

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

CONSOLIDATED ZINC LIMITED

ABN

27 118 554 359

Quarter ended ("current quarter")

30 JUNE 2020

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	737	2,136
1.2	Payments for		
	(a) exploration & evaluation	(57)	(167)
	(b) development	-	-
	(c) production	(718)	(2,292)
	(d) staff costs	(223)	(351)
	(e) administration and corporate costs	(251)	(309)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(27)	(27)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(540)</b>	<b>(1,011)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(20)	(21)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(20)</b>	<b>(21)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,281	1,281
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(137)	(159)
3.5	Proceeds from borrowings	-	261
3.6	Repayment of borrowings	(137)	(137)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,007</b>	<b>1,246</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	298	530
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(540)	(1,011)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(20)	(21)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,007	1,246

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$US'000</b>	<b>Year to date (6 months) \$US'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>745</b>	<b>745</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$US'000</b>	<b>Previous quarter \$US'000</b>
5.1	Bank balances	745	298
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>745</b>	<b>298</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$US'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	160
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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7.	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	800	800
7.2	Credit standby arrangements	-	-
7.3	Other (Convertible Notes)	428	428
7.4	<b>Total financing facilities</b>	1,228	1,228
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p><b><u>Loan Facilities:</u></b></p> <p>The company has the following unsecured loan facilities with the following terms:</p> <ol style="list-style-type: none"> <li>1) A\$800,000 working capital facility provided by: <ol style="list-style-type: none"> <li>a) A\$700,000 by Mr Stephen Copulos (former non-executive Chairman) or ("Existing Loans"); and</li> <li>b) A\$100,000 by Mr Andrew Richards (non-executive Chairman);</li> <li>c) repayable by 30 June 2021.</li> <li>d) Interest rate is 10.0% per annum with accrued capitalised interest is A\$114,510;</li> </ol> </li> </ol> <p><b><u>Convertible Notes</u></b></p> <p>The convertible notes have been issued in a series of tranches, each with similar terms including an interest rate of 10% p.a., unsecured, and convertible at the election of the convertible note holder. The conversion share price varies per tranche of issue and ranges from A\$0.01 - A\$0.015 per share and mature between 30 June 2020 and 27 August 2020.</p> <p><b><u>New Convertible Notes – Finance facility consolidation</u></b></p> <p>The Company has entered into an agreement with the Copulos Group to consolidate outstanding debt under its convertible notes maturing on 30 June 2020 ("Existing Notes") and unsecured loan facilities ("Existing Loans") into 4 new convertible notes ("New Convertible Notes") with the following key terms:</p> <ul style="list-style-type: none"> <li>• Maturity date of 30 June 2022;</li> <li>• Conversion price A\$0.003 per share;</li> <li>• Interest rate of 10.0% per annum; and</li> <li>• Principal value of A\$1,127,826 (in aggregate).</li> </ul> <p>The New Convertible Notes are subject to shareholder approval under listing rule 10.11 at the Company's upcoming AGM to be held on 31 July 2020.</p> <p>On shareholder approval, the unsecured loan facilities will be reduced to A\$100,000 and the convertible notes on issue will be A\$180,772 expiring on 27 August 2020 at A\$0.015 per share and A\$1,127,826 expiring on 30 June 2022 at A\$0.003 per share.</p>		

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<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(540)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(540)
8.4	Cash and cash equivalents at quarter end (item 4.6)	745
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	745
8.7	<b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	1.38
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: Based on the Company's cashflow forecasts, the level of net operating cashflows will improve in Q3 2020 based on the full resumption of operations following the Mexican Government mandated COVID-19 shutdown of all mining operations in Mexico during Q2 2020. In addition, the prices for the Company's key commodities, Zinc and Lead have significantly improved in comparison to the first half of 2020.	
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: Based on the commodity price and operating assumptions contained in the Company's cashflow forecasts as noted in the answer to question 8.8.1, the Company is not expected to require to raise any further cash to fund its operations. In addition, the Company anticipates receiving long overdue VAT refunds from the Mexican government during Q3 2020.	
8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: Based on the commodity price and operating assumptions contained in the Company's cashflow forecasts as noted in the answer to questions 8.8.1 and 8.8.2, the Company expects to be able to continue its operations and meet its business objectives. The Company's forecasts are prepared on the basis of no further Mexican government mandated COVID-19 suspension of operations for the mining sector and its associated support services.	
	<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2020

Authorised by: By the Board  
(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.