

## Quarterly Activities Report June 2021

30 July 2021

- **Commercial production commenced at the refurbished Plomosas Plant**
- **Production up from last quarter with:**
  - 8,655 tonnes ore mined.
  - 9,079 tonnes of ore processed at 15.1% zinc, 7.4% lead and 54g/t silver.
  - Payable metal sold, 632 tonnes of zinc and 158 tonnes of lead in concentrate.
- **Inventory stockpiles at quarter end:**
  - 2,452 tonnes of high-grade run-of-mine ore.
  - 341 tonnes zinc concentrate & 207 tonnes lead concentrate available for sale.
- **Realised zinc price of \$1.32/lb for the quarter, \$1.26/lb YTD.**
- **C1 cash cost of payable zinc sold \$1.18/lb for quarter, \$1.13/lb YTD.**
- **C1 cash cost for zinc produced \$1.30/lb for the quarter, \$1.18 YTD.**
- **Plomosas mine EBITDA\* of \$0.195 million for the quarter, \$0.378 million YTD**

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

*\* Plomosas mine EBITDA is unaudited and calculated as revenue less direct mining, processing, and site G&A, excluding exploration and corporate costs.*

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

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

#### **Mining**

During the quarter 8,655 tonnes of ore were mined with 9,079 tonnes hauled to the surface at Plomosas.

At the end of the quarter, the run of mine stockpiles were 2,452 tonnes of which 1,553 tonnes of ore were in underground stockpiles.

The water level has remained stable during the quarter as the mining team finalise plans to install the second stage pumps in the third quarter. The mine plan for 2022 will not be affected as the pumps to be installed will reduce the water level to below 800m RL in time for planned mining of the lower levels 9 & 10.

Mining costs for the quarter averaged \$102/t.

## **Processing**

During the quarter, ore was processed through both the Plomosas and third-party Aldama processing plants.

The Aldama plant processed 4,727 tonnes of ore at 13.9% zinc, 7.9% lead, 53g/t silver with 69.5% recovery of zinc to zinc concentrate and 27.7% recovery of lead to lead concentrate. The Aldama plant batch processing of Plomosas ore has been impacted Aldama's treatment of ore from other sources and mechanical availability. Therefore, the Aldama plant will continue to be utilised only until the stockpiles of run-of-mine (ROM) ore are reduced to normal operating levels.

The wholly owned Plomosas plant commenced commercial production during the quarter and processed 4,352 tonnes at 15.5% Zinc, 6.21% lead and 49g/t silver. Recovery of zinc to zinc concentrate was 52.5% with 41.2% recovery of lead to lead concentrate.

Lower than expected Plomosas plant production occurred during the quarter due to efforts to improve plant performance and equipment breakdowns. The ramp-up of the Plomosas plant improved in June with 2,542 tonnes processed.

At the end of the quarter, inventory stockpiles were 2,452 tonnes of ROM ore available for processing and 341 tonnes of zinc concentrate and 207 tonnes of lead concentrate.

## **Operating Costs**

The quarterly C1 cash operating cost was \$1.18 per payable pound of zinc sold, an increase from the first quarter 2021 (\$1.08/lb). Most operating costs at Plomosas are fixed in nature resulting in cost per pound increasing when mined tonnes decrease. The key impacts on operating costs in the quarter were:

- Increased unit price of diesel utilised in the mining fleet and power generation. However, the overall cost of diesel was lower than budgeted as less dewatering was undertaken in the quarter than budgeted.
- Increased energy usage from the commencement of production from the Plomosas plant. The energy distribution and usage at Plomosas will be improved during Q3 2021 to maximise energy efficiency and lower unit operating costs;
- Lower than expected zinc and lead recovery at Plomosas and Aldama plants due to interruptions to operation that adversely impacted the achievement of steady state flotation recoveries.
- Lower than budgeted ore processed at both plants; and
- Lower by-product credits due to lower-than-expected lead recoveries.
- The negative cost impacts were offset by reduced concentrate treatment charges and higher lead and silver prices.

The company has identified areas to improve availability and process recovery at the Plomosas plant including the reinstatement of the secondary crusher, additional cyclones and additional pre-conditioning tanks to increase pre-conditioning time. This will improve the consistency of the grind size and pre-conditioning time to improve zinc and lead recovery.

**TABLE 1. QUARTER ENDED 30 JUNE 2021 PRODUCTION STATISTICS**

		Q1 2021	Q2 2021	Year to date
<b>MINED</b>	Ore	9,431	<b>8,655</b>	18,086
	Waste	1,921	<b>9</b>	1,930
	Development	171	<b>98</b>	269
<b>ORE PROCESSED</b>	Ore	7,752	<b>9,079</b>	16,831
	Zinc	12.4%	<b>15.1%</b>	13.8%
	Lead	6.8%	<b>7.4%</b>	7.1%
	Silver	45	<b>54</b>	51
<b>SALES</b>	Payable Zinc	668	<b>632</b>	1,300
	Payable Lead	139	<b>158</b>	297
	Payable Silver	361	<b>2,006</b>	2,367
<b>C1 CASH COST PER PAYABLE ZINC SOLD</b>	Mining, Processing & G&A	\$0.99	<b>\$1.20</b>	\$1.09
	Treatment & Transport	\$0.24	<b>\$0.21</b>	\$0.23
	By Product Credits	\$(0.15)	<b>\$(0.23)</b>	<b>\$(0.19)</b>
	<b>C1 Cash Cost</b>	\$1.08	<b>\$1.18</b>	<b>\$1.13</b>

### Concentrate Sales

1,446 tonnes of zinc concentrate, and 265 tonnes of lead concentrate were sold in the quarter.

At the end of the quarter, 341 tonnes of zinc concentrate, and 207 tonnes of lead concentrate were stockpiled to be sold in the current quarter.

### Health, Safety and Environment

There were no reportable environmental incidents during the quarter. There were some safety issues that were reported internally that have led to changes in the operating practises at the mine.

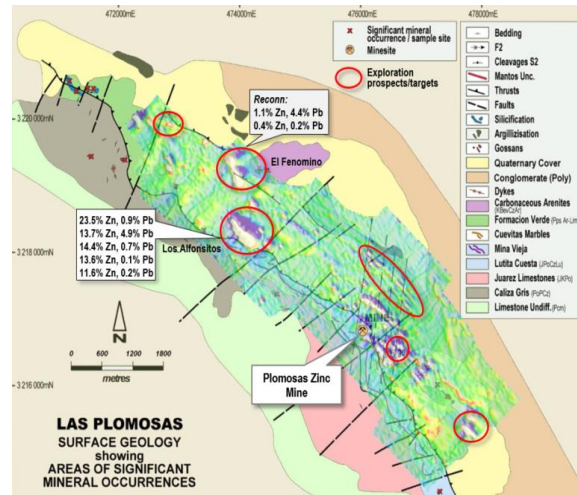
The company's enhanced mandatory COVID-19 testing regime continues, which requires all employees and visitors to the Plomosas mine site to require a negative PCR test result, unless fully vaccinated.

Chihuahua State's COVID-19 status has returned to an orange zone (down from red-zone), with non-essential business reopening following the downgrade. Mining and the support sectors to mining are deemed an essential business and were permitted to continue to operate in a red zone.

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

## EXPLORATION

During the quarter, exploration work focused on field mapping of the Alfonsitos 1, Alfonsitos 2 and Mina Mexico prospects. These prospects are located 2.5-4 km from Plomosas and demonstrate significant potential for the discovery of zinc/lead/silver mineralisation from surface. Figure 1 shows Los Alfonsitos centre of figure with high zinc grades and lower lead grades. The general thinking is lead grades are lower further away from the source.



**Figure 1:** Las Plomosas Surface Geology and Targets – Los Alfonsitos shown centre of figure.

Mina Mexico (Manto Prospect) contains a stope where historical records indicate the average grade extracted was 22% zinc. The stope is over 100m long, 70m wide and 50m high. Mina Mexico is located 1.5km north-west of Los Alfonsitos prospect. During the next quarter CZL plans to complete the geological mapping and survey of the Mina Mexico prospect and commence underground confirmation drilling of for the 2022 planned mining areas.



**Figure 2:** Extensive workings within the oxide chamber of the Manto at Mina Mexico prospect. This photo has been extracted from a report previously prepared for Compania Retec Guaru S.A. de C.V (A Simulation 43-101 Document of the Plomosas Property: Chihuahua, Mexico.)

Exploration expenditure during the quarter was \$0.061 million.

## **CORPORATE**

### **Cash**

The Company's closing cash at the end of the quarter was US\$0.252 million (prior quarter \$0.667 million).

Closing cash at the end of the quarter was negatively impacted by trade receivables and the invoice value of concentrate inventory increasing by \$0.519 million from the prior quarter, and a reduction in trade payables of \$0.106 million.

In addition, \$0.279 million of capital expenditure was paid during the quarter relating to the refurbishment of the Plomosas plant.

### **Trade Receivables and Payables**

The Company's trade receivables due from the sale of zinc and lead concentrates was \$0.778 million (prior quarter \$0.560 million) and VAT refundable of \$1.339 million (prior quarter \$1.316 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 \$0.482 million (prior quarter \$0.181 million), based on provisional assays and commodity prices on 30 June 2021.

Trade payables at the end of the quarter were \$2.753 million (prior quarter \$2.859 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). The maturity date was extended to 30 September 2021 from 30 June 2021. All other terms including the interest rate of 10.0% per annum remain unchanged.

### **Payments to Related Parties**

During the quarter, payments totalling US\$126,000 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 because 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.*

## 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 2021

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	1,527	3,160
1.2	Payments for		
	(a) exploration & evaluation	(42)	(125)
	(b) development	-	-
	(c) production	(1,656)	(3,904)
	(d) staff costs	(169)	(267)
	(e) administration and corporate costs	(15)	(185)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (VAT refunds)	4	23
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(351)</b>	<b>(1,298)</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	(279)	(1,050)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

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

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>(279)</b>	<b>(1,050)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	231	1,980
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	(16)	(133)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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>215</b>	<b>1,847</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	667	753
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(351)	(1,298)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(279)	(1,050)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	215	1,847



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

<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>252</b>	<b>252</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	252	667
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>252</b>	<b>667</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	126
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*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.*

Item 6.1 - payments of executive salary and director fees.

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

7.	<b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</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>		
7.1	Loan facilities	100	100
7.2	Credit standby arrangements	-	-
7.3	Other	-	-
7.4	<b>Total financing facilities</b>	100	100
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	<i>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.</i>		
	<b><u>Loan Facilities:</u></b> The company has an unsecured loan facility of A\$100,000 provided by Mr Andrew Richards (non-executive Chairman) repayable by 30 September 2021 at an interest rate is 10.0% per annum. Accrued capitalised interest is A\$28,732.		

8.	<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)	(351)
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)	(351)
8.4	Cash and cash equivalents at quarter end (item 4.6)	252
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	252
8.7	<b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	0.7
	<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?	
	The refurbishment of the processing plant at Plomosas was completed in April 2021. During the quarter, production was lower than forecast due to mechanical availability and lower recoveries, which are expected to be improved in Q3 2021 following completion of remedial works to improve availability and process plant recovery.	
	The Company's budget forecasts positive cashflow from operations during Q3 2021 and future quarters based on the anticipated mining rate, grade, recoveries and commodity prices.	

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?

The company has not taken, nor currently proposes to take, any steps to raise further cash to fund operations. However, operations and the ramp-up of the Plomosas processing plant may be impacted by pandemic control or other short-term cash constraints, so management assesses its cash management options on a continuous basis.

The Company's good relationship with its major shareholders and its corporate advisors gives management comfort that additional funding would be available if required.

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?

The company expects to be able to continue its operations and meet its objectives for reasons outlined in the questions above.

*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.*

## 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: 30 July 2021

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.