

Quarterly Activities Report September 2021

29 October 2021

- **Production up from last quarter with:**
 - 9,817 tonnes ore mined.
 - 10,272 tonnes of ore processed at 14.5% zinc, 6.9% lead and 56g/t silver.
 - Payable metal sold, 765 tonnes of zinc and 190 tonnes of lead in concentrate.
- **Inventory stockpiles at quarter end:**
 - 1,024 tonnes of high-grade run-of-mine ore.
 - 205 tonnes zinc concentrate & 85 tonnes lead concentrate available for sale.
- **Realised zinc price of \$1.35/lb for the quarter, \$1.29/lb YTD.**
- **C1 cash cost of payable zinc sold \$1.38/lb for quarter, \$1.22/lb YTD.**
- **C1 cash cost for zinc produced \$1.38/lb for the quarter, \$1.25/lb YTD.**
- **Closing cash of US\$0.380 million, increase from the prior quarter of \$0.252 million.**
- **Mina Mexico and Los Alfonsitos exploration potential continues to be positive.**

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

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

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

Mining

During the quarter 9,123 tonnes of ore were mined with 9,817 tonnes hauled to the surface at Plomosas.

At the end of the quarter, the run of mine stockpiles were 1,024 tonnes of which 860 tonnes of ore were in underground stockpiles.

The water level has remained stable during the quarter as the mining team met some challenges with installation of pumps during the quarter. Late in September the main pump failed with an electrical fault burning out the motor, a replacement was secured and pumping commenced early in the fourth quarter.

The development planning for 2022 has identified 124,000 tonnes of ore for plant feed readily available to meet the production call for 2022. This revised mine plan will not require the dewatering to the 740mRL (Level 12) but rather allow for ore access above level 10 at 810m RL.

Mining costs for the quarter averaged \$111/t of ore. Mining mobile plant were the limiting factor in mine production during the quarter. The main haulage unit a 12 tonne Jarvis underground haul truck was out of service for much of the quarter forcing reliance on the secondary units of an 8 tonne truck and a 4 tonne haul truck.

The ramp conditions were significantly improved utilising a dozer to smooth out the ramp allowing for increased speeds and reduced gearchanges when loaded trucks are hauling. Two scoops were available for most of the quarter with always one scoop available. The mining and maintenance costs for the quarter were \$0.58/lb sold.

Processing

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

The Aldama plant processed 1,957 tonnes of ore at 14.5% zinc, 8.7% lead, 54g/t silver with 67% recovery of zinc to zinc concentrate and 27% recovery of lead to lead concentrate. The Aldama plant batch processing of Plomosas ore has been impacted by Aldama's treatment of ore from other sources and mechanical availability. The Aldama plant will continue to be utilised only when stockpiles of run-of-mine (ROM) ore exceed normal operating levels.

The wholly owned Plomosas plant processed 8,014 tonnes at 14.6% Zinc, 6.4% lead and 56g/t silver. Recovery of zinc to zinc concentrate was 59% with 30.2% recovery of lead to lead concentrate.

During the quarter the Plomosas plant was modified to:

- reduce the grind size;
- increase the preconditioning residence time; and
- stabilise the plant at a higher throughput.

This resulted in enhanced Plomosas plant performance in September with the throughput and recoveries meeting or exceeding those achieved at Aldama. The performance in early October improved again to see over 90% recovery of the zinc sulphide and over 82% recovery of the lead sulphide.

The oxide forms of zinc and lead are difficult to recover. The Company has completed testwork on the tails indicating successful recovery of the lead oxides could be achieved through a gravity circuit. It is planned to add a low cost gravity circuit during the fourth quarter to increase lead oxide recoveries.

At the end of the quarter, inventory stockpiles were 1,024 tonnes of ROM ore available for processing and 205 tonnes of zinc concentrate and 85 tonnes of lead concentrate.

Operating Costs

The quarterly C1 cash operating cost was \$1.38 per payable pound of zinc sold, an increase from the second quarter 2021 (\$1.18/lb). The increase in C1 cash operating cost was primarily the result of the higher average cost of inventory stockpiles processed and sold during the quarter, as mine tonnes was lower than ore processed tonnes.

The company continues to optimise previously identified cost reduction initiatives 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 SEPTEMBER 2021 PRODUCTION STATISTICS

		Q1 2021	Q2 2021	Q3 2021	Year to date
MINED	Ore	9,431	8,655	9,817	26,208
	Waste	1,921	9	0	0
	Development	171	98	229	371
ORE PROCESSED	Ore	7,752	9,079	10,272	27,102
	Zinc	12.4%	15.1%	14.9%	14.2%
	Lead	6.8%	7.4%	6.9%	7.0%
	Silver	45	54	56	52
SALES	Payable Zinc	668	632	765	2,065
	Payable Lead	139	158	190	487
	Payable Silver	361	2,006	3,826	6,193
C1 CASH COST PER PAYABLE ZINC SOLD	Mining, Processing & G&A	\$0.99	\$1.20	\$1.43	\$1.22
	Treatment & Transport	\$0.24	\$0.21	\$0.23	\$0.23
	By Product Credits	\$(0.15)	\$(0.23)	\$(0.28)	\$(0.23)
	C1 Cash Cost	\$1.08	\$1.18	\$1.38	\$1.22

Concentrate Sales

1,728 tonnes of zinc concentrate, and 430 tonnes of lead concentrate were sold in the quarter.

At the end of the quarter, 205 tonnes of zinc concentrate, and 85 tonnes of lead concentrate were stockpiled to be sold in the current quarter.

The realised zinc price for the quarter was \$1.35/lb, however the with zinc concentrate sold in September will be priced at the October 2021 average LME zinc price. This quotational pricing adjustment will be a positive and will be recorded in the fourth quarter realised zinc price.

Health, Safety and Environment

There were no reportable environmental incidents during the quarter. There were some minor safety issues that were reported internally and have led to changes in the operating practises at the mine. Training programmes have been implemented to improve operator practises and to increase safety awareness.

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

No COVID-19 cases were reported at the Plomosas operation during the quarter.

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

EXPLORATION

During the quarter CZL contracted a senior geologist to coordinate with the site team with a focus on investigating the surface mineralisation located at Los Alfonsitos and Mina Mexico, approximately 3.5km north-west of the Plomosas mine. These surface base metal targets have previously been mined with Mina Mexico producing an average grade of 22% zinc. During the quarter grab samples and surface samples have been taken and showed grades supporting the mined zones.

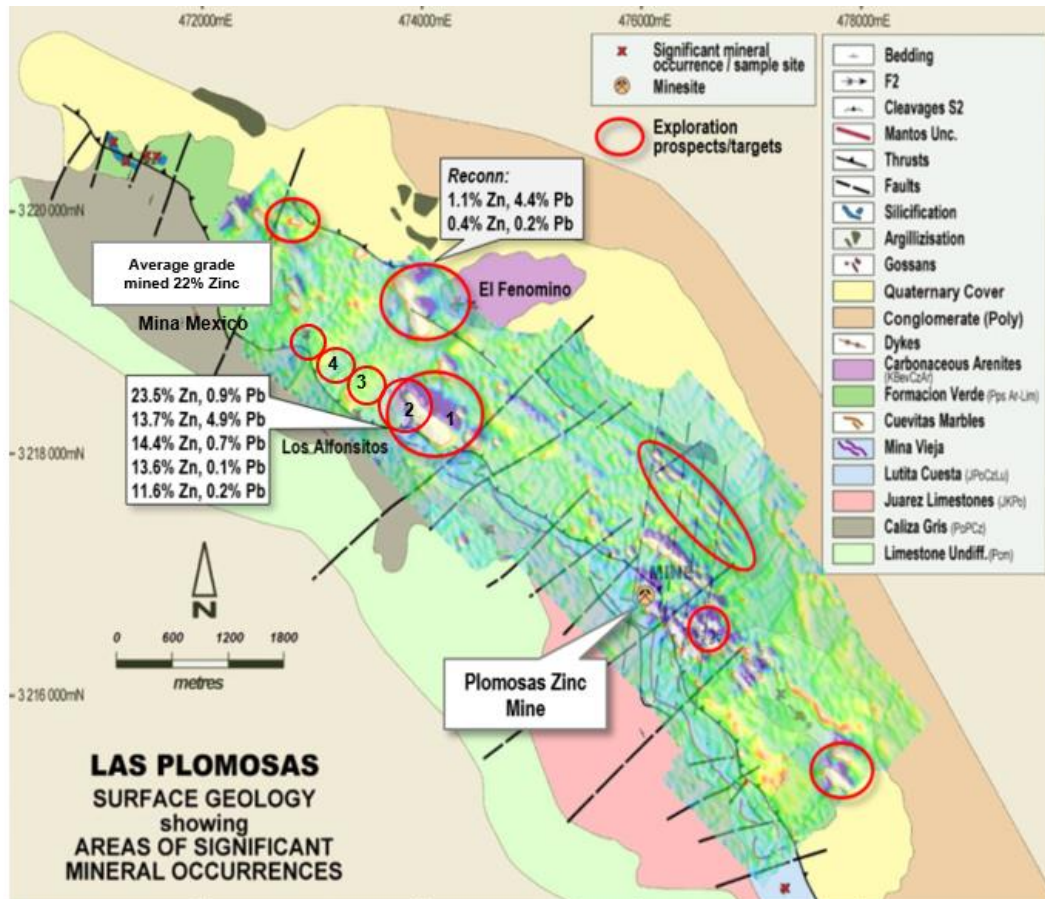


Figure 1: Las Plomosas Surface Geology and Targets – Los Alfonsitos and Mina Mexico shown centre of figure.

Mina Mexico (Chimney Prospect)

The Mina Mexico mineralisation shows a continuity of grade and width at depth and along strike. The continuity is only currently confirmed over 20 metres due to restricted access caused by safety concerns. The current thinking is that the Mina Mexico may be a chimney structure as are the nearby prospects at Los Alfonsitos 1,2,3 & 4. The full potential from surface of the mineralisation has not yet been confirmed but Mina Mexico and Los Alfonsitos are high priority as these surface base metal mineralised zones may provide a basis for high production level in the future.



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 Compañia Retec Guarú S.A. de C.V (A Simulation 43-101 Document of the Plomosas Property: Chihuahua, Mexico.)

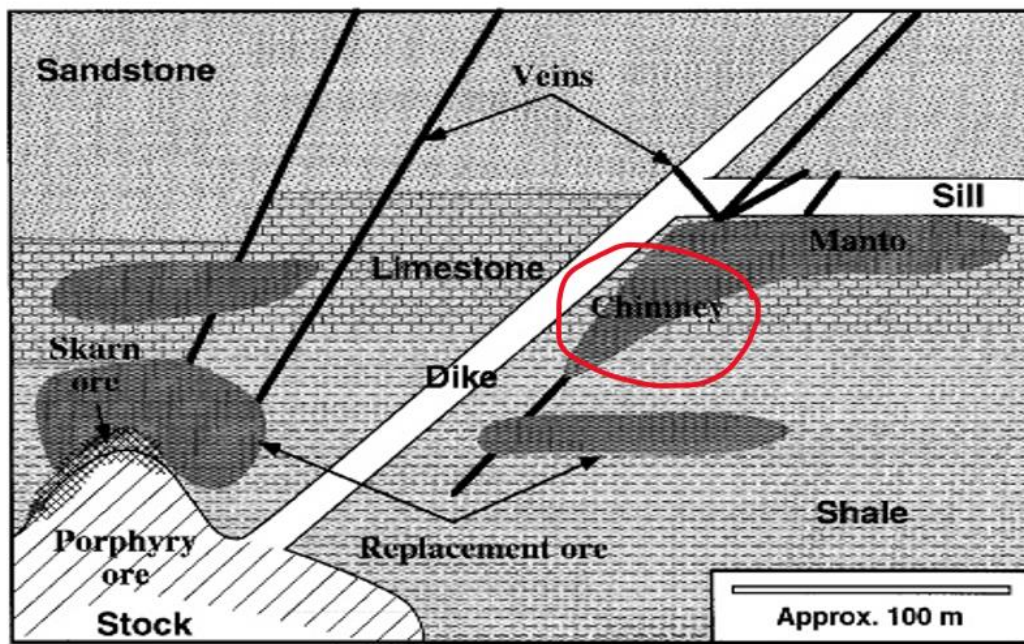


Figure 3: Schematical vertical section through a polymetallic replacement deposit showing the distribution of ore types and host rocks.

Exploration expenditure during the quarter was \$0.010 million.

CORPORATE

Cash

The Company's closing cash at the end of the quarter was US\$0.380 million, an improvement of \$0.128 million from the prior quarter of \$0.252 million.

Trade Receivables and Payables

The Company's trade receivables due from the sale of zinc and lead concentrates was \$0.885 million (prior quarter \$0.778 million) and VAT refundable of \$1.236 million (prior quarter \$1.339 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 \$0.311 million (prior quarter \$0.482 million), based on provisional assays and commodity prices on 30 September 2021.

Trade payables at the end of the quarter were \$2.937 million (prior quarter \$2.941 million). Trade payables includes approximately US\$1.035 million invoiced by a former contractor but disputed by the Company.

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 31 December 2021 from 30 September 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\$83,000 were made to directors for salaries, directors fees and superannuation.

Ganti Legal Case

The Company terminated the mining contract with the service provider ("Ganti") in November 2019. The Group has disputed the cost claims submitted by Ganti, which in the Company's opinion were not in accordance with the mining contract. Rather than follow the contractual dispute resolution scheme, Ganti submitted proceedings in the Federal District Court of Mexico claiming Mexican Peso 23,632,639 (inclusive of 16% VAT).

The Group's Mexican subsidiary Minera Latin American Zinc S.A.P.I de C.V. ("MLAZ") has recorded this claim in full, offset by the cost value of the inventory stolen by Ganti in January 2020 with a net amount of US\$1.035 million recorded as a trade payable to Ganti.

The Federal District Court of Mexico has commenced preliminary hearings, with expert reports submitted and witnesses attending the first court discovery hearings.

Legal opinion received by the Company advised there is a high probability of success in defending against Ganti's claims, at which point the Group will derecognise the liability to Ganti.

In addition, former employees of Ganti are claiming unpaid wages and termination benefits in a legal action against MLAZ and Ganti.

Under the Mexican labour laws, MLAZ would only be liable for the Ganti employee costs if the claimants can prove of an exclusive labour relationship between the companies. It is the understanding of MLAZ that there was no such relationship between Ganti and MLAZ, as Ganti operated at multiple sites as a contractor within Mexico, however, this will be subject to judgements by the Mexican legal system.

The Ganti employees have made an ambit claim against MLAZ and Ganti, which MLAZ is vigorously defending. MLAZ also has indemnity for these costs under the mining contract with Ganti, however, the solvency of Ganti is uncertain.

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

For further information please contact:

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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.

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.