

29 September 2020

Shareholders
Consolidated Zinc Limited

Dear Shareholder,

UPDATE ON PLOMOSAS MINE AND PROCESS PLANT SECURING THE COMPANY'S FUTURE

I am writing to thank you for your ongoing commitment to Consolidated Zinc Limited (**ASX:CZL**) and to update you on our plans to secure the Company's future by improving performance through the refurbishment of the processing facility at the Plomosas zinc mine.

During 2020 CZL had to shut down operations at Plomosas for 2.5 months due to Covid19 and continues to operate with some restrictions in its supply chain. However, CZL has not taken the approach of "wait and see" when it comes to managing the business of mining during these uncertain times.

In the past six months CZL has reduced Q2 2020 C1 cash operating costs at Plomosas to US\$0.84/lb of payable zinc, a 20% reduction from the prior quarter of US\$1.05/lb and our mine production rates are back to better than pre-Covid19. This while still providing appropriate welfare measures and practices for our staff to operate safely.

Importantly, we received the necessary approvals to install a tailings dam and the associated infrastructure required to process our ore on site. We have completed the detailed Costing Study (**CS**) for refurbishing the Plomosas plant which has been idle since prior to our acquisition of the mine and we are now in a position to implement operational strategies. This will remove our reliance on third-party toll treatment which will directly benefit the Company's bottom line.

Strategy

As announced on 16 September 2020, CZL is undertaking a fully underwritten rights issue to fund the refurbishment and expansion of the Plomosas plant (Photos 1-7).

In accordance with the CS findings:

- the plant will operate initially at 3,000 tonnes per month (tpm) but is designed to be expanded to 6,000 tpm.
- the plant design is based on a flowsheet designed for Plomosas ore. The process flow is similar to that used during the 30 years that Ausenco operated the mine when they achieved higher recoveries than those achieved through the Aldama third-party tolling facility that is not specifically designed for Plomosas ore.
- cleaner lead concentrates will be produced to improve treatment charge deductions.

The refurbishment and commissioning of our own plant comes at a time when we have secured extended concentrate offtake agreements with Penoles and marks a turning point for the Company with the Plomosas plant planned to be in full commercial production early in 2021.

Tailings Storage Facility (TSF)

The TSF design was submitted for approval in 2018 and the approval was received in August 2020. The process was impacted by tailings dam failures in Mexico and Brazil that resulted in changes to the assessment and approval process and legislation. Our submission met the updated, higher standards.

The TSF is expected to have zero discharge due to the desert climate. The dam is considered to be very safe with over-engineered earth embankments.

Operational Efficiencies

As a result of recommissioning our plant, the Company will be able to consolidate its operations to the one site, implement efficiencies and plan for future expansion. In particular:

- Management will not be spread between mine and plant which are 75kms apart, allowing for real time exchange of information and superior operational practises, supervision and maintenance.
- The consistent quality of raw water pumped from the mine to be used for processing will reduce the requirement for constant adjustment and reagent corrections to optimise plant performance.
- The CS did consider the cost savings of installing a mill of 75kW capable of 3,000tpm and then expanding to a capacity of 6,000tpm with a 150kW mill. However, CZL has elected to install the larger mill immediately to minimise delays when the plant capacity is expanded to 6,000tpm.
- The crushing circuit will deliver 12 tonnes per hour (tph) to 15tph depending on the host rock ore presented.
- The preconditioning and float circuit have been designed to enable sequential expansion of the plant from 3,000tpm to 6,000tpm.

Costings

The cost for the refurbishment and recommissioning has been estimated at US\$1.355M and will take three months to construct subject to weather conditions (tailings dams take longer in wet, sub-zero temperatures).

This estimate includes the Engineering, Procurement, Construction & Management (EPCM), TSF, plant refit, laboratory relocation, underground pumping facility, power generation and replacement of mine equipment.

Implementation

Funds from the fully underwritten entitlement issue will be available in October to cover the total costs of refurbishment and commissioning.

In the meantime, CZL has commenced procurement of long lead items and recruiting key personnel for the development. A suitable mill has been identified and negotiations are progressing towards the purchase of this key piece of equipment. The new Plant Manager and Maintenance Manager have been identified and recruitment is being finalised.

CZL is entering an exciting phase in which we expect to fulfil our long-held operational strategy and ambitions. After a frustrating two year wait for TSF approval I see the refit of the Plomosas concentrator as a very positive next step to taking full control of our operation and returning shareholder value.

This letter to shareholders was authorised for issue by the Directors of the Company.

Yours sincerely

Brad Marwood

Mr Brad Marwood
Managing Director
Consolidated Zinc Limited
08 9322 3406



Photo 1: The reagent mixing area in the foreground, mill to the right and the white fine ore bin in the



Photo 2: Zinc float cells, lead thickener and drying bunkers in the right background.



Photo 3: The lead float zinc reconditioning and reagent mixing area with the lead float to the right.



Photo 4: The zinc float and process control walkway



Photo 5: The 3m³ lead concentrate thickener



Photo 6: The 5m³ zinc concentrate thickener



Photo 7: Lead preconditioning tank in the foreground with the reagent dosing facility sitting above the lead preconditioning tank