

## Quarterly Activities Report March 2021

30 April 2021

- The Plomosas Plant Project (PPP) commenced commissioning in the March quarter.
- Production is ramping up and subject to plant availability with:
  - 9,431 tonnes ore mined.
  - 7,752 tonnes of ore processed at 12.4% zinc, 6.8% lead and 45g/t silver.
  - Payable metal sold, 668 tonnes of zinc and 296 tonnes of lead in concentrate.
- Inventory stockpiles at quarter end:
  - 4,466 tonnes of high-grade run-of-mine ore available for processing.
  - 136 tonnes zinc concentrate & 61 tonnes lead concentrate available for sale.
- C1 cash cost of payable zinc sold \$1.08/lb for quarter.
- C1 cash cost for zinc produced \$1.10lb for the quarter.
- Placement of A\$2.550 million (before costs) completed during the quarter.
- Zinc concentrates benchmark treatment charge (TC) for 2021 is 47% lower than in 2020.

*All references in this report are to US\$, unless otherwise stated.*



*Picture 1: Completed processing plant – reconditioned mill, power supply, float cells and thickeners.*

Consolidated Zinc Limited (CZL:ASX or “the Company”) presents its March 2021 quarterly activities report.

## **OPERATIONS - PLOMOSAS MINE, CHIHUAHUA STATE, MEXICO (100% OWNED)**

### **ON-SITE PROCESSING - TSF APPROVAL AND PROCESSING PLANT REFURBISHMENT PROJECT**

The forecasted completion date of the Plomosas plant refurbishment was February 2021. However, effective completion was achieved in April 2021, with commissioning activities commencing in March 2021, with the delay due to:

- Significant snowfall events in January and February that affected Texas, delaying the completion of tailings dam earthworks.
- Impacts of COVID-19 delaying re-mobilisation of personnel who tested positive to COVID-19 as part of the routine mandatory testing regime to gain access to the Plomosas site.
- Delayed delivery of the power generation equipment from Houston, due to the Texas snowstorm.

The original scope of the Plomosas plant refurbishment was also expanded to include the purchase and installation of an extra bank of 6 x 50cu foot flotation cells, which will allow for further expansion above 100 tonnes per day initial design scope.

The Plomosas plant refurbishment was completed within the original budget of US\$1.36 million, inclusive of the additional scope change to expand the flotation capacity.

During commissioning in April, the Plomosas plant encountered a number of ramp-up issues, including a mill gearbox main bearing failure which was replaced within days, and the bank of six float cell motors were found to be incorrectly sized and were replaced. Otherwise, the commissioning has been proceeding well given the mostly pre-used nature of the plant.



*Picture 2: Flotation cells.*



*Picture 3: Tailing's dam ready for first tails.*

## **Mining**

During the quarter 9,431 tonnes of ore were mined at Plomosas however, a significant stockpile of ore remains underground. At the end of the quarter, the run of mine stockpiles were 4,466 tonnes of which 3,000t of ore were in underground stockpiles due to haul truck availabilities. To supplement haul truck availability, a new haul truck was purchased and commissioned in March.

It is expected that the underground stockpiles will be brought to the surface during the June quarter for processing through the Plomosas and Aldama plants.

The water level has been dropped over 25 metres during the quarter in accordance with the budgeted mine plan. New pumps are to be installed during the June quarter to accelerate access to the high-grade sulphide stopes above the Level 10 drive.

Mining costs for the quarter averaged \$99/t, inclusive of a ramp up of mine dewatering activities, and were in-line with expectations for the quarter as management focus was on completion of the Plomosas plant.

The end of 2020 Mineral Resource model was completed during the quarter and announced to the ASX on 18 March 2021. The reconciliation shows a good correlation between the metal produced and plant feed grade, the plant feed grade. The mine grade difference was 7.5% within the expected 11% for dilution and the mined metal was within 35% of the resource model.

During 2020, 60% of ore mined was from within the resource model with 40% of ore mined from outside the resource model. The overall implications were that metal reconciled well as did tonnes and grades after consideration of the ore found outside of the resource model. Further work is planned to assess the ore found outside of the model to establish if it is limited to the Semi-oxidised mineralisation or is pervasive across all mineralised resources.

## **Processing**

During the quarter, the Aldama plant toll processed 7,752 tonnes of Plomosas ore at 12.4% zinc, 6.8% lead, 45g/t silver, over 58 days in the quarter for 64% availability. The low plant availability was primarily due to the owners of the Aldama plant seeking alternative ore sources as the Plomosas refurbishment nears completion as well as breakdown and weather impacts.

The quarterly recovery of zinc-to-zinc concentrate was 71.4% and lead to lead concentrate 32.1%.

At the end of the quarter, inventory stockpiles were 4,466 tonnes of ROM ore available for processing and 136 tonnes of zinc concentrate and 61 tonnes of lead concentrate.

The Aldama plant will continue to be utilised until the stockpile of ore is depleted to normal operating levels.

### **Operating Costs**

The March 2020 quarter C1 operating costs were \$1.08 per payable pound of zinc sold, an increase from the fourth quarter 2020 (\$1.05/lb). The majority of operating costs at Plomosas are fixed in nature (except for the ore tolling fees) resulting in cost per pound increasing when mined tonnes decrease. The key negative impacts on operating costs in the quarter were:

- Lower ore grade mined and processed;
- Reduced zinc and lead concentrate produced due to intermittent availability at the toll processing facility adversely impacting steady state flotation recovery;
- Lower than budgeted ore processed due to the toll processing issues; and
- Lower by-product credits due to lower lead grade and recovery.

These negative impacts above were partly offset by the 47% reduction in the benchmark zinc treatment charge to \$159/tonne of zinc concentrate (prior quarter was \$299.75/tonne zinc concentrate).

The operational impacts that attributed to higher operating costs in the quarter are expected to be reduced by taking control of ore processing at the Plomosas plant. The refurbished plant has a flowsheet designed for Plomosas ore targeting higher recoveries and mechanically a newer design which will have better availability than the Aldama plant.

**TABLE 1. QUARTER ENDED 31 MARCH 2021 PRODUCTION STATISTICS**

			Q1 2021	Year to date	Q4 2020
<b>MINED</b>	Ore	MT	<b>9,431</b>	9,431	10,801
	Waste	MT	<b>1,921</b>	1,921	828
	Development	Metres	<b>171</b>	171	215
<b>ORE PROCESSED</b>	Ore	MT	<b>7,752</b>	7,752	6,842
	Zinc	%	<b>12.4%</b>	12.4%	14.5%
	Lead	%	<b>6.8%</b>	6.8%	8.0%
	Silver	Grams/t	<b>45</b>	45	49.4
<b>SALES</b>	Payable Zinc	MT	<b>668</b>	668	476
	Payable Lead	MT	<b>139</b>	139	217
	Payable Silver	Oz	<b>361</b>	361	196
<b>C1 CASH COST PER PAYABLE ZINC SOLD</b>	Mining, Processing & G&A	\$/lb payable Zinc sold	<b>\$0.99</b>	\$0.99	\$0.96
	Treatment & Transport	\$/lb payable Zinc sold	<b>\$0.24</b>	\$0.24	\$0.51
	By Product Credits	\$/lb payable Zinc sold	<b>\$(0.15)</b>	<b>\$(0.15)</b>	\$(0.42)
	<b>C1 Cash Cost</b>	<b>\$/lb payable Zinc sold</b>	<b>\$1.08</b>	<b>\$1.08</b>	\$1.05

### Concentrate Sales

1,651 tonnes of zinc concentrate, and 268 tonnes of lead concentrate were sold in the quarter.

During the quarter, the new 2021 zinc concentrate benchmark treatment charge was announced at \$159/tonne of concentrate versus the prior year of \$299.75/tonne of concentrate. This is a 47% reduction and is forecast to represent a \$0.15/lb per payable pound of zinc treatment charge cost reduction based on a 50% zinc concentrate grade.

At the end of the quarter, 136 tonnes of zinc concentrate, and 61 tonnes of lead concentrate were stockpiled and sold in the current quarter.

### Health, Safety and Environment

There were no reportable environmental or safety incidents during the quarter.

The company's enhanced mandatory COVID-19 testing regime continues, which requires all employees and visitors to the Plomosas mine site to require a negative PCR test result. A significant number of employees contracted COVID-19 whilst on field breaks, impacting the operations and refurbishment of the Plomosas concentrator during the quarter.

Chihuahua State has returned to a red zone, which closes all non-essential business. Mining and the support sectors to mining are deemed an essential business and continue to operate.

During the quarter there was zero lost time injuries and zero reportable incidents.

## **EXPLORATION**

The gold assays for the surface sampling at Chona and Enrique have been received this week and the results indicate that there is no commercial exploitable gold to be found at Chona and Enrique.

Surface mapping and underground mapping of the fault system at the Las Espadas and Mina Juarez underground workings indicates they are either the faulted off extension of the main orebody or are actually separate units. Work will continue through the next quarter on this front to substantiate the geological theory of cross faulting rather than boudinage. If a cross fault has occurred, there is good potential for a 300-metre extension of the main orebody along strike.

## **CORPORATE**

### **Capital Raising**

A placement was made to sophisticated and professional investors pursuant to section 708 of the Corporations Act 2001 (Cth) to raise \$2.550 million before costs, via the issue of 63.75 million fully paid ordinary shares ("Placement Shares") in the Company ("Placement").

Significant value is held in the increased levels of run-of-mine inventory at the Plomosas Mine which will be realised as the stockpiles are reduced. In the meantime, funds raised from the Placement has been applied to working capital, commissioning of the refurbished wholly owned Plomosas Processing Plant and offer costs.

### **Cash**

The Company's closing cash at the end of the quarter was US\$0.667 million (prior quarter \$0.752 million).

During the quarter, \$0.771 million of capital expenditure was paid for the purchase of refurbishment of the Plomosas plant. The capital expenditure payments are inclusive of 16% VAT which will be recovered in future periods.

### **Trade Receivables and Payables**

The Company's trade receivables due from the sale of zinc and lead concentrates was \$0.560 million (prior quarter \$0.286 million) and VAT refundable of \$1.316 million (prior quarter \$1.176 million).

The VAT refunds are recovered through a combination of cash refunds and offsetting against any monthly VAT payable amounts due to the Mexican government. The VAT refunds are denominated in Mexican Peso and revalued monthly to the functional currency of US Dollars.

The estimated sale value of the zinc and lead concentrate stockpiles at the end of the quarter is \$0.181 million (prior quarter \$0.336 million), based on provisional assays and commodity prices on 31 March 2021.

Trade payables at the end of the quarter were \$2.859 million (prior quarter \$2.922 million). Trade payables includes approximately US\$1.15 million invoiced by a former contractor but disputed by the Company.

## **Unsecured borrowings**

### Unsecured borrowings

The Company has a A\$0.100 million unsecured loan facility fully drawn (prior quarter A\$0.100 million) from an entity related to Mr Andrew Richards (non-executive Chairman), with a maturity date of 30 June 2021 and an interest rate of 10.0% per annum.

## **Payments to Related Parties**

During the quarter, payments totalling US\$92,000 were made to directors for salaries, directors fees and superannuation.

This announcement was authorised for issue to the ASX by the Directors of the Company.

For further information please contact:

**Brad Marwood**  
**Managing Director**  
**08 9322 3406**

## **ABOUT CONSOLIDATED ZINC**

Consolidated Zinc Limited (ASX: CZL) owns 100% of the historic Plomosas Mine, located 120km from Chihuahua City, Chihuahua State. Chihuahua State has a strong mining sector with other large base and precious metal projects in operation within the state. Historical mining at Plomosas between 1945 and 1974 extracted over 2 million tonnes of ore grading 22% Zn+Pb and over 80g/t Ag. Only small-scale mining continued to the present day and the mineralised zones remain open at depth and along strike.

The company has recommenced mining and processing at Plomosas and is committed to exploit the high-grade Zinc, Lead and Silver Mineral Resource through the identification, exploration, and exploitation of new zones of mineralisation within and adjacent to the known mineralisation with a view to identify new mineral resources that are exploitable.

### **Caution Regarding Forward Looking Statements and Forward-Looking Information:**

*This report contains forward looking statements and forward-looking information, which are based on assumptions and judgments of management regarding future events and results. Such forward-looking statements and forward-looking information involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual market prices of zinc and lead, the actual results of current exploration, the availability of debt and equity financing, the volatility in global financial markets, the actual results of future mining, processing and development activities, receipt of regulatory approvals as and when required and changes in project parameters as plans continue to be evaluated.*

*Except as required by law or regulation (including the ASX Listing Rules), Consolidated Zinc undertakes no obligation to provide any additional or updated information whether as a result of new information, future events, or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.*

### **Production Targets:**

*Production targets referred to in this report are underpinned by estimated Mineral Resources which have been prepared by competent persons in accordance with the requirements of the JORC Code. The production targets in this report are sourced from both Indicated and Inferred Mineral Resources and it should be noted that there is a low geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target will be realised.*

*There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. The stated production target is based on the Company's current expectations of future results or events and should not be solely relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met.*