

10 February 2023

## BINDING CONDITIONAL AGREEMENT TO SELL PLOMOSAS PROJECT FOR US\$6 MILLION

### Key Information:

- Binding share sale agreement signed for the sale of the Plomosas Project to Impact Silver Corp. (**Impact Silver**), a TSX-V and FSE listed company domiciled in British Columbia, Canada and owner of various Mexican mining projects similar to the Plomosas Project.
- Initial consideration valued at US\$6,000,000, consisting of US\$3,000,000 cash and US\$3,000,000 in Impact Silver shares.
- Other consideration in the form of a 12% net profit interest royalty.
- Proposed Transaction allows the Company's shareholders to retain upside exposure to the Plomosas Project through shares to be held in Impact Silver and 12% net profit interest royalty.
- Proposed Transaction is subject to the Company obtaining shareholder approval under Listing Rule 11.2.
- Proposed Transaction will allow the Company to focus on exploration for lithium and rare earth metals and development activities at its Pilbara and Gascoyne Projects.

Consolidated Zinc Limited (**Company**) (ASX:CZL) is pleased to announce that it has entered into a binding conditional share sale agreement (**Sale Agreement**) with Impact Silver Corp. (**Impact Silver**), a TSX Venture Exchange (**TSX-V**) and FSE listed company domiciled in British Columbia, Canada pursuant to which the Company will sell its 100% legal and beneficial interest in Minera Latin American Zinc S.A.P.I de C.V. (**MLAZ**), a subsidiary of the Company that owns the Plomosas Project, to Impact Silver (**Proposed Transaction**).

Impact Silver is a mining and exploration company which controls the majority of 2 large mineral districts totalling 211 km<sup>2</sup> in central Mexico, being the Royal Mines of Zacualpan Silver District and the Capire Mineral District adjacent to and southwest of the Zacualpan district. Impact Silver has been in continuous production at the Royal Mines of Zacualpan Silver District for over 17 years and is considered one of the purest silver producers.

The key terms and conditions of the Proposed Transaction are set out further in this announcement. The consideration payable under the Sale Agreement for the Proposed Transaction consists of:

- a minimum cash payment of US\$3,000,000;
- Up to US\$3,000,000 in common shares in Impact Silver (**Share Amount**), based on the lower of the price per common share for the Impact Capital Raising (as defined herein) and the volume weighted average price for the 20 trading days immediately prior to the date of execution of the Sale Agreement; and
- the payment of a 12% net profit interest royalty.
- It is anticipated that the Company will hold approximately 6% of the issued capital in Impact Silver on completion of the Proposed Transaction.

The cash consideration of US\$3,000,000 means that the Company is anticipated to be fully funded to accelerate its exploration activities at the Pilbara and Gascoyne Projects in Western Australia, whilst retaining a surplus cash balance to actively seek complimentary investments and acquisitions.

Brad Marwood, Executive Chairman of the Company advised:

*"The Proposed Transaction presents a good outcome for shareholders as we will realise sufficient cash from the sale of the Plomosas Project to fund the planned exploration in Western Australia, as well as retaining exposure to the potential upside of the Plomosas Project through the shareholding in Impact Silver and the 12% net profit interest."*

*"Impact Silver hold various mining projects in Mexico and will bring their experience in running similar operations to the Plomosas Project. Retaining exposure in the Plomosas Project and gaining exposure to the other projects held by Impact Silver should be both exciting and rewarding for our shareholders."*

*"With an enlarged cash balance following completion of the Proposed Transaction, the Company will be able to focus its resources on its Pilbara and Gascoyne Projects, with an aim for exploring for lithium and rare earth metals in the region."*

### **Terms of the Proposed Transaction**

The material terms of the Sale Agreement are set out below.

#### **Purchase Price**

The Company will receive the following consideration for the Plomosas Project:

- US\$3,000,000 in cash (**Cash Amount**) at completion of the Sale Agreement;
- Up to US\$3,000,000 in common shares in Impact Silver (**Share Amount**), based on the lower of the price per common share for the Impact Capital Raising or the volume weighted average price for the 20 trading days immediately prior to the date of execution of the Sale Agreement; and
- 12% of net profits from the Plomosas Project in cash (**NPI**) from completion of the Sale Agreement, the terms of which will be set out in a fulsome net profits interest deed (**NPI Deed**).

The Cash Amount payable by Impact Silver may be adjusted if the working capital amount on completion of the Proposed Transaction changes by more than US\$50,000 to the agreed target working capital amount as agreed in the Sale Agreement.

Escrow will be applied to 75% of the Share Amount which will be released from escrow in 3 equal tranches of 25% every 6 months over the next 18 months (or as otherwise required by TSX-V). 25% of the shares in Impact Silver will be immediately held by the Company (subject to a statutory 4 months and 1 day hold period).

Broadly, the NPI will be calculated by the revenue generated from the Plomosas Project, less direct operating costs (including mining, processing and administrative), capital expenditure and exploration incurred on the Plomosas Project.

Jett Capital Advisors, LLC are acting as exclusive financial advisor to the Company in the Proposed Transaction and are entitled to a success fee on completion of the Proposed Transaction of 6% of the Cash Amount, the Share Amount and of future NPI received by the Company.

## Conditions

Completion of the Sale Agreement is subject to various conditions (**Conditions**) being satisfied or waived (as applicable) by 31 March 2023 (unless specified below or otherwise agreed), including the following:

- each party obtaining any required shareholder and regulatory approvals, including shareholder approval by the Company under Listing Rule 11.2 and Impact Silver's receipt of TSX-V approval of the issuance of the Share Amount;
- the parties entering into the NPI Deed; and
- Impact Silver has cash on hand to close the Sale Agreement, however, may conduct a financing in the near term for working capital (**Impact Capital Raising**).

## Completion

Completion will occur within 7 days of the Conditions being satisfied or waived (if applicable).

## Target entity

At Completion, Impact Silver will acquire 100% of MLAZ, the Company's subsidiary that owns the Plomosas Project.

## Ganti dispute

The Company will be entitled to a portion of the proceeds of the outcome of the Ganti dispute from Impact Silver, with such portion to be calculated based on the outcome of the Ganti dispute. Impact Silver may offset such amount against any costs it reasonably incurs in resolving the dispute for up to 5 years from Completion from any payments due to the Company under the NPI.

## Break fee

A US\$100,000 break fee is payable by a breaching party to the other party in the circumstances.

The other terms of the Sale Agreement, including in relation to pre-Completion activities, warranties, indemnities, confidentiality and termination are considered customary for an agreement of this nature.

## Use of funds

After paying costs of the Proposed Transaction (including corporate costs to the Company's corporate and financial advisors), the Company intends to contribute the US\$3,000,000 cash proceeds from the Proposed Transaction towards exploration activities at its Pilbara and Gascoyne Projects.

## Timetable

The Company plans to hold a general meeting to obtain shareholder approval under Listing Rule 11.2 on or about 17 March 2023. Furthermore, it is anticipated that the Impact Capital Raising will complete or be waived within 30 days of execution of the Sale Agreement. If the Conditions are all satisfied, the Company expects that completion of the Proposed Transaction is anticipated on or before 7 April 2023.

## **Impact Silver**

As previously stated, Impact Silver is a mining and exploration company which is publicly listed on the TSX-V and the FSE and is domiciled in British Columbia, Canada. Impact Silver's primary production metal is silver and with over 90% of its revenues currently generated by silver, it is highly leveraged to the silver price. Since 2006, Impact Silver has carried out programs of exploration, development and mine production on its projects, bringing nine sites from exploration drilling to development and mining. Impact Silver has produced over 11 million ounces of silver since 2006 and generated approximately \$237 million in revenues. As a result, a significant portion of over \$75 million in capital expenditures and exploration on its projects has been funded by operations, with no long-term debt obligations.

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

For further information please contact:

**Brad Marwood**  
**Executive Chairman**  
**08 9322 3406**

## **ABOUT CONSOLIDATED ZINC**

Consolidated Zinc Limited (ASX: CZL) owns 100% interests in the Pilbara Lithium and Wandagee Projects, which comprise approximately 1,400km<sup>2</sup> in 5 granted exploration licences (plus 1 EL Application), located in the Pilbara and Gascoyne regions of Western Australia. The Pilbara Projects are highly prospective for lithium and situated near two of the world's largest hard rock lithium deposits/mines (ASX: PLS – Pilgangoora & ASX: MIN – Wodgina) and other deposits and occurrences near Marble Bar (ASX: GL1's Archer Project).

The Company also 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 recommenced mining at Plomosas and intends to exploit its potential by mining the high grade zinc, lead and silver Mineral Resource and through the identification, exploration and exploitation of new zones of mineralisation.

### ***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), the Company 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.*