CONSOLIDATED ZINC LTD

30 October 2020

Quarterly Activities Report
September 2020

- **Permits granted for tailings storage facility enabling on-site processing at Plomosas:**
  - Economic assessment of refurbishment of on-site processing plant, positive
  - Entitlement issue to raise A$2.038 million (before costs) to fund refurbishment commenced, closed over-subscribed in October.
- **Operations improved significantly, with steady state operations re-established:**
  - 10,053 tonnes ore mined grading 12.2% zinc 7.9%, lead and 48 g/t silver.
  - 10,352 tonnes of ore processed at 12.2% zinc, 7.9% lead and 48g/t silver.
  - Payable metal sold, 811 tonnes of zinc and 245 tonnes of lead in concentrate.
- **Inventory stockpiles at quarter end:**
  - 745 tonnes of high-grade run-of-mine ore available for processing.
  - 70 tonnes zinc concentrate & 87 tonnes lead concentrate available for sale.
- **C1 cash cost of payable zinc sold $1.05/lb for quarter, year to date $0.98/lb.**
- **No material impacts on the operations due to COVID-19 pandemic.**
- **Gold exploration field work preparations progressed.**

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



Figure 1: The Plomosas processing plant before refurbishment

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Consolidated Zinc Limited (CZL:ASX or "the Company") is pleased to present its September 2020 quarterly activities report.

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

ON-SITE PROCESSING - TSF APPROVAL AND PROCESSING PLANT REFURBISHMENT PLANS

After receiving approval to construct a tailings storage facility (TSF) at Plomosas in August 2020, the Company planned and assessed refurbishment of the existing processing plant at Plomosas. The assessment indicated a positive return on investment from refurbishing the Plomosas processing plant and constructing the TSF.

The application for the TSF was submitted in 2018 but, due to the recent history in Latin America with old dams failing, the Mexican government reviewed their approval process and revised the legislative framework, which delayed the approval. CZL are very pleased to have secured the permits for the TSF.

The refurbishment was based on a flowsheet that is designed for the Plomosas ore. The Company expects that the consolidation of operations on-site at Plomosas will have benefits beyond cost reduction and improved production, including safety and other risk mitigation.

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

Mining

During the quarter, 10,053 tonnes of ore were mined at Plomosas, which was higher than the first quarter production of 9,987 tonnes, despite operations being impacted during August by the poor availability of key equipment and spare parts, some of which were due to delayed supply from suppliers and manufacturers who were shut down during the second quarter.

Stope mining proceeded at the Semi-Oxide Ore (SOX) stopes between level 7 and Level 9 and a new stoping area at Las Espadas stopes delivered additional feed. The head grade was lower as mining extended through a lower grade section of defined mineralisation to access the higher-grade zone above.

Mining costs for the quarter averaged $62/t hauled to the surface and were marginally higher than planned as a result of the spare parts availability impacts noted above.

Processing

During the quarter 10,352 tonnes of ore were processed at average milled grades of 12.2% zinc, 7.9% lead and 48 g/t silver.

The quarterly recoveries of zinc to zinc concentrate were 69.1%, with the zinc recovery during the quarter ranging between 67.5% to 72% on a daily basis. Lead to lead concentrate recovery improved significantly during the quarter to 36.2% from Q1 2020 of 28.4%.

Plant operations were stopped for 22 days during the quarter, due to lack of ore to process, giving an overall utilisation of 76%.

At the end of the quarter, inventory stockpiles were 745 tonnes of ROM ore available for processing and 70 tonnes of zinc concentrate and 87 tonnes of lead concentrate.

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Operating Costs

The September 2020 quarter C1 operating costs were $1.05 per payable pound of zinc sold which was in line with the first quarter ($1.05/lb). This is considered to be a good result given the impact of the following factors:

- The head grade of zinc ore processed was 27% lower than the first quarter at 12.2% Zn. This was due to mining through a lower grade zone in the SOX stopes, in preparation for mining higher-grade SOX mineralisation at the end of the quarter; and

- Ore haulage to the surface in August performed poorly with only 2,342 tonnes hauled of the 4,540 tonnes mined, resulting in increased mining costs of $91/t compared to $48/t and $59/t in July and September. Mining costs are quote per tonne hauled to the surface.

TABLE 1. QUARTER ENDED 30 SEPTEMBER 2020 PRODUCTION STATISTICS

			Q3 2020	Q2 2020	Q1 2020	Year to date
MINED	Ore	MT	**10,053**	2,575	9,987	22,615
	Waste	MT	**2,128**	262	1,921	4,311
	Development	Metres	**52**	109	171	332
ORE PROCESSED	Ore	MT	**10,352**	2,201	10,132	22,685
	Zinc	%	**12.2%**	16.6%	16.6%	14.5%
	Lead	%	**7.9%**	9.2%	8.4%	8.3%
	Silver	Grams/t	**48.1**	64.4	46.1	51.1
SALES	Payable Zinc	MT	**811**	234	788	1,833
	Payable Lead	MT	**245**	84	164	493
	Payable Silver	Oz	**213**	30	425	668
C1 CASH COST PER PAYABLE ZINC SOLD	Mining, Processing & G&A	$/lb payable Zinc sold	**$0.87**	$0.78	$0.82	$0.79
	Treatment & Transport	$/lb payable Zinc sold	**$0.43**	$0.37	$0.39	$0.41
	By Product Credits	$/lb payable Zinc sold	**$(0.25)**	$(0.31)	$(0.16)	$(0.22)
	C1 Cash Cost	**$/lb payable Zinc sold**	**$1.05**	**$0.84**	**$1.05**	**$0.98**

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Concentrate Sales

1,926 tonnes of zinc concentrate and 554 tonnes of lead concentrate were sold in the quarter.

At the end of the quarter, 70 tonnes of zinc concentrate, and 87 tonnes of lead concentrate were stockpiled and sold in October 2020.

Health, Safety and Environment

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

Subsequent to the end of the quarter, the incidence of COVID-19 in and around the city of Chihuahua has increased, resulting in the area being designated as a "red zone" by the Mexican government. All nonessential businesses are required to close however mining is considered an essential business.

The Plomosas mine and Aldama plant remain open and operating. Increased COVID-19 testing and protocol changes were implemented during October with minimal impact on operations.

EXPLORATION

During the quarter $0.027 million of exploration expenditure was incurred, with exploration activities focused on planning the next phase of field exploration activities.

Following the easing of COVID-19 travel restrictions, the Company plans to commence gold exploration at Plomosas in Q4 2020.

CORPORATE

Capital Raising

A fully underwritten non-renounceable pro rata entitlement issue to raise A$2,038,291 (before costs) was undertaken to fund the refurbishment and TSF. A prospectus for was lodged with ASIC on 20 September 2020 and closed on 13 October 2020, over-subscribed.

Cash

The Company's closing cash at the end of the quarter was US$0.372 million (prior quarter $0.745 million).

During the quarter, $0.113 million of capital expenditure was paid for the purchase of mining equipment and upgraded power generating capacity and $0.136 million to repay, in the cash, the interest and principal of the August 2020 convertible note that matured.

Trade Receivables and Payables

The Company's trade receivables due from the sale of zinc and lead concentrates was $0.368 million (prior quarter $0.118 million) and VAT refundable of $1.033 million (prior quarter $1.127 million).

VAT refunds from the Mexican government re-commenced during the quarter and are denominated in Mexican Peso. The VAT refunds are recovered through a combination of cash refunds and offsetting against any monthly VAT payable amounts due to the Mexican government.

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The invoice value of zinc and lead concentrate stockpile at the end of the quarter $0.097 million (prior quarter $0.237 million).

There were no material changes in payables or working capital, other than the re-classification of the loans and convertible notes converted into the new convertible notes being re-classified as a non-current liability.

Convertible Notes

New Convertible Notes

Convertible notes on issue as at 30 September 2020 have a principal value of A$1,127,826 and are all held by the Copulos Group.

On 2 July 2020, the Company announced it had entered into an agreement with the Copulos Group to consolidate outstanding debt under its existing notes (30 June 2020 maturity date notes) and unsecured loan facilities ("Existing Loans") into 4 new convertible notes ("New Convertible Notes") with the following key terms:

- Maturity date of 30 June 2022.
- Conversion price $0.003 per share.
- Interest rate of 10.0% per annum; and
- Principal value of A$1,127,826 (in aggregate).

The New Convertible Notes were subject to shareholder approval, which was obtained at the AGM held on 31 July 2020.

Redeemed convertible note

A convertible note with a principal value of A$152,630 plus accrued interest that matured on 27 August 2020 was repaid in cash during the quarter.

Unsecured borrowings

Unsecured borrowings

The Company has A$0.100 million unsecured loan facilities 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.

The unsecured A$0.700 million facility at the end of the prior quarter, provided from entitles related to Mr Stephen Copulos (former non-executive Chairman) were refinanced into the new convertible notes following shareholder approval at the AGM held on 31 July 2020 (referred to above as Existing Loans).

Payments to Related Parties

During the quarter, payments totalling US$75,000 were made to directors for salaries, fees and superannuation.

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 at Plomosas and is committed to exploit the potential of 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.