | 175,129 |
| Additions | 2,575 | - | 807 | 3,511 | 6,893 |
| Depreciation | (12,832) | (6,182) | (1,738) | (11,022) | (31,774) |
| Disposals | - | (3,925) | - | (1,965) | (5,890) |
| Effect of foreign currency translation | 1,532 | 1,253 | 145 | 397 | 3,327 |
| Balance at 30 June 2019 | 70,645 | 42,081 | 7,237 | 27,722 | 147,685 |
| Additions | 10,900 | - | - | 3,293 | 14,193 |
| Disposals | (12,030) | (5,359) | (1,396) | (8,327) | (27,112) |
| Depreciation | - | (2,827) | - | - | (2,827) |
| Effect of foreign currency translation | 714 | 460 | 56 | 182 | 1,412 |
| Balance at 30 June 2020 | 70,229 | 34,355 | 5,897 | 22,870 | 133,351 |

11. Exploration and Evaluation Expenditure

| | 30-Jun-20 | 30-Jun-19 |
|---|-----------|-----------|
| | A\$ | A\$ |
| Exploration and evaluation - carrying value | 442,499 | 438,196 |
| | 442,499 | 438,196 |

Reconciliation of movement in carrying value

| | 30-Jun-20 | 30-Jun-19 |
|--|-----------|-----------|
| | A\$ | A\$ |
| Carrying value at 1 July | 438,196 | 426,249 |
| Effect of foreign currency translation | 4,303 | 11,947 |
| Carrying costs at the end of the year | 442,499 | 438,196 |

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

Alta Zinc Limited and Controlled Entities

Notes to the Financial Statements for the year ended 30 June 2020

12. Trade and Other Payables

| | | 30-Jun-20 | 30-Jun-19 |
|--------------------------------------|------|-----------------|----------------|
| | | A\$ | A\$ |
| Trade creditors | (i) | 339,930 | 264,015 |
| Other payable | (ii) | 41,211 | 45,853 |
| Short-term employee leave provisions | | 209,368 | 138,437 |
| | | 590, 509 | 448,305 |

- (i) Trade creditors are non-interest bearing and are normally settled within 45 days. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.
- (ii) Other payable include payroll liabilities for the year ended 30 June 2020 paid subsequent to the year end.

13. Provisions

| | | 30-Jun-20 | 30-Jun-19 |
|----------------------------------|-----|----------------|----------------|
| | | A\$ | A\$ |
| <i>Current</i> | | | |
| Provision for restoration | (i) | 231,958 | 229,703 |
| | | 231,958 | 229,703 |
| <i>Non-current:</i> | | | |
| Provision for long service leave | | 37,993 | 23,842 |
| | | 37,993 | 23,842 |

- (i) A provision has been recognised for the estimated cost of restoring the environmental disturbance that has occurred on the Gorno Project up to 30 June 2020. No discount has been applied to this provision as the restoration work is anticipated to be completed within 12 months.

14. Equity

(a) Issued capital

| | 30-Jun-20 A\$ | 30-Jun-19 A\$ |
|-----------------|-------------------|-------------------|
| Shares on issue | 44,467,877 | 42,578,805 |
| Issuance costs | (2,673,648) | (2,407,778) |
| | <u>41,794,229</u> | <u>40,171,027</u> |

Reconciliation of movement in share capital

| | Date | Price A\$ | Number of shares | A\$ |
|---------------------------------|-----------|--------------|-----------------------------|--------------------------|
| 30 June 2019 | | | | |
| Balance at 1 July 2018 | | | 1,368,965,708 | 38,402,278 |
| Rights issue | 12-Apr-19 | 0.004 | 452,668,603 | 1,808,146 |
| Share issuance costs | | | - | (39,397) |
| Balance at 30 June 2019 | | | <u>1,821,634,311</u> | <u>40,171,027</u> |
| 30 June 2020 | | | | |
| Balance at 1 July 2019 | | | 1,821,634,311 | 40,171,027 |
| Shares granted as compensation | 30-Sep-19 | 0.003 | 8,250,000 | 24,750 |
| Share placement | 31-Oct-19 | 0.005 | 342,264,417 | 1,711,322 |
| Options granted as compensation | 31-Oct-19 | - | - | 3,000 |
| Share subscription | 6-Dec-19 | 0.005 | 30,000,000 | 150,000 |
| Share issuance costs | | | - | (265,870) |
| Balance at 30 June 2020 | | | <u>2,202,148,728</u> | <u>41,794,229</u> |

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

When managing capital, managements objective is to ensure the entity continues as a going concern as well as undertaking operations in a manner that provide returns to shareholders and other stakeholders. The Group aims to maintain a capital structure that ensures the lowest cost of capital available to the entity and maximises returns for shareholders through minimising dilution.

In order to maintain or adjust the capital structure, the entity may issue new shares, enter into joint ventures or sell assets. The entity does not have a defined share buy-back plan.

Capital raising proceeds held in trust

During the year ended 30 June 2020, the Company received proceeds of \$2,202,149 for the placement of 550,537,181 shares which were allotted subsequent to the end of the year. The proceeds amount, disclosed as a current liability in the statement of financial position at 30 June 2020, was subsequently reclassified to equity.

No dividends were paid in 2020 (2019: nil).

14. Equity (continued)

(b) Reserves

| | | 30-Jun-20 | 30-Jun-19 |
|--------------------------------------|------|----------------|------------------|
| | | A\$ | A\$ |
| Share-based payment reserve | (i) | 194,648 | 933,821 |
| Foreign currency translation reserve | (ii) | 164,247 | 175,740 |
| | | 358,895 | 1,109,561 |

Reconciliation of movement in reserves

| | 30-Jun-20 | 30-Jun-19 |
|--|----------------|------------------|
| | A\$ | A\$ |
| (i) Share-based payments reserve | | |
| Balance at 1 July | 933,821 | 916,594 |
| Equity settled share-based payment transactions | 79,036 | 17,227 |
| Reclassified to retained earnings for expired options | (818,209) | - |
| Balance at 30 June | 194,648 | 933,821 |
| (ii) Foreign currency translation reserve | | |
| Balance at 1 July | 175,740 | 166,954 |
| Effect of translation of foreign currency operation to group presentation currency | (11,493) | 8,786 |
| Balance at 30 June | 164,247 | 175,740 |
| | 358,895 | 1,109,561 |

The foreign currency translation reserve movement results from translation of the Italian subsidiaries balances from Euro, being the subsidiaries' functional currency, to the Australian Dollar, being the Group's presentation currency.

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15. Share Based Payments

(a) Employee Incentive Plan (EIP)

On 30 November 2018, the Company obtained shareholders' approval for the *2018 Employee Incentive Plan* (EIP). The EIP is established as a means of providing long-term incentives to all employees and key management personnel, other than non-executive directors. At its discretion, the Board may grant incentives under the plan for no consideration and determine the terms on which the incentives are granted. Where incentives are granted with vesting conditions, unless the Board determines otherwise, unvested incentives are forfeited when the holder ceases to be employed by the Group.

(b) Expenses arising from share-based payment transactions

During the year, \$40,041 was recognised as share-based payment expense (2019: \$17,227) in relation to employee options, while the fair value of options granted to the corporate advisors of \$38,995 (2019: nil) was recognised in other corporate and administration expense. During the financial year, the Company issued 8,250,000 shares to a creditor in settlement of consultancy services fees of \$24,750 (2019: nil).

(c) Movement in options during the year

| | 2020 | | 2019 | |
|--|---------------------|--|-------------------|--|
| | Number of options | Average exercise price per option (\$) | Number of options | Average exercise price per option (\$) |
| Outstanding at the beginning of the year | 48,250,000 | 0.09 | 30,750,000 | 0.13 |
| Granted during the year (i) | 75,000,000 | 0.01 | 23,500,000 | 0.04 |
| Forfeited/lapsed during the year | (22,250,000) | 0.07 | (6,000,000) | 0.10 |
| Exercised during the year | - | - | - | - |
| Outstanding at the end of the year (ii) | 101,000,000 | 0.04 | 48,250,000 | 0.09 |
| Exercisable at the end of the year | 71,000,000 | 0.04 | 36,500,000 | 0.10 |

The options outstanding at 30 June 2020 had a weighted average exercise price of 4 cents per option (2019: 9 cents per option) and a weighted average remaining contractual life of 3.5 years (2019: 1.8). Exercise prices of options outstanding at 30 June 2020 range from 0.8 cents per option to 24 cents per option (2019: 5 cents per option to 24 cents per option). The weighted average fair value of the options granted during the year was 1.1 cents per option (2019: 3.7 cents per option).

During the year ended 30 June 2020, no options were exercised and 22,250,000 of unlisted options expired.

(i) Options granted during the year

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

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

The fair value of Advisor and Director options granted during the twelve months to 30 June 2020 is estimated at the date of grant as \$38,995 and \$45,043, respectively.

15. Share Based Payments (continued)

Fair value of options granted during the year

The fair value of the options granted during the year ended 30 June 2020 was determined using the Black-Scholes valuation method and the model inputs were as follows:

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

Vesting of 15 million Advisor options with the exercise price of 1.2 cents is subject to achieving a market-related condition, while all other options granted during the year are based on period of continuous service.

(ii) Options outstanding at the end of the year

| Series No. | Number of options | Exercise price | Expiry date | Vesting date |
|--------------|--------------------|----------------|-------------|--------------|
| 23 | 4,000,000 | \$0.12 | 18-Nov-20 | Vested |
| 24 | 4,000,000 | \$0.18 | 18-Nov-20 | Vested |
| 25 | 250,000 | \$0.24 | 18-Nov-20 | Vested |
| 26 | 2,000,000 | \$0.10 | 28-Feb-22 | Vested |
| 27 | 2,000,000 | \$0.15 | 28-Feb-22 | Vested |
| 28 | 2,000,000 | \$0.20 | 28-Feb-22 | Vested |
| 30 | 11,750,000 | \$0.05 | 30-Jun-22 | Vested |
| 31 | 15,000,000 | \$0.008 | 18-Sep-24 | Vested |
| 32 | 15,000,000 | \$0.012 | 18-Sep-24 | 18-Sep-24 |
| 33 | 15,000,000 | \$0.008 | 16-Sep-24 | Vested |
| 34 | 15,000,000 | \$0.012 | 16-Sep-24 | 16-Sep-20 |
| 35 | 15,000,000 | \$0.016 | 16-Sep-24 | 16-Mar-21 |
| Total | 101,000,000 | | | |

16. Related Parties

(a) Subsidiaries

The consolidated financial statements include the financial statements of Alta Zinc Limited and its subsidiaries listed in the following table:

| | Country of Incorporation | Percentage Owned | |
|-------------------------------|--------------------------|------------------|----------------|
| | | 30-Jun-20 % | 30-Jun-19 % |
| Nickelex Pty Ltd | Australia | 100 | 100 |
| Nabberu Resources Pty Ltd | Australia | 100 | 100 |
| Energia Minerals (Italia) Srl | Italy | 100 | 100 |
| Strategic Minerals Italia Srl | Italy | 100 | 100 |

(b) Transactions with Key Management Personnel (KMP)

| | 30-Jun-20 A\$ | 30-Jun-19 A\$ |
|--|------------------|------------------|
| Short-term employee benefits | 760,458 | 884,303 |
| Long-term employee benefits | 11,351 | (15,178) |
| Post-employment benefits | 48,584 | 56,137 |
| Share-based payment | 37,419 | 11,039 |
| Total key management personnel compensation | 857,812 | 936,301 |

Disclosures relating to KMP are set out in the Remuneration Report contained in the Directors Report.

(c) Other transactions related parties

Other than those included in the Remuneration report, there have been no other transactions with related parties during the reporting period or balances outstanding at 30 June 2020.

17. Parent Entity Information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

| | 30-Jun-20 A\$ | 30-Jun-19 A\$ |
|---|--------------------|--------------------|
| ASSETS | | |
| Current Assets | 2,257,099 | 1,202,379 |
| Non-current Assets | 555,657 | 1,304,902 |
| TOTAL ASSETS | 2,812,756 | 2,507,281 |
| LIABILITIES | | |
| Current Liabilities | 2,567,980 | 204,304 |
| Non-current Liabilities | 37,993 | 23,842 |
| TOTAL LIABILITIES | 2,605,973 | 228,146 |
| NET ASSETS | 206,783 | 2,279,135 |
| EQUITY | | |
| Contributed equity | 41,794,229 | 40,173,556 |
| Accumulated losses | (41,782,094) | (38,828,241) |
| Share based payment reserve | 194,648 | 933,821 |
| TOTAL EQUITY | 206,783 | 2,279,136 |
| FINANCIAL PERFORMANCE | | |
| Net profit/(loss) for the year | (1,521,368) | (1,272,628) |
| Other comprehensive income | - | - |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR | (1,521,368) | (1,272,628) |

(b) Guarantees entered into by the parent entity

Nickelex Pty Ltd

The parent entity has provided a letter of financial support to its subsidiary Nickelex Pty Ltd whereby the parent entity will not demand repayment of its intercompany loan of \$594,728 (2019: \$475,919) before 30 September 2021 and agrees to provide funding to Nickelex Pty Ltd for approved expenditures. As at 30 June 2020, other than the loan from Alta Zinc Ltd, Nickelex Pty Ltd had no known liabilities (2019: nil).

17. Parent Entity Information (continued)

Nabberu Resources Pty Ltd

The parent entity has provided a letter of financial support to its subsidiary Nabberu Resources Pty Ltd whereby the parent entity will not demand repayment of its intercompany loan of \$85,731 (2018: \$84,594) before 30 September 2021 and agrees to provide funding to Nabberu Resources Pty Ltd for approved expenditures. As at 30 June 2020, other than the loan from Alta Zinc Ltd, Nabberu Resources Pty Ltd had no known liabilities (2019: Nil).

(c) Contingent liabilities

The parent entity has no contingent liabilities as at 30 June 2020 (2019: nil).

(d) Contractual commitments for acquisition of property, plant and equipment

The parent entity has no commitments to purchase property, plant and equipment at 30 June 2020 (2019: nil).

18. Cash Flow Information

| | 30-Jun-20 A\$ | 30-Jun-19 A\$ |
|--|--------------------|------------------|
| Loss after tax | (3,761,334) | (3,269,858) |
| Non-cash flows in loss: | | |
| Depreciation | 122,634 | 31,774 |
| Share based payments | 79,036 | 17,227 |
| Unrealised foreign exchange (gain)/loss | (5,657) | 22 |
| Loss on disposal of plant and equipment | 2,827 | 5,894 |
| Accretion of discount on Italian VAT receivable | - | (304,975) |
| Unrealised loss on revaluation of financial assets | | |
| Changes in assets and liabilities | | |
| (Increase)/decrease in trade receivables | (86,166) | 1,364,044 |
| (Increase)/decrease in prepayments | (42,256) | 49,415 |
| Increase in trade payables and accruals | 80,921 | 38,527 |
| Increase in provisions | 85,082 | 18,869 |
| Cash flow from operations | (3,524,913) | (2,049,061) |

(b) Non-cash Financing & Investing Activities

No non-cash financing and investing activities were undertaken during the year ended 30 June 2020 (2019: Nil).

19. Commitments and Contingencies

Exploration Expenditure Commitments

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

At 30 June 2020, the exploration expenditure commitments are as follows:

| | 30-Jun-20 A\$ | 30-Jun-19 A\$ |
|--|------------------|------------------|
| <i>Minimum exploration expenditure commitments</i> | | |
| Not later than 12 months | 268,760 | 211,485 |
| After one year but not more than five years | 79,963 | 200,294 |
| | 348,723 | 411,779 |

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

For Australian tenements, they include the minimum expenditure statutory requirements.

No statutory expenditure commitments are specified by the mining legislation in Italy.

20. Financial Risk Management

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

During the year ended 30 June 2020, the Group's principal financial assets were cash, short-term deposits and trade and other receivables, comprised primarily of the Italian VAT receivable. The Group's principal financial liabilities comprised trade and other payables. The financial instruments of the Group predominantly arise directly from its operations.

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

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

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

Market risk

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

(i) Interest Rate Risk

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

20. Financial Risk Management (continued)

Market risk (continued)

(i) Interest Rate Risk (continued)

| | Floating interest rate A\$ | Fixed interest rate 1 year or less A\$ | Non-interest bearing A\$ | Total A\$ | W'ted average effective interest rate % |
|------------------------------------|----------------------------------|---|--------------------------------|------------------|--|
| 30 June 2020 | | | | | |
| Financial Assets | | | | | |
| Cash | 205,829 | - | 2,055,435 | 2,261,264 | 0.01 |
| Receivables | - | - | 396,856 | 396,856 | |
| Restricted cash | - | 36,876 | - | 36,876 | 1.78 |
| Total financial assets | 205,829 | 36,876 | 2,452,291 | 2,694,996 | |
| Financial Liabilities | | | | | |
| Payables | - | - | 590,509 | 590,509 | |
| Leases | - | - | 102,446 | 102,446 | |
| Total financial liabilities | - | - | 692,955 | 692,955 | |
| Net financial assets | 205,829 | 36,876 | 1,759,336 | 2,002,041 | |
| 30 June 2019 | | | | | |
| Financial Assets | | | | | |
| Cash | 1,215,233 | - | 879,086 | 2,094,318 | 0.37 |
| Receivables | - | - | 263,910 | 263,910 | |
| Restricted cash | - | 36,876 | - | 36,876 | 2.44 |
| Total financial assets | 1,215,233 | 36,876 | 1,142,996 | 2,395,104 | |
| Financial Liabilities | | | | | |
| Payables | - | - | 264,015 | 264,015 | |
| Total financial liabilities | - | - | 264,015 | 264,015 | |
| Net financial assets | 1,215,233 | 36,876 | 878,981 | 2,131,089 | |

(ii) Foreign Currency Risk

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

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

20. Financial Risk Management (continued)

Market risk (continued)

(ii) Foreign Currency Risk (continued)

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

| | 30-Jun-20 A\$ | 30-Jun-19 A\$ |
|------------------------------|------------------|------------------|
| Financial Assets | | |
| Cash | 13,919 | 879,674 |
| Receivables | 353,038 | 240,529 |
| Financial Assets | 366,957 | 1,120,203 |
| Financial Liabilities | | |
| Payables | 272,357 | 243,999 |
| Lease liabilities | 54,762 | - |
| Financial Liabilities | 327,119 | 243,999 |

Sensitivity

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

| | 30-Jun-20 A\$ | 30-Jun-19 A\$ | 30-Jun-20 A\$ | 30-Jun-19 A\$ |
|--------------------------|-----------------------------------|------------------|-------------------------------|------------------|
| | Impact on profit after tax | | Impact on other equity | |
| +10% increase in AUD:EUR | (669) | (525) | (8,791) | (87,095) |
| -10% decrease in AUD:EUR | 669 | 525 | 8,791 | 87,095 |

Credit Risk

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

As the Group is yet to commence mining operations, it currently has no significant exposure to customer credit risk. The class of assets described as Receivables is considered to be the main source of credit risk to the Group. Included in Receivables is Italian value added tax receivable (VAT) from expenditure incurred in Italy. During the financial year, the Group recovered most of the VAT receivable balance in cash. The VAT balance outstanding at 30 June 2020 will be recovered via a mechanism of offsetting employment tax liabilities and refunds through lodgment of annual VAT claims. Further information regarding Receivables is detailed at Note 9.

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

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

20. Financial Risk Management (continued)

Credit risk (continued)

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

Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

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

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

Financial assets pledged as collateral

Certain financial assets have been pledged as security for finance facilities associated with bank guarantees. The realisation of these financial assets into cash may be restricted and subject to terms and conditions attached to the relevant finance facilities. Refer to Note 9 for further details.

21. Fair Value Measurement of Financial Instruments

This note provides information about how the Group determines fair values of financial instruments.

At 30 June 2020, the carrying value of all financial assets and financial liabilities approximate their fair values. In particular, the fair value of cash, trade receivables and payables is considered to approximate their carrying amount due to their short-term maturity.

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

Fair value measurement hierarchy

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2020.

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

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

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

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

21. Fair Value Measurement of Financial Instruments (continued)

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

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

22. Operating Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

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

23. Events After the Reporting Period

On 25 June 2020, the Company announced a capital raising comprising a placement to raise approximately \$3.6 million and a share purchase plan (SPP) to raise approximately \$0.5 million, with both the placement and SPP shares to be issued at \$0.004 each with free attaching options on the basis of one option for every three shares issued (each with an exercise price of \$0.01 and expiry date of 31 January 2022).

The placement was undertaken in two tranches: on 1 July 2020 the Company issued 550,537,181 tranche 1 shares and on 27 August 2020 the Company issued 340,000,000 tranche 2 shares. A total of 296,845,727 attaching listed options was issued under the placement.

Having closed the SPP oversubscribed, on 4 September 2020 the Company issued 500,000,000 ordinary shares at \$0.004 together with 166,666,667 attaching options after accepting SPP proceeds of \$2 million.

In total, the capital raising activities outlined above raised \$5.6 million (before costs).

On 27 August 2020, the Company issued 18,013,267 ordinary fully paid shares to Directors in lieu of unpaid fees and salaries for the period 1 April to 30 June 2020 as approved by shareholders at a General Meeting held on 20 August 2020. The shares were issued at \$0.004 each, for a total value of \$72,053.

On 31 August 2020, the Company issued Discovery Capital Partners and Foster Stockbroking, who acted as joint lead managers to the placement, a total of 46,390,289 unlisted options for \$0.0001 per option (each with an exercise price of \$0.01 and expiry date of 28 February 2022).

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

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Alta Zinc Limited, I state that:

1. In the opinion of the directors:
 - (a) The financial statements and notes of the Group are 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 2020 and of its performance for the year ended on that date.
 - ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
 - (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and
 - (c) The financial statements and notes comply with International Financial Reporting standards as set out in Note 2.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2020.

On behalf of the Board



Alexander Burns
Executive Chairman

24 September 2020

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALTA ZINC LIMITED REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Alta Zinc Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 period then ended, and notes to the financial statements comprising a summary of significant accounting policies and the Director's Declaration.

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

- (a) Giving a true and fair view of the Group's financial position at 30 June 2020 and of its financial performance for the period then ended; and
- (b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We 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 this report. We are independent of the Group in accordance with the 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 other ethical responsibilities 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.

Emphasis of Matter – Material Uncertainty Regarding Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss after tax for the year ended 30 June 2020 of \$3,761,334 (2019: \$3,269,858) and recorded net cash outflows from operating activities of \$3,524,913 (2019: \$2,049,061). This condition, along with other matters set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern, and whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. Our opinion is not modified in respect of this matter

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

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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. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Regarding Going Concern* Section, we have determined the matter described below to be a key audit matter to be communicated in our report.

| Key Audit Matter | How we addressed the Key Audit Matter |
|---|--|
| <p>Consideration of impairment of capitalised exploration and evaluation expenditure</p> | |
| <p>The carrying amount of capitalised exploration and evaluation expenditure was \$442,499 at 30 June 2020 which is mainly in relation to the Monica Concession which has expired and is currently in the process of being renewed.</p> <p>Exploration assets are required to be assessed for impairment when facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount.</p> <p>This matter is considered a key audit matter due to the high degree of judgement required by the directors to assess whether impairment indicators are present for specified tenements held and due to the significance of the capitalised amount at 30 June 2020.</p> <p>The conditions and assessment undertaken in relation to impairment are disclosed in the Group's accounting policy Notes 2(e) and Note 11 in the financial report.</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Conducting discussions with management regarding the criteria used in their impairment assessment and ensuring that this was in line with <i>AASB 6 Exploration for and Evaluation of Mineral Resources</i>. • Reviewing evidence of activities carried out and management's intentions for the area of interest the Group holds, to corroborate the representations made by management during our discussions. • Assessed the Group's right to tenure by obtaining and assessing supporting documentation such as license agreements or renewals and any correspondence with relevant government agencies in connection with the renewal process. • Evaluating key assumptions adopted by management that support the position formed on whether the exploration and evaluation expenditure was impaired. |

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Information Other than the Financial Report and the Audit's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2020 Annual Report for the period ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 upon the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the 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 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 Group 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 an 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 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the 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 an 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 and 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. 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 statements represent 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 group financial report. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the 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 be reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the 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 be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Alta Zinc Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group 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.

**Crowe Perth****Cyrus Patell**
Partner

Signed at Perth, Western Australia dated this 24 September 2020

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ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 22 September 2020.

(a) Corporate Governance Statement

The Company's Corporate Governance Statement can be found on the Company's website at <http://www.altazinc.com/about-us/corporate-governance>.

(b) Distribution of Shareholders

The number of shareholders of **fully paid ordinary shares**, by size of holding are:

| Number of Shares | | Number of Holders | Number of Shares | |
|---|---|-------------------|------------------|----------------------|
| 1 | - | 1,000 | 33 | 3,193 |
| 1,001 | - | 5,000 | 18 | 64,305 |
| 5,001 | - | 10,000 | 81 | 784,725 |
| 10,001 | - | 100,000 | 449 | 22,426,043 |
| 100,001 | - | and over | 757 | 3,587,420,910 |
| | | | 1,338 | 3,610,699,176 |
| The number of shareholders holding less than a marketable parcel of shares are: | | | 474 | 13,047,170 |

The number of shareholders of **listed options**, by size of holding are:

| Number of Shares | | Number of Holders | Number of Shares | |
|------------------|---|-------------------|------------------|--------------------|
| 1 | - | 1,000 | 1 | 4 |
| 1,001 | - | 5,000 | - | - |
| 5,001 | - | 10,000 | - | - |
| 10,001 | - | 100,000 | 79 | 4,308,662 |
| 100,001 | - | and over | 213 | 459,203,728 |
| | | | 293 | 463,512,394 |

(c) Twenty Largest Shareholders

The names of the twenty largest holders of **fully paid ordinary shares** are:

| Fully Paid Ordinary Shares | | Number | Percentage |
|----------------------------|--|-------------|------------|
| 1 | V B S Exchange Pty Ltd | 463,046,236 | 12.82% |
| 2 | ASIM Holdings Pty Ltd (The ASLI A/C) | 271,639,513 | 7.52% |
| 3 | Citicorp Nominees Pty Ltd | 238,222,226 | 6.60% |
| 4 | Malvasia Pty Ltd (The Spyder Super Fund A/C) | 182,699,710 | 5.06% |
| 5 | BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP> | 141,538,668 | 3.92% |
| 6 | Zero Nominees Pty Ltd | 98,517,600 | 2.73% |
| 7 | BNP Paribas Nominees Pty Ltd <LGT Bank AG DRP> | 75,000,000 | 2.08% |
| 8 | The RB SMSF Pty Ltd (Rose-Burns SMSF A/C) | 73,875,001 | 2.05% |
| 9 | Mr Geraint William Harris | 72,094,298 | 2.00% |
| 10 | J P Morgan Nominees Australia Pty Limited | 66,108,366 | 1.83% |
| 11 | Pershing Nominees Limited <WRCLT A/C> | 60,000,000 | 1.66% |
| 12 | Injidup Investments Pty Ltd | 40,000,000 | 1.11% |

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Alta Zinc Limited and Controlled Entities

ASX Additional Information

(c) Twenty Largest Shareholders (continued)

| Fully Paid Ordinary Shares | | Number | Percentage |
|----------------------------|---|----------------------|---------------|
| 13 | Binco Securities Pty Ltd (The Binco Prop Fund A/C) | 37,320,000 | 1.03% |
| 14 | Simore Pty Ltd <Simore Super Fund A/C> | 37,000,920 | 1.02% |
| 15 | Altor Capital Management Pty Ltd <Altor Alpha Fund A/C> Mrs Elizabeth Burns & Mr Alexander Stuart Burns (Rose-Burns) | 36,000,000 | 1.00% |
| 16 | SMSF S/F A/C) | 35,550,001 | 0.98% |
| 17 | HSBC Custody Nominees (Australia) Limited | 34,485,739 | 0.96% |
| 18 | Chetan Enterprises Pty Ltd | 33,033,773 | 0.91% |
| 19 | Inkese Pty Ltd | 32,500,000 | 0.90% |
| 20 | Scrimshaw Nominees Pty Ltd (Scrimshaw S/F A/C) | 32,045,454 | 0.89% |
| | | 2,060,677,505 | 57.07% |

The names of the twenty largest holders of **listed options** are:

| Listed Options | | Number | Percentage |
|----------------|---|--------------------|---------------|
| 1 | V B S Exchange Pty Limited | 39,166,667 | 8.45% |
| 2 | Citicorp Nominees Pty Limited | 30,708,331 | 6.63% |
| 3 | ASIM Holdings Pty Ltd (The ASLI A/C) | 25,000,000 | 5.39% |
| 3 | BNP Paribas Nominees Pty Ltd <LGT Bank AG DRP> | 25,000,000 | 5.39% |
| 4 | Pershing Nominees Limited <WRCLT A/C> BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP> | 20,000,000 | 4.31% |
| 5 | Malvasia Pty Ltd (The Spyder Super Fund A/C) | 16,875,000 | 3.64% |
| 6 | Zephyr Pty Ltd <A Branicki Superfund A/c> | 16,666,667 | 3.60% |
| 7 | Mr Geraint William Harris | 11,850,750 | 2.56% |
| 8 | Brevistal Pty Ltd (VWM Superannuation Fund A/c) Mr Michael Leslie Jefferies & Mrs Julie Anne Jefferies | 10,833,333 | 2.34% |
| 9 | <Jefferies S/F A/c> | 6,666,667 | 1.44% |
| 10 | Flue Holdings Pty Ltd | 6,250,000 | 1.35% |
| 10 | Lamerton Pty Ltd <Macs Super Fund A/c> Mr Geoffrey Warren Greenhill & Mrs Gwenda Joy Greenhill | 6,250,000 | 1.35% |
| 10 | <Greenhill Super Fund A/c> | 6,250,000 | 1.35% |
| 11 | Altor Capital Management Pty Ltd <Altor Alpha Fund A/C> | 6,166,667 | 1.33% |
| 12 | J P Morgan Nominees Australia Pty Limited | 5,958,333 | 1.29% |
| 13 | Apam Holdings Pty Ltd <Hector Super Fund A/c> | 5,833,333 | 1.26% |
| 14 | Chetan Enterprises Pty Ltd | 5,625,000 | 1.21% |
| 15 | HSBC Custody Nominees (Australia) Limited CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/c> | 5,400,000 | 1.16% |
| 16 | E-Tech Capital Pty Ltd <ASF Super Fund A/c> | 5,291,667 | 1.14% |
| 16 | Zero Nominees Pty Ltd | 5,291,667 | 1.14% |
| 17 | Mr Simon William Tritton <Investment A/c> | 5,000,000 | 1.08% |
| 18 | Ayers Capital Pty Ltd | 4,166,667 | 0.90% |
| 19 | Full Circle Strategy Pty Ltd <Endless Power S/F A/c> | 3,704,167 | 0.80% |
| 20 | | 3,625,000 | 0.78% |
| | | 283,829,916 | 61.23% |

Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

| Substantial Shareholders | Number | Percentage |
|--|-------------|------------|
| Alexander Burns & Associates | 433,558,796 | 12.01% |
| Malvasia Pty Ltd as trustee of the Spyder Super Fund | 182,699,710 | 5.87% |

(d) Distribution of Option Holders

The number of option holders, by size of holding, in each class of option are:

| Number of Options | 23 | 24 | 25 | 26 | 27 | 28 | 30 | 31 | 32 | 33 | 34 | 35 | 36 |
|-------------------|----|----|----|----|----|----|----|----|----|----|----|----|----|
| 1 - 1,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1,001 - 5,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 5,001 - 10,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10,001 - 100,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 100,001 - over | 3 | 3 | 1 | 1 | 1 | 1 | 9 | 1 | 1 | 1 | 1 | 1 | 2 |
| | 3 | 3 | 1 | 1 | 1 | 1 | 9 | 1 | 1 | 1 | 1 | 1 | 2 |

(e) Terms of Unquoted Options on Issue

| Series No. | Number of Options | Exercise Price | Expiry Date | Vesting Date |
|------------|--------------------|----------------|-------------------|--------------|
| 23 | 4,000,000 | \$0.12 | 18 November 2020 | Vested |
| 24 | 4,000,000 | \$0.18 | 18 November 2020 | Vested |
| 25 | 250,000 | \$0.24 | 18 November 2020 | Vested |
| 26 | 2,000,000 | \$0.10 | 28 February 2022 | Vested |
| 27 | 2,000,000 | \$0.15 | 28 February 2022 | Vested |
| 28 | 2,000,000 | \$0.200 | 28 February 2022 | Vested |
| 30 | 11,750,000 | \$0.050 | 30 June 2022 | Vested |
| 31 | 15,000,000 | \$0.008 | 18 September 2024 | Vested |
| 32 | 15,000,000 | \$0.012 | 18 September 2024 | 18-Sep-24 |
| 33 | 15,000,000 | \$0.008 | 16 September 2024 | Vested |
| 34 | 15,000,000 | \$0.012 | 16 September 2024 | Vested |
| 35 | 15,000,000 | \$0.016 | 16 September 2024 | 16-Mar-21 |
| 36 | 46,390,289 | \$0.010 | 28 February 2022 | Vested |
| | 147,390,289 | | | |

Holders with More Than 20% of Each Option Series (Not acquired under an employee incentive scheme)

| Option Series No. | Optionholder | Number of Options |
|-------------------|-------------------------------------|-------------------|
| 31 | Horizon Investment Services Pty Ltd | 15,000,000 |
| 32 | Horizon Investment Services Pty Ltd | 15,000,000 |
| 36 | Discovery Capital Partners Pty Ltd | 23,195,144 |
| 36 | Foster Stockbroking Pty Ltd | 23,195,145 |

(f) Voting Rights

All ordinary shares carry one vote per share. There are no voting rights attached to options in the Company. Voting rights will be attached to the unissued ordinary shares when options have been exercised.

(g) Securities Exchange Listing

Quotation has been granted for 3,610,699,176 ordinary shares of Alta Zinc Limited on all member exchanges of the *Australian Securities Exchange* and trade under the symbol AZI.

Quotation has been granted for 463,512,394 options over ordinary shares of Alta Zinc Limited expiring on 31 January 2022 on all member exchanges of the *Australian Securities Exchange* and trade under the symbol AZIO.

(h) Restricted Securities

The Company has no restricted securities.

(i) On Market Buyback

There is no on-market buy-back currently being undertaken.

(j) Mineral Resource Statement

The Company's Inferred and Indicated Resources as at 30 June 2020 for the Gorno Project, Italy, reported in accordance with the *Joint Ore Reserves Committee (JORC 2012)* guidelines are:

| December 2017 OK Estimate Reported using a 1% Zinc Cut-off Grade Subdivided by JORC Code 2012 Resource Categories using ROUNDED figures | | | | | | | |
|---|----------------|------------|-------|------------|-------|--------|-------|
| Category | Tonnes (Mt) | Total Zinc | | Total Lead | | Silver | |
| | | Grade | Metal | Grade | Metal | Grade | Metal |
| Indicated | 2.1 | 5.1 | 107 | 1.4 | 29 | 30.9 | 2.1 |
| Inferred | 1.2 | 4.6 | 56 | 1.1 | 14 | 20.9 | 0.8 |
| Indicated + Inferred | 3.3 | 4.9 | 163 | 1.3 | 43 | 27.2 | 2.9 |

An annual review of the December 2017 resource estimation was completed in June 2020 and found no material changes to have occurred that would impact the estimation.

This Mineral Resource Statement is based on, and fairly represents, information and supporting documentation prepared by the Competent Persons.

Governance and Internal Controls on Resource Estimates

Alta Zinc's policy for the completion of resource estimations is to engage an independent consultant with an exemplary industry reputation. This independent consultant is required to review any information Alta Zinc has provided for resource estimation purposes and is not to utilise any information that does not meet appropriate professional standards. This consultant is required to review Alta Zinc's field and data collection procedures and provide feedback to ensure Alta Zinc collects and interprets data using industry best practice.

Alta Zinc utilises extensive quality assurance and control procedures for all of its data collection and data compilation, and completes annual reviews of its database and any material assumptions made in interpretation and its resource estimates.

The Mineral Resources Statement contained in the 2020 Annual Report has been reviewed by a suitably qualified competent person as detailed in the Competent Person Statement.

Competent Person Statement

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

The information in this Annual Report that relates to Mineral Resources is based on, and fairly represents, the Mineral Resources and information and supporting documentation extracted from the report, which was prepared by Mr Stephen Godfrey as Competent Person in compliance with the JORC Code (2012 edition) and released to ASX by the Company on 8 December 2017. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original ASX announcement. All material assumptions and technical parameters underpinning the Mineral Resource estimates in that previous release continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

(k) Scheduled of Mining Tenements

| Western Australia | Area of Interest | Tenement | Entity's Interest | Comments |
|---------------------------|------------------|-------------|-------------------|---------------------------------|
| Broadhurst Range | Paterson | E45/4543 | 100% | Granted |
| Northern Territory | | | | |
| McArthur | McArthur River | EL25272 | 100% | Application |
| Nathan River | McArthur River | EL31045 | 100% | Granted |
| Bauhinia | McArthur River | EL31046 | 100% | Application |
| Italy | | | | |
| Novazza | Novazza | N/A | 100% | Application – on hold |
| Val Vedello | Val Vedello | N/A | 100% | Application – on hold |
| Monica Mining Concession | Gorno | Decree 845 | 100% | Renewal & extension in progress |
| Cime | Gorno | Decree 8073 | 100% | Granted |
| Usseglio | Punta Corna | Decree 628 | 100% | Granted |
| Usseglio | Balme | Decree 323 | 100% | Granted |

NB: All tenements granted except those shown as "Application" or "Renewal".

CORPORATE DIRECTORY

Directors

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

Company Secretary

Mr Stephen Hills

Registered Office & Principal Place of Business

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Auditors

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Perth WA 6000
Tel: +61 8 9481 1448

Internet Address

www.altazinc.com

Stock Exchange Listing

Australian Securities Exchange (ASX)
ASX Code: **AZI**

ABN 63 078 510 988

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