

ALTA ZINC LIMITED

ABN 63 078 510 988

AND CONTROLLED ENTITIES

**HALF YEARLY REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2018**

Results for announcement to the market

This half-year information is given to the ASX under *Listing Rule 4.2A*

**The information contained in this report should be read in conjunction with
the Annual Report for the year ended 30 June 2018**

CORPORATE DIRECTORY

Directors

Mr Alexander Burns	Executive Chairman/Chief Executive Officer
Mr Stephen Hills	Finance Director
Mr Marcello Cardaci	Non-Executive Director
Mr Campbell Olsen	Non-Executive Director

Company Secretary

Mr Stephen Hills

Registered Office and Principal Place of Business

Level 3, Suite 3.5,
9 Bowman Street
South Perth WA 6151
Tel: (08) 9321 5000
Fax: (08) 9321 7177
Email: info@altazinc.com

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Tel: (08) 9315 2333
Fax: (08) 9315 2233

Auditors

Crowe Horwath Perth
Level 5, 45 St Georges Terrace
Perth WA 6000
Tel: (08) 9481 1448

Website

www.altazinc.com

Stock Exchange Listing

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

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DIRECTORS' REPORT

The Directors of Alta Zinc Limited (Alta Zinc or the Company) submit herewith the financial report of Alta Zinc Limited and its subsidiaries (the Group) for the half-year ended 31 December 2018. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names of the Directors of the Company during or since the end of the half-year are:

Name:

Mr Alexander Burns

Mr Stephen Hills

Mr Marcello Cardaci

Mr Campbell Olsen

The Directors were in office for the entire period unless stated otherwise.

Review of Operations

The following is a summary of activities for the six months to 31 December 2018:

Gorno Zinc Project, Italy

The Gorno Zinc Project (GPA) is located in the Lombardy region of northern Italy and encompasses an extensive Mississippi Valley type (MVT) zinc-lead geological system.

During the period, work focused on completion of the Technical Study to confirm the technical viability of a Phase 1 starter project based on Gorno's existing Zorzone Mineral Resource and an Exploration Study of the significant exploration upside within the GPA.

The Technical Study confirmed the technical viability and highlighted the potential value accretion that could be gained by increasing the Mineral Resource from Gorno's near-resource exploration targets.

The Exploration Study, the culmination of extensive evaluation and assessment over the past 18 months, identified five priority targets that have potential to significantly add to the Zorzone Mineral Resource. From this, Alta Zinc has prepared a five-stage Exploration Plan focused on the updated Exploration Target.

Based on the outcomes of the Technical Study and the Exploration Study, Alta's immediate aim is to boost the Indicated Mineral Resource available within the project footprint area to feed into a revised "upscaled" project development plan for Gorno.

The above plans are subject to satisfactory funding arrangements. Alta is currently exploring both short-term and long-term financing options with potential financiers.

Technical Study

The Technical Study for the Gorno project was carried out to a pre-feasibility study (PFS) level by independent consultants Lycopodium Minerals Pty Ltd (Lycopodium) for the metallurgy, processing, surface infrastructure and associated costs components, and AMC Consultants Pty Ltd (AMC) for the mining geotechnical, mining and mining costs components.

The Technical Study was conducted to a degree of accuracy consistent with a PFS and was titled as such by its authors. However, given that 36% of the Mineral Resource is in the Inferred category and considered determinative of the study economics, the Mineral Resource is insufficient to support the estimation of ore reserves or to provide an assurance of economic development. The Technical Study therefore cannot be classified as a PFS for ASX reporting purposes, and Alta is unable to report a production target or financial outcomes achieved.

Alta adopted the approach to incorporate Inferred Resource as well as Indicated Resources in the mine model and to use the currently available metallurgical test work in order to avoid time delays and costs for work which can be carried out more efficiently later in parallel with other pre-development activities.

Importantly, no fatal flaws were identified in the Environmental Impact Study (EIS), which was carried out as part of the overall Environmental Impact Assessment (EIA).

The key recommendations of the Technical Study have provided the basis for future near-term work streams for the Project and the proposed upscaled Gorno Project development plan.

Exploration Study

In parallel with the Technical Study, Alta Zinc has pursued an intensive exploration program in the Gorno Project Area (GPA) over the past 12-18 months – carefully investigating all mineralisation beyond the limits of Zorzone – to better understand the potential to enlarge the resource in line with the development strategy. As a result, the Exploration Target for the GPA has been reset to **9-21Mt at 6-7% Zn+Pb** as set out in Table 1:

Target/Group	Mineralisation Style	Mt (low)	Mt (high)	Pb+Zn % (low)	Pb+Zn % (high)
Zorzone Extensions	SB	1.2	2.5	6	7
Pian Bracca/Arera Thrust	PB	5.0	9.7	6	7
Fontanone	SB	2.4	9.2	6	7
TOTAL (Rounded)	SB+PB	9	21	6	7

SB – Stratabound-style mineralisation; PB = Pian Bracca-style mineralisation

Table 1: Gorno Zinc Project, Exploration Target

The potential quantity and grade of the Exploration Target are conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource.

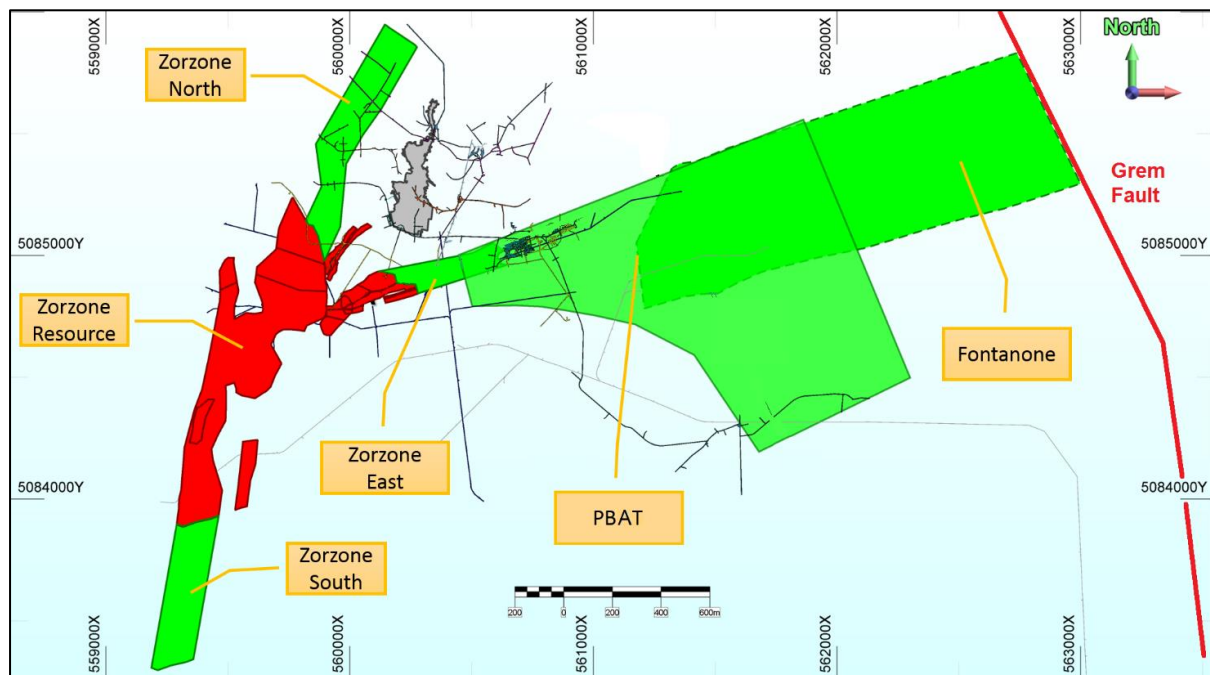


Figure 1: Location of the five target areas (high tonnage estimate)

The Exploration Target for the GPA now comprises five separate targets (refer to green areas in Figure 1), showing high-tonnage estimates) in three target groups as follows:

- **Zorzone Extensions** – North, South and East targets
- **Pian Bracca/Arera Thrust (PBAT)** target; and
- **Fontanone** target

Punta Corna Cobalt Project, Italy

During the half-year, the Company was awarded the Punta Corna Exploration Licence (EL) covering the historic Usseglio cobalt mining area in Piedmont, northern Italy. The EL covers 14.3km² in the Usseglio Municipality and is located approximately 7km from the French border and approximately 300km from Alta Zinc's flagship Gorno Zinc Project.

Preliminary grab and rock chip samples were collected from or nearby several veins contained within the EL area where cobalt was mined in the 18th Century. These have returned positive assay results confirming Co-Ni-Cu-Sb-Ag mineralisation. The assay results were announced to the ASX on 9 November 2018.

Salafossa and Predil Zinc-Lead Projects, Italy

The Salafossa Project consists of an exploration licence covering the historic Salafossa Mine located in northern Italy. No exploration work was carried out on this project during the period given the focus on Gorno Zinc Project activities. On 12 February 2019, the Company decided to relinquish the exploration licence.

The exploration licence application at Predil is yet to be granted. No work was carried out on this project during the period.

Paterson Project, Western Australia

The Paterson Project comprises of two granted exploration licences (E45/4534 and E45/4543) covering 219km². The two tenements cover highly prospective parts of the Broadhurst Formation and include the Eva Well prospect. No field work was carried out during the period. It is anticipated that a detailed gravity survey of these tenements will be undertaken during the next field season in 2019 subject to the availability of funding.

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 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, including potential joint venture opportunities.

Operating Results for the Half-Year

The consolidated net loss of the Group for the half-year ended 31 December 2018 was \$2,214,904 after tax (2017: \$2,108,376).

Exploration expenditure for the period was \$1,575,527 (2017: \$1,395,372).

Cash on Hand

As at 31 December 2018, cash on hand was \$936,927 (30 June 2018: \$2,369,848).

Capital Structure

As at 31 December 2018, the Company had 1,368,965,708 (30 June 2018: 1,368,965,708) fully paid ordinary shares on issue and 54,250,000 (30 June 2018: 48,250,000) unlisted options over ordinary shares. No ordinary shares were issued during the half-year ended 31 December 2018.

Additional information regarding unlisted options granted during the period is provided in Note 9 of the consolidated financial statements.

Going Concern

The consolidated financial statements have been prepared on a going concern basis which contemplates that the Group will continue to meet its commitments and the realisation of assets and the settlement of liabilities in the normal course of business.

Further information on the basis for this assumption is provided in Note 2 of the consolidated financial statements.

Events After the Reporting Period

On 8 March 2019 the Company announced that it will be undertaking a 4 for 5 non-renounceable pro-rata rights issue of fully paid ordinary shares at an offer price of \$0.004 (0.4 cent) per share to raise up to approximately \$4.381 million (before costs).

The rights Issue is being undertaken to provide the Company with funding to undertake the following activities as part of its ongoing strategy for advancing the Gorno Project:

- conduct a resource definition drilling campaign for Pian Bracca, the highest priority exploration target within the Gorno Project Area to the east of the existing Colonna Zorzone deposit;
- subject to receiving positive results from the drilling campaign, incorporate the interpretations and conclusions into an "upscaled" development plan for the Gorno Project;
- in parallel with the above resource definition related work, complete the winter environmental baseline monitoring required to finalise the Environmental Impact Assessment; and
- finalise the application and renewal of the Monica Mining licence and other exploration licences at the Gorno Project.

In addition to the work on the Company's flagship Gorno Project, the funds will also be applied to:

- evaluate the potential of Punta Corna, the site of historic cobalt mining in Piedmont, northern Italy where the Company announced positive "maiden" sampling results late last year;
- continue value enhancing activities on exploration projects held in Australia; and
- meet general working capital requirements as they arise.

Under the indicative timetable, the closing date for lodgement of acceptances and application money is 5 April 2019.

Other than as detailed above, no matters or circumstances have arisen since the end of the half-year which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future years.

Auditor's Independence Declaration

The Auditor's Independence Declaration under s307C of the *Corporations Act 2001* has been received for the half-year ended 31 December 2018 and is included on page 8.

Signed in accordance with a resolution of the directors made pursuant to s306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Alexander Burns

Chairman 15 March 2019

Competent Person Statement:

Information in this Interim 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) S.r.l. 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 Interim Report that relates to the Exploration Targets for the Gorno Project is extracted from the ASX Announcement titled "Exploration Study Resets Exploration Target at Gorno" dated 25 January 2019. The information in this Interim Report that relates to the Exploration Results for the Punta Corna Cobalt Project is extracted from the ASX Announcement titled "Punta Corna Cobalt Project – Maiden Sampling Results" dated 9 November 2018.

These Announcements are available on the Company's website at www.altazinc.com or through the ASX website at www.asx.com.au (using code "AZI").

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original Announcements and that all material assumptions and technical parameters underpinning the Announcements continue to apply and have not materially changed.



AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Alta Zinc Limited and its controlled entities for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink, appearing to read "Cyrus Patel", written over the printed name "Cyrus Patel".

CROWE HORWATH PERTH

A handwritten signature in blue ink, appearing to read "Cyrus Patel", written over the printed name "Cyrus Patel".

CYRUS PATELL

Partner

Dated at Perth this 15th day of March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2018			
	Note	2018 \$	2017 \$
Revenue		-	-
Administrative expenditure		(726,522)	(805,501)
Exploration expenditure		(1,575,527)	(1,395,372)
Marketing expenditure		(86,958)	(47,118)
Net realised losses on financial assets at fair value through profit or loss		-	(8,770)
Unrealised foreign exchange gain/(loss)		2,241	(7,429)
Other income		-	1,850
Other losses - net		(6,367)	(3,795)
Operating loss		(2,393,133)	(2,266,135)
Finance Income	4	178,229	157,759
Loss from continuing operations after income tax		(2,214,904)	(2,108,376)
Income tax expense		-	-
Net loss for the period		(2,214,904)	(2,108,376)
Other comprehensive income			
<i>Items that may be re-classified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		31,082	35,004
Comprehensive income for the period, net of tax		31,082	35,004
Total comprehensive loss for the period, net of income tax		(2,183,822)	(2,073,372)
Loss per share			
From continuing operations:			
Basic loss per share (cents)	3	(0.16)	(0.20)
Diluted loss per share (cents)	3	(0.16)	(0.20)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018			
	Note	31 Dec 2018 \$	30 Jun 2018 \$
ASSETS			
Current Assets			
Cash and cash equivalents		936,927	2,369,848
Receivables	5	1,116,984	599,601
Total Current Assets		2,053,911	2,969,449
Non-current Assets			
Restricted cash		37,075	36,911
Receivables	5	77,105	848,169
Plant and equipment		162,637	175,129
Exploration and evaluation expenditure	6	437,687	426,249
Total Non-current Assets		714,504	1,486,458
TOTAL ASSETS		2,768,415	4,455,907
LIABILITIES			
Current Liabilities			
Trade and other payables		764,657	267,477
Employee benefit liabilities		176,525	199,523
Provisions		229,437	223,441
Total Current Liabilities		1,170,619	690,441
Non-current Liabilities			
Employee benefit liabilities		17,989	11,235
Total Non-current Liabilities		17,989	11,235
TOTAL LIABILITIES		1,188,608	701,676
NET ASSETS		1,579,807	3,754,231
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	7	38,402,278	38,402,278
Accumulated losses		(37,946,499)	(35,731,595)
Reserves		1,124,028	1,083,548
TOTAL EQUITY		1,579,807	3,754,231

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Share Based Payment Reserve \$	Total \$
Balance at 1 July 2017	32,523,439	(32,103,121)	89,226	900,538	1,410,082
Loss for the period	-	(3,628,474)	-	-	(3,628,474)
Other comprehensive income	-	-	77,728	-	77,728
Total comprehensive income/(loss) for the period	-	(3,628,474)	77,728	-	(3,550,746)
Transactions with owners in their capacity as owners:					
Shares issued	6,132,110	-	-	-	6,132,110
Transaction costs on shares issued	(253,271)	-	-	-	(253,271)
Share based payments	-	-	-	16,056	16,056
At 30 June 2018	38,402,278	(35,731,595)	166,954	916,594	3,754,231
Balance at 1 July 2018	38,402,278	(35,731,595)	166,954	916,594	3,754,231
Loss for the period	-	(2,214,904)	-	-	(2,214,904)
Other comprehensive income	-	-	31,082	-	31,082
Total comprehensive income/(loss) for the period	-	(2,214,904)	31,082	-	(2,183,822)
Transactions with owners in their capacity as owners:					
Share based payments	-	-	-	9,398	9,398
At 31 December 2018	38,402,278	(37,946,499)	198,036	925,992	1,579,807

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2018			
	Note	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		342,575	5,908
Payments to suppliers and employees (inclusive of GST)		(1,784,650)	(2,340,163)
Interest received		14,776	5,122
Net cash flows used in operating activities		(1,427,299)	(2,329,133)
Cash flows from investing activities			
Payments for security deposits		(3,682)	-
Proceeds from reduction in security deposit		5,488	-
Net proceeds from disposal of financial assets		-	58,785
Purchase of plant and equipment		(5,843)	(6,565)
Net cash flows (used in)/from investing activities		(4,037)	52,220
Cash flows from financing activities			
Repayment of borrowings		-	(55,271)
Proceeds from issue of shares	7	-	3,132,110
Transaction costs on issue of shares	7	(884)	(56,828)
Net cash flows (used in)/from financing activities		(884)	3,020,011
Net increase/(decrease) in cash and cash equivalents		(1,432,220)	743,098
Net foreign exchange difference		(701)	(9,777)
Cash and cash equivalents at beginning of period		2,369,848	647,710
Cash and cash equivalents at end of period		936,927	1,381,031

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Alta Zinc Limited (Alta Zinc or the Company) is a limited company incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ticker code: AZI). The principal activity of the Company and its subsidiaries (the Group) is exploration in Italy and Australia to identify mineral deposits of a size and nature that are commercially viable for extraction.

The interim financial statements of the Group for the six months ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 11 March 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These general purpose interim financial statements have been prepared in accordance with the *Corporations Act 2001* and AASB 134 *“Interim Financial Reporting”*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *“Interim Financial Reporting”*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the Group’s most recent annual financial report and any public announcements made during the half year. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except where revaluation is required in accordance with accounting standards. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group’s annual financial report for the year ended 30 June 2018. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised accounting standards

In the half year ended 31 December 2018, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2018. It has been determined by the Group that, there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to Group accounting policies, including:

- *AASB 9 Financial Instruments*

AASB 9 Financial Instruments introduces new classification and measurement models for financial assets and is applicable to annual reporting periods beginning on or after 1 January 2018.

The Group previously and currently accounts for its non-cash financial assets at Fair Value through Profit or Loss, which is consistent with a treatment permitted under *AASB 9 Financial Instruments*.

The Group does not consider there to be any material impact from the adoption of *AASB 9 Financial Instruments*.

- *AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018.

The Group does not currently have any contracts with customers in place.

The Group does not consider there to be any material impact from the adoption of *AASB 15 Revenue from Contracts with Customers*.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Group has a net loss after tax for the half year ended 31 December 2018 from continuing operations of \$2,214,904 (2017: \$2,108,376). Net cash outflows from operating activities were \$1,427,299 (2017: \$2,329,133). At 31 December 2018, the Group had Cash on Hand of \$936,927 (30 June 2018: \$2,369,848).

Based on the Group's cash flow forecast, the Group will require additional funding within the next 12 months in order to continue to undertake its business activities and to continue to progress its exploration interests.

As detailed in Note 8 to these interim financial statements, on 8 March 2019, the Group announced that it would be undertaking a non-renounceable pro-rata rights issue at an offer price of \$0.004 per share to raise upto \$4.381m. The proceeds from the rights issue will assist the Group in advancing its Gorno Project. The Directors are confident that the Group will be able to raise sufficient funds through the rights issue to enable it to meet its continuing funding requirements. The Directors consider this to be reasonable on the basis of the Group's historical abilities to raise such capital. The Directors acknowledge that there may be a risk that equity markets may not be favourably disposed when equity raisings are required to be undertaken and that this may impact on the Group's ability to fund its planned and minimal expenditure commitments and may accordingly cast doubt over the Group's ability to continue as a going concern.

If the Group is unable to raise sufficient funds through the rights issue or alternative means (should the planned rights issue generate insufficient funds), in order to meet its contracted and forecast expenditure commitments, there is significant uncertainty that the Group will continue as a going concern and therefore whether it 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.

Should the Group be unable to raise additional funds through the avenues mentioned above in order to meet its contracted and forecast expenditure there is significant 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.

3. EARNINGS PER SHARE

	For the six months ended	
	31 Dec 2018	31 Dec 2017
	\$	\$
Basic and diluted loss from continuing operations per share attributable to the ordinary equity holders of the Company (cents per share)	(0.16)	(0.20)
Net loss used in the calculation of basic and dilutive earnings per share from continuing operations	(2,214,904)	(2,108,376)
	Number of Shares	Number of Shares
Weighted average number of ordinary shares on issue during the half-year used in calculating basic earnings per share	1,368,965,708	1,059,973,459
Effect of dilution:		
Share options	-	-
Weighted average number of ordinary shares on issue during the half-year used in calculating dilutive earnings per share	1,368,965,708	1,059,973,459

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Alta Zinc Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding at 31 December 2018.

Diluted earnings per share

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

4. FINANCE INCOME

	For the six months ended	
	31 Dec 2018	31 Dec 2017
	\$	\$
Interest received	14,438	4,700
Accretion of discount on Italian VAT receivable	163,791	153,059
	178,229	157,759

5. RECEIVABLES

		As at	
	Note	31 Dec 2018	30 Jun 2018
		\$	\$
Current			
Trade receivables		2,109	4,525
Prepayments		57,378	60,609
Security deposits		18,571	23,580
Italian value added tax receivable	(a)	1,038,926	510,887
		1,116,984	599,601
Non-current			
Italian value added tax receivable	(a)	72,523	847,381
Security deposits		4,582	788
		77,105	848,169

(a) The Italian value added tax receivable (VAT) represents the VAT that is recoverable from the Italian Agency of Revenue. The Group is currently recovering a proportion of this receivable through offsetting various Italian employee taxes, social security contributions and a refund process. The current receivable amount is estimated to be recovered through the offsetting mechanism and refund process within the next 12 months.

The non-current VAT receivable amount is estimated to be recovered through the offsetting mechanism beyond the next 12 months and through a refund process that is estimated to take approximately 2 years.

The VAT receivable has been discounted from the expected date of receipt using a discount rate of 13.073% (30 June 2018: 9.368%). The discount rate is based on the Italian government bond rate plus a market risk premium considered reasonable for Italy.

6. EXPLORATION AND EVALUATION EXPENDITURE

	As at	
	31 Dec 2018	30 Jun 2018
	\$	\$
Brought forward at the start of the reporting period	426,249	444,479
Exploration assets written-off	-	(44,186)
Foreign exchange adjustment on translation	11,438	25,956
Total exploration and evaluation expenditure	437,687	426,249

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

7. ISSUED CAPITAL AND RESERVES

	Note	As at	
		31 Dec 2018 \$	30 Jun 2018 \$
Issued capital			
Ordinary shares fully paid	7(a)	38,402,278	38,402,278
		38,402,278	38,402,278

	31 December 2018		30 June 2018	
	Number of Shares	\$	Number of Shares	\$
(a) Movements in ordinary shares on issue				
At start of the period	1,368,965,708	38,402,278	783,027,454	32,523,439
Issued during the period	-	-	585,938,254	6,132,110
Transaction costs on issue of shares	-	-	-	(253,271)
At end of the period	1,368,965,708	38,402,278	1,368,965,708	38,402,278

8. EVENTS AFTER THE REPORTING PERIOD

On 8 March 2019 the Company announced that it will be undertaking a 4 for 5 non-renounceable pro-rata rights issue of fully paid ordinary shares at an offer price of \$0.004 (0.4 cent) per share to raise up to approximately \$4.381 million (before costs).

The rights Issue is being undertaken to provide the Company with funding to undertake the following activities as part of its ongoing strategy for advancing the Gorno Project:

- conduct a resource definition drilling campaign for Pian Bracca, the highest priority exploration target within the Gorno Project Area to the east of the existing Colonna Zorzone deposit;
- subject to receiving positive results from the drilling campaign, incorporate the interpretations and conclusions into an “upscaled” development plan for the Gorno Project;
- in parallel with the above resource definition related work, complete the winter environmental baseline monitoring required to finalise the Environmental Impact Assessment; and
- finalise the application and renewal of the Monica Mining licence and other exploration licences at the Gorno Project.

In addition to the work on the Company’s flagship Gorno Project, the funds will also be applied to:

- evaluate the potential of Punta Corna, the site of historic cobalt mining in Piedmont, northern Italy where the Company announced positive “maiden” sampling results late last year;
- continue value enhancing activities on exploration projects held in Australia; and
- meet general working capital requirements as they arise.

Under the indicative timetable, the closing date for lodgement of acceptances and application money is 5 April 2019.

Other than as detailed above, no matters or circumstances have arisen since the end of the half-year which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future years.

9. SHARE BASED PAYMENTS**(a) Recognised share based payment expense**

The expense recognised for share based payments included in administration expenses during the period is shown in the table below:

	For the six months ended	
	31 Dec 2018	31 Dec 2017
	\$	\$
Expense arising from equity-settled share based payment transactions	9,398	10,831
	9,398	10,831

(b) General terms of share based payments**Employee Incentive Plan**

On 2 August 2018, 17.5 million options were granted to an employees under the Employee Incentive Scheme ("EIS"). These options are subject to vesting conditions, whereby if the recipient resigns prior to the vesting date the options are forfeited. On 31 December 2018, two recipients of 3.75 million options under this grant ceased employment with the Group. Under the terms of the EIS the Directors exercised their discretion to permit the employees to retain their options.

On 3 December 2018, 6 million options were granted to Mr Stephen Hills under the EIS. The grant of these options was approved by shareholders at the Annual General Meeting held on 30 November 2018. The options are subject to vesting conditions, whereby if Mr Hills resigns prior to the vesting date the options are forfeited.

All of the above options were granted for no consideration and hold no voting or dividend rights and are not transferrable without Board approval.

The fair value of the options granted during the six months to 31 December 2018 is estimated at the date of grant as \$17,662 using the Black & Scholes model and the following assumptions:

Series No.	29	30	31	32	33	34
No. of options	6,875,000	6,875,000	1,875,000	1,875,000	3,000,000	3,000,000
Grant date	2/8/18	2/8/18	2/8/18	2/8/18	3/12/18	3/12/18
Vesting date	30/6/2019	30/6/2020	30/6/2019	30/6/2020	30/6/2019	30/6/2020
Expiry Date	30/6/20	30/6/22	30/6/20	30/6/22	30/6/20	30/6/22
Exercise price	\$0.025	\$0.050	\$0.025	\$0.050	\$0.025	\$0.050
Share price	\$0.006	\$0.006	\$0.006	\$0.006	\$0.006	\$0.006
Expected volatility	80%	80%	80%	80%	80%	80%
Option life (years)	1.91	3.91	1.91	3.91	1.57	3.57
Dividend yield	-	-	-	-	-	-
Risk free interest rate	2.07%	2.07%	2.07%	2.07%	2.00%	2.00%

9. SHARE BASED PAYMENTS (Cont'd)

The following table illustrates the number and weighted average exercise prices of, and movements in share options during the half-year to 31 December 2018:

	For the six months ended			
	31 Dec 2018		31 Dec 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the half-year	30,750,000	\$0.13	30,750,000	\$0.13
Granted during of the half-year	23,500,000	\$0.038	-	-
Forfeited/lapsed during of the half-year	-	-	-	-
Exercised during of the half-year	-	-	-	-
Outstanding at the end of the half-year	54,250,000	\$0.09	30,750,000	\$0.13
Exercisable at the end of the half-year	28,750,000	\$0.13	26,750,000	\$0.12

10. COMMITMENTS AND CONTINGENCIES**(a) Operating Lease Commitments**

The Group has entered into a number of non-cancellable operating leases for various buildings that it occupies. These leases have terms between 1 year and 6 years, with rent payable in advance. The leases in some instances permit subletting.

During the half-year to 31 December 2018, the Group has entered into additional commercial operating leases on motor vehicles. The terms remaining on these motor vehicles ranges between 8 months and 2.5 years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2018 are as follows:

	As at	
	31 Dec 2018	30 Jun 2018
	\$	\$
<i>Minimum lease payments payable</i>		
Not later than 12 months	101,620	122,119
After one year but not more than five years	59,575	60,906
	161,195	183,025

(b) 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.

Australia

The Group has certain statutory obligations to perform minimum exploration work on its tenements. The statutory expenditure requirement may be renegotiated with the relevant regulator, and expenditure commitments may be varied between tenements, or reduced subject to reduction of the exploration area and/or relinquishment of non-prospective tenements.

10. COMMITMENTS AND CONTINGENCIES (Cont'd)

	As at	
	31 Dec 2018	30 Jun 2018
	\$	\$
Minimum lease payments payable		
Not later than 12 months	121,241	120,391
After one year but not more than five years	347,942	356,975
	469,183	477,366

Italy

No statutory expenditure commitments are specified by the mining legislation in Italy other than annual licence fees. The estimated commitment to maintain the Italian exploration licences and mining concession in good standing within the next twelve months is \$77,882 (30 June 2018: \$81,477)

(c) Commitments

At 31 December 2018, the Group had a commitment of \$72,500 (30 June 2018: \$217,500) relating to the Strategic Alliance Agreement with Arete Capital Partners Pty Ltd.

Other than as detailed above, there have been no material changes to contingent assets, contingent liabilities or commitments since 30 June 2018.

11. SEGMENT INFORMATION**Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. There has been no change in the basis of segmentation or in the basis of measurement of segment profit and loss since the last annual financial statements dated 30 June 2018.

The Group currently operates in one business segment being mineral exploration and substantially all of the Group's resources are utilised for this purpose. The Group undertakes mineral exploration in Australia and Italy. The geographical segments are identified as:

- (i) Western Australia
- (ii) Italy
- (iii) Other Australian States (the Northern Territory)

The following items of revenue and expenses are not allocated to operating segments as they are not considered part of the core operations of any segment:

- interest received, and
- administration and other expenses not directly related to a specific segment.

11. SEGMENT INFORMATION (Cont'd)

For the half-year ended 31 Dec 2018	Western Australia \$	Italy \$	Other \$	Total \$
Revenue				
Total segment revenue	-	-	-	-
<i>Reconciliation of segment revenue to group revenue</i>				
Total group revenue				-
Segment net loss before tax	(15,054)	(1,391,615)	(14,596)	(1,421,265)
<i>Reconciliation of segment net loss before tax</i>				
Amounts not included in segment loss but reviewed by board				
- Administration expenditure				(723,453)
- Marketing expenditure				(84,624)
- Finance income				14,438
Net loss before tax				(2,214,904)
Segment assets	19,467	1,997,587	-	2,017,054
Segment asset increases/(decreases) for the period				
- Foreign exchange translation	-	14,880	-	14,880
- Cash and cash equivalents	-	243,242	-	243,242
- Trade & other receivables	-	(255,990)	-	(255,990)
- Plant & equipment	(1,646)	(10,569)	-	(12,215)
	(1,646)	(8,437)	-	(10,083)
<i>Reconciliation of segment assets to group assets</i>				
Unallocated assets:				
- cash and cash equivalents				660,564
- trade and other receivables				33,854
- restricted cash				37,075
- plant and equipment				19,868
Total group assets				2,768,415
Segment liabilities	13,986	926,150	117	940,253
<i>Reconciliation of segment liabilities to group liabilities</i>				
Unallocated liabilities:				
- trade and other payables				102,061
- employee benefit liabilities				146,294
Total group liabilities				1,188,608

11. SEGMENT INFORMATION (Cont'd)

For the half-year ended 31 Dec 2017	Western Australia \$	Italy \$	Other \$	Total \$
Revenue				
Total segment revenue	-	-	-	-
<i>Reconciliation of segment revenue to group revenue</i>				
Total group revenue				-
Segment net loss before tax	(89,909)	(1,081,589)	(63,499)	(1,234,997)
<i>Reconciliation of segment net profit/(loss) before tax</i>				
Amounts not included in segment profit/(loss) but reviewed by board				
- Administration expenditure				(811,371)
- Marketing expenditure				(47,118)
- Finance income				4,700
- Other income				(19,590)
Net loss before tax				(2,108,376)
Segment assets	24,990	2,089,220	-	2,114,210
Segment asset increases/(decreases) for the period				
- Foreign exchange translation	-	17,690	-	17,690
- Cash and cash equivalents	-	31,377	-	31,377
- Trade & other receivables	-	71,270	-	71,270
- Plant & equipment	(1,224)	(6,484)	-	(7,708)
	(1,224)	113,853	-	112,629
<i>Reconciliation of segment assets to group assets</i>				
Unallocated assets:				
- cash and cash equivalents				1,338,716
- trade and other receivables				29,588
- restricted cash				68,834
- plant and equipment				31,587
Total group assets				3,582,935
Segment liabilities	21,686	649,032	64	670,782
<i>Reconciliation of segment liabilities to group liabilities</i>				
Unallocated liabilities:				
- trade and other payables				303,373
- Employee benefit liabilities	-	-	-	177,208
Total group liabilities				1,151,363

DIRECTORS' DECLARATION

The directors of Alta Zinc Limited declare that in the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity, as set out on pages 9 to 21, are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the financial position as at 31 December 2018 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* 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.

Signed in accordance with a resolution of the directors made pursuant to s303(5) of the *Corporations Act 2001*.

On behalf of the board



Alexander Burns
Chairman

15 March 2019



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ALTA ZINC LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alta Zinc Limited and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements *ASRE 2410 - Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Alta Zinc Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Alta Zinc Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

We draw attention to Note 2 of the financial report which indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

A handwritten signature in blue ink that reads "Crowe Horwath Perth".

CROWE HORWATH PERTH

A handwritten signature in blue ink, appearing to be "Cyrus Patel".

CYRUS PATELL
Partner

Dated at Perth this 15th day of March 2019