

**Quarterly Activities Report
June 2022**

29 July 2022

PLOMOSAS, MEXICO

- **Production significantly impacted by cumulative impact of several incidents:**
 - 6,559 tonnes ore mined.
 - 6,889 tonnes of ore processed at 12.1% zinc, 6.5% lead and 42.5g/t silver.
 - Payable metal sold, 413 tonnes of zinc and 119 tonnes of lead in concentrate.
- **Inventory stockpiles at quarter end:**
 - 265 tonnes of high-grade run-of-mine ore.
 - 229 tonnes zinc concentrate & 93 tonnes lead concentrate available for sale.
- **Realised zinc price of \$1.55/lb for the quarter, \$1.62/lb YTD.**
- **Cash costs high due to disrupted production:**
 - **C1 cash cost of payable zinc sold \$2.12/lb for quarter, \$2.10/lb YTD.**
 - **C1 cash cost for zinc produced \$1.61/lb for the quarter, \$1.86/lb YTD.**
- **Closing cash of US\$0.669 million, increase from the prior quarter of \$0.063 million.**

WESTOZ LITHIUM ACQUISITION, PILBARA, WESTERN AUSTRALIA

- **Binding share purchase agreement was executed with WestOz Lithium Pty Ltd (WestOz Lithium) in May.**
 - A binding share purchase agreement was signed during the quarter.
 - CZL has completed its due diligence activities including a site visit to all the lithium licences early in July 2022.
 - The CZL board has approved the acquisition 20 July 2022, the acquisition was completed 29 July 2022.

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

Consolidated Zinc Limited (CZL:ASX or “the Company”) presents its June 2022 quarterly activities report.

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

Mining

During the quarter 5,744 tonnes of ore were mined with 6,559 tonnes hauled to the surface at Plomosas.

Despite three of the four de-watering pumps experiencing sustained faults during the quarter, the water level was pumped down from 901m RL to 886m RL, sufficient to allow for 150 tonnes per day (tpd) to be mined. However, mine haulage and face clearing after blasting continued to be the biggest challenge for mining with scoop trams and haulage truck availability the biggest issue.

During the quarter the maintenance staff were increased to address the mechanical availability issues.

Processing

During the quarter, 6,889 tonnes of ore was processed through the Plomosas Plant, at 12.1% Zinc, 6.5% lead and 42.5g/t silver. Recovery of zinc-to-zinc concentrate was 73.4% (Q1 2022: 81.3%) with 35.9% (Q1 2022: 49.7%) recovery of lead-to-lead concentrate.

At the end of the quarter, inventory stockpiles were 265 tonnes of ROM ore available for processing and 229 tonnes of zinc concentrate and 93 tonnes of lead concentrate.

Operating Costs

The quarterly C1 cash operating cost was \$2.12 per payable pound of zinc sold, a 3% increase from the first quarter 2022 (\$2.06/lb).

Due to the low production rate and high proportion of fixed operating costs at Plomosas, the unit operating cost were higher than budgeted. The lower than planned mine production resulted in the plant operating for 63 of the 91 days during the quarter.

Other issues impacting unit operating costs include:

- Energy costs were 63% higher than in the prior quarter, due to increased price of diesel and higher energy requirements for dewatering and ventilation of the mine;
- New benchmark treatment charges for zinc concentrates for 2022 were announced during the quarter. These increased from US\$159/dmt zinc to US\$230/dmt of zinc concentrate; and
- During Q2 2022 an adjustment was recorded for the re-pricing of Q1 2022 sales at the higher treatment charge (~\$0.07/lb).

TABLE 1. QUARTER ENDED 30 JUNE 2022 PRODUCTION STATISTICS

			Q1 2022	Q2 2022	Year to date
MINED	Ore	MT	3,041	6,545	9,586
	Waste	MT	140	353	493
	Development	Metres	86	90	176
ORE PROCESSED	Ore	MT	3,207	6,889	10,096
	Zinc	%	9.8%	12.1%	11.0%
	Lead	%	4.5%	6.5%	5.6%
	Silver	Grams/t	28.3	42.5	35.8
SALES	Payable Zinc	MT	200	413	613
	Payable Lead	MT	42	119	161
	Payable Silver	Oz	194	1,196	1,390
C1 CASH COST PER PAYABLE ZINC SOLD	Mining, Processing & G&A	\$/lb payable Zinc sold	\$2.11	\$2.08	\$2.09
	Treatment & Transport Charges	\$/lb payable Zinc sold	\$0.17	\$0.29	\$0.25
	By Product Credits	\$/lb payable Zinc sold	\$(0.22)	(\$0.25)	\$(0.24)
	C1 Cash Cost	\$/lb payable Zinc sold	\$2.06	\$2.12	\$2.10

Concentrate Sales

536 tonnes of zinc concentrate, and 214 tonnes of lead concentrate were sold in the quarter.

At the end of the quarter, 229 tonnes of zinc concentrate, and 93 tonnes of lead concentrate were stockpiled to be sold in the current quarter.

The realised zinc price for the quarter was \$1.55/lb, inclusive of provisional and final pricing adjustments up to 30 June 2022.

Health, Safety and Environment

During the quarter there were zero lost time injuries and no reportable environmental incidents.

The Covid 19 protocols remain embedded in the operating practises and will remain until it is considered safe and appropriate to remove these practises.

EXPLORATION

During the quarter there was no exploration activity and expenditure.

CORPORATE

Proposed WestOz Lithium Acquisition

During the quarter, the Company executed a binding Share Purchase Agreement (SPA) to acquire WestOz Lithium Pty Ltd (WestOz Lithium) for a proposed purchase price of A\$740,000 consisting of A\$140,000 in cash and A\$600,000 in CZL shares, subject to successful completion of due diligence to the satisfactory to CZL and customary conditions precedent.

The purchase consideration payable in CZL shares was fixed at a deemed issue price of A\$0.025 cents per share or 24.0 million fully paid ordinary shares in CZL are to be issued. After the end of the quarter, the CZL Board approved to complete this transaction following the successful completion of the due diligence and site visit.

For full details of the binding SPA, please refer to the ASX announcement dated 16 May 2022.

Capital Raising

The Company completed a placement to sophisticated and professional investors pursuant to section 708 of the Corporations Act 2001 (Cth) to raise A\$1.550 million (before costs), through the issue of 50.0 million Placement Shares in the Company, with one (1) free attaching listed option (ASX: CZLOB) for every two (2) Placement Shares subscribed for and issued. In addition, major shareholder, the Copulos Group, has subscribed for 12.0 million Shares on the same terms as the Placement, subject to shareholder approval.

Funds raised from the Placement were received in April 2022 and were used for the due diligence costs and cash purchase consideration for WestOz Lithium, general working capital and offer costs.

For full details of the Placement, refer to the ASX announcement dated 30 March 2022.

Cash

The Company's closing cash at the end of the quarter was \$0.669 million, an increase from the prior quarter of \$0.063 million.

Trade Receivables and Payables

The Company's trade receivables due from the sale of zinc and lead concentrates were \$0.302 million (prior quarter \$0.328 million) and VAT refundable of \$0.777 million (prior quarter \$0.799 million).

The VAT refunds continue to be 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 \$0.416 million (prior quarter \$0.185 million), based on provisional assays and commodity prices on 30 June 2022.

Trade payables and accruals at the end of the quarter were \$3.138 million (prior quarter \$3.002 million).

Trade payables includes approximately \$1.135 million invoiced by a former contractor but disputed by the Company.

Unsecured borrowings

The Company fully repaid the A\$100,000 unsecured loan facility from an entity related to Mr Andrew Richards (non-executive Chairman), plus interest accrued over 2 years of A\$38,000.

Payments to Related Parties

During the quarter, payments totalling \$86,000 were made to directors for salaries, directors fees, superannuation and interest on the repayment of a unsecured loan to an entity related to Mr Andrew Richards.

Land Access Agreement

During the quarter, Minera Latin American Zinc SAPI de CV (MLAZ) confirmed that the MLAZ land use agreement is valid and in full force through the final decision handed down by the Mexican courts, with no further avenues of appeal by the plaintiff.

Ganti Legal Case

During the quarter, there was no change in the status of the Ganti legal case with the Mexican courts.

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 6400 6222

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.

Competent Persons' Statement

The information in this report that relates to exploration results, data collection and geological interpretation is based on information compiled by Duncan Greenaway (Hons), Mr Greenaway is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr. Greenaway has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves' (JORC Code). Mr. Greenaway consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on information compiled by Mr Shaun Searle who is a Member of the Australasian Institute of. Mr Searle is a full-time employee of Ashmore Advisory Pty Ltd. Mr Searle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Searle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Appendix 1: Tenement Schedule

The schedule of tenements and concessions held by the Company on 30 June 2022 are detailed in the Table 2 below. There were no changes in the schedule of tenements from the prior quarter.

Table 2 – Tenement schedule						
Lease	Project	Name	Type	Lease Status	Expiry Date	CZL Equity
Mexico						
217641	Plomosas	La Falla	Mining	Granted	05/08/2052	100%
218242	Plomosas	La Verdad	Mining	Granted	16/10/2052	100%
225527	Plomosas	El Olvido	Exploitation	Granted	19/09/2055	100%
224880	Plomosas	Pronto	Exploitation	Granted	20/06/2055	100%
218272	Plomosas	Ripley	Exploitation	Granted	16/10/2052	100%
216882	Plomosas	La México	Exploitation	Granted	04/06/2052	100%
227077	Plomosas	Don Lucas	Exploitation	Granted	03/05/2056	100%
227078	Plomosas	Don Lucas II	Mining	Granted	03/05/2056	100%
227664	Plomosas	Don Lucas III	Mining	Granted	27/07/2056	100%
230175	Plomosas	Don Lucas IV	Mining	Granted	26/07/2057	100%
235942	Plomosas	Don Sabastian	Exploration	Granted	19/04/2060	100%

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 2022

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	1,297	2,169
1.2	Payments for		
	(a) exploration & evaluation	-	(14)
	(b) development	-	-
	(c) production	(1,609)	(2,574)
	(d) staff costs	(112)	(225)
	(e) administration and corporate costs	(61)	(126)
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 (VAT refunds and insurance recoveries)	137	170
1.9	Net cash from / (used in) operating activities	(375)	(627)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(19)	(21)
	(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)	-	-
2.6	Net cash from / (used in) investing activities	(19)	(21)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,157	1,157
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	(85)	(85)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(72)	(72)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,000	1,000

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	63	317
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(375)	(627)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(19)	(22)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,000	1,000

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
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	669	669

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	669	63
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	669	63

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	86
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, director fees and the repayment of interest related to the unsecured loan from an entity related to Andrew Richards.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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	-	-
7.2 Credit standby arrangements	-	-
7.3 Other	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
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>		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(375)
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)	(375)
8.4 Cash and cash equivalents at quarter end (item 4.6)	669
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	669
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.78
<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?	
<p>On re-commencement of mining at all production stopes in Q2 2022 (following the completion of de-watering), equipment availability impacted the continuity of mining operations.</p> <p>The Company's budget forecasts positive cashflow from operations during Q3 2022 and future quarters based on the anticipated mining rate, grade, recoveries and commodity prices.</p>	

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

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?

In April 2022 the Company completed a placement raising A\$1.550 million inclusive of a \$300,000 placement to be made to the Copulos Group, approved at the AGM held on 31 May 2022.

The company has not taken, nor currently proposes to take, any steps to raise further cash to fund operations. However, on completion of the WestOz Lithium acquisition in Western Australia, there will likely be a requirement to raise additional capital, following completion of initial exploration works and plannings to define the future exploration programs.

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: 29 July 2022

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.