

## Updated Off-take Contract executed with Penoles

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### Highlights:

- Executed agreement with Penoles to reduce the transport cost of Plomosas concentrate
- Materially reducing treatment charges and significantly increasing net smelter returns
- Penoles option to extend contract to buy 100% of Plomosas Zinc to 31 December 2023
- Benchmarked Zinc treatment charges expected to decrease in 2021

Consolidated Zinc Limited (ASX: CZL; “Consolidated Zinc” or “the Company”) is pleased to announce its 100% owned subsidiary, Minera Latin American Zinc SAPI de CV (“MLAZ”) has executed an agreement with Industrias Penoles S.A. de C.V. (“Penoles”) to reduce the transport costs/allowances of Plomosas concentrate delivered and sold to Penoles under an extended offtake agreement for the sale of 100% of the Plomosas zinc concentrate.

As part of the agreement, MLAZ has granted Penoles an additional 1-year option to extend the zinc concentrate purchases to the end of December 2023.

### Zinc Treatment Charges

The Zinc concentrate sold to Penoles is utilised at Penoles’ Met-Mex smelter located in Torreon, Mexico, with the zinc treatment charges linked to the annual zinc treatment charge benchmark, which is agreed annually during the first quarter of each year between the major zinc miners and smelters.

The 2020 zinc treatment charge benchmark was set at US\$299.75/dmt of zinc concentrate in March 2020.

From April 2020 onwards, the zinc spot zinc treatment charges for China compliant concentrate (with low silver/gold contents) have traded consistently below the 2020 zinc treatment charge benchmark and has recently reached a low of US\$82.50/dmt of zinc concentrate.<sup>1</sup>

Market forecasts predict the 2021 zinc treatment charge benchmark is likely to be significantly lower than 2020, due to a strong rebound in demand and limited new concentrate supply.

A reduction in the zinc benchmark treatment charges will benefit MLAZ as the zinc treatment/transport costs are a major cost for the Company, with treatment/transport costs reported at US\$0.41/lb of payable zinc in for the 9 months ended 30 September 2020.

If the zinc treatment benchmark is reduced to US\$199.75 (more than double the current spot price) the \$100/dmt decrease would result in a approximately US\$0.10/lb of payable zinc C1 treatment charges cost reduction. This is expected to result in an uplift in returns for the Company.

### About Penoles

Penoles is a major Latin-American mining company, listed on the Mexican Stock Exchange, and are one of the world’s leading refiners of zinc and the largest global refiner of silver.

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<sup>1</sup> Source: [www.openmineral.com](http://www.openmineral.com) spot market zinc treatment charges

19 January 2021

Zinc and lead concentrates produced from Plomosas Mine are high-grade, with very low levels of impurities and are within all deleterious impurity limits.

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, Mexico. 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.*