

Solid Progress on Many Fronts

In a short period of time, Zenith Minerals (ZNC) has produced highly encouraging exploration progress at its cornerstone Split Rocks lithium project. ZNC's lithium drill program is free carried by JV partner EV Metals (EVM). A spin-out of base metal and gold assets in the near term will intensify ZNC's strategic focus on battery metals, and over time we expect additional lithium assets (via sensible and opportunistic M&A) to add breadth to the portfolio. Our valuation of A\$0.63/share compares favourably to the current share price of A\$0.31/share.

Flagship Split Rocks Lithium: Huge Potential

ZNC is progressing a significant drilling program at Split Rocks, the highly prospective large-scale lithium project in WA. Split Rocks has multiple defined targets along strike from the Mt Holland lithium project (which is in construction). To date ZNC has completed 67 RC holes and 8 diamond holes. Results received to date from 34 of the RC holes and 1 of the diamond holes have shown mineralisation of up to 1.2% Li₂O and 49m in thickness. Prospective pegmatites over 1400m x 1400m have now been defined and a further 82 RC holes and 74 diamond holes are to be drilled. The results at Split Rocks are highly encouraging for ZNC and indicative of the company's core capability in generating quality early-stage mining projects.

Waratah Well: More Lithium on the Horizon

The focus of Waratah Well is lithium-rich pegmatites. A follow-up RC drill program has commenced to provide deeper test below thick, shallow dipping, lithium-bearing pegmatites identified in the midyear drill program. ZNC has also identified worthy nickel-copperplatinum group elements (Ni-Cu-PGE) exploration targets. A drill test of the nickel-copper-platinum group element (Ni-Cu-PGE) target will immediately follow the lithium drill program. Ni-Cu at Waratah Well falls under the EVM JV; however, PGE discoveries are retained 100% by ZNC.

Mackerel Metals Demerger: Listing 16 December

ZNC's 100%-owned subsidiary, Mackerel Metals Limited, holds ZNC's gold and base metal assets. ZNC plans to demerge this subsidiary into a separate ASX-listed company, and Mackerel Metals has lodged its prospectus with ASIC for its planned listing on 16 December 2022. The demerger will see ZNC emerge as a battery materials-focused vehicle, heavily supported by its JV partner EVM.

Valuation: A\$0.63/Share (No Change)

Our valuation for ZNC is A\$0.63/share on a fully diluted basis. The company is transforming into a lithium-focused business with a strong partner in EVM. ZNC's strengths in exploration and development are critical in bringing new supplies of battery metals



Zenith Minerals Ltd (ASX: ZNC) is an exploration company primarily focused on discovery and advancement of battery metals resource projects, primarily lithium deposits. The company also has a portfolio of gold and base metals deposits which are in the process of being demerged into a separate entity, Mackerel Metals, set for listing on the ASX in December 2022.

Stock	ASX: ZNC
Price	A\$0.30
Market cap	A\$104m
Valuation (per share)	A\$0.63 (unchanged)

Next steps

Complete MKM demerger (spin off of gold and base metals) (December 2022)

Complete Split Rocks Lithium Project drilling (Q42022)

Deeper drill testing pegmatites at Waratah Well (Q42022)

<u>Click Here for Interview with Exec Chair</u> <u>David Ledger and MD Mick Clifford</u>

ZNC share price (A\$) – 1 year



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to market. We believe ZNC is differentiated in this regard, driven by a strong leadership and an innovative JV agreement. We anticipate ZNC will position itself as a leader in battery metals projects and will benefit from robust demand. The company has strong prospects for significant value creation over time. Key risks include exploration risks, access to funding, and execution of the planned Mackerel spin out.

Exhibit 1 – Zenith Minerals company summary, year-end 30 June

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MARKET DATAShare PriceA\$/sh52 week high/lowA\$/sh52 week high/lowA\$/sh0.45 - 0.21ValuationA\$/sh0.63Market Cap (A\$m)A\$mNet Cash / (Debt) (A\$m)A\$m7Enterprise Value (A\$m)A\$m97Shares on Issuem0ptions/Performance sharesm12Other Equitym
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Options/Performance sharesm12Other Equitym0
Other Equity m C
Potential Diluted Shares on Issue m 358
INVESTMENT FUNDAMENTALS Jun-20 Jun-21 Jun-22 Jun-23e Jun-24e
Reported NPAT A\$m (0) 2 1 1
Underlying NPAT A\$m (0) 1 1 1
EPS Reported (undiluted) ¢ps (0.2¢) 0.7¢ 0.3¢ 0.2¢ 0.2¢
EPS Underlying (undiluted) ¢ps (0.2¢) 0.3¢ 0.3¢ 0.2¢ 0.2¢
Underlying EPS Growth % 0.0% 0.0% 14.7% -45.1% -6.4%
P/E Reported (undiluted) x n/m n/m n/m 187.3
P/E Underlying (undiluted) x n/m n/m n/m 187.3
Operating Cash Flow / Share A\$ (0.00) (0.00) 0.00 0.00
Price / Operating Cash Flow x (136.8) (88.0) (78.6) 61.9 62.3
Free Cash Flow / Share A\$ (0.00) (0.01) (0.02) 0.00 0.00
Price / Free Cash Flow x (141.8) (22.7) (17.1) 174.8 186.6
Free Cash Flow Yield % -0.7% -4.4% -5.8% 0.6% 0.5%
Book Value / Share A\$ 0.02 0.04 0.08 0.08 0.09
Price / Book x 12.60 6.80 3.96 3.72 3.52
NTA / Share A\$ 0.02 0.04 0.08 0.09
Price / NTA x 12.60 6.80 3.96 3.72 3.52
Year End Shares m 243 294 346 346 346
Market Cap (spot) A\$m 73 88 104 104 104
Net Cash / (Debt) A\$m 1 2 8 9
Enterprise Value A§m 72 86 96 95
EV / EBITDA x (376.1)x 119.1x 67.8x 114.2x 122.0x
Net Debt / Enterprise Value (0.0) (0.1) (0.1)



Profit & Loss (A\$m)	Jun-20	Jun-21	Jun-22	Jun-23e	Jun-24e
Sales	1	3	4	3	3
Expenses	(1)	(3)	(2)	(2)	(2)
EBITDA	(0)	1	1	1	1
D&A	(0)	(0)	(0)	(0)	(0)
EBIT	(0)	1	1	1	1
Net Interest	0	0	0	0	0
Profit Before Tax	(0)	1	1	1	1
Тах	(0)	-	(0)	(0)	(0)
Underlying NPAT	(0)	1	1	1	1
Exceptionals	(0)	1	-	-	-
Reported Profit	(0)	2	1	1	1

Balance Sheet (A\$m)	Jun-20	Jun-21	Jun-22	Jun-23e	Jun-24e
Cash	1	2	8	8	9
Receivables	0	0	0	0	0
Inventory	-	-	0	0	0
PP&E	0	0	0	1	2
Other	5	11	19	19	19
Assets	6	13	27	28	30
Creditors	0	0	0	0	0
Debt	-	-	-	-	-
Leases	0	-	-	-	-
Provisions	0	0	0	0	0
Other	-	-	0	0	0
Liabilities	0	0	0	1	1
Net Assets	6	13	26	28	29

Cashflow (A\$m)	Jun-20	Jun-21	Jun-22	Jun-23e	Jun-24e
Cash From Operations	(1)	(1)	(1)	2	2
Interest	(0)	0	0	0	0
Тах	0	0	(0)	(0)	(0)
Net Cash From Operations	(1)	(1)	(1)	2	2
Сарех	(0)	(0)	(0)	(0)	(0)
Exploration	-	(3)	(5)	(1)	(1)
Investments	0	1	(0)	-	-
Free Cash Flow	(1)	(4)	(6)	1	1
Equity	2	5	12	-	-
Borrowings	(0)	(0)	-	-	-
Dividend	-	-	-	-	-
Net Increase / (Decrease) in Cash	1	1	6	1	1

Source: ZNC, MST Access.



Overall Strategic Focus: Advancing Key Objectives

ZNC's Current Strategic Objectives: A Rundown

Over recent months ZNC has concentrated on the following strategic objectives:

- completing a systematic program of exploration at the 100%-owned Split Rocks project (part of the EV Metals JV)
- explore for blind lithium spodumene mineralisation situated below the tantalum-bearing dykes at Waratah Well, and investigating the new Ni-Cu-PGE drill targets identified
- completing an initial 10–12 drill hole program at Mt Ida North
- completing the demerger of ZNC's gold and base metal assets into a new company, Mackerel Metals (MKM), to be listed on the ASX.





Source: Company reports, MST Access.

Recap: JV Agreement with EV Metals – Gives ZNC a Strategic Edge

ZNC's core lithium assets, Split Rocks and Waratah Well, both form part of a JV agreement with EV Metals Group (EVM). This agreement allows EVM to earn a 60% interest in each asset by **sole funding** completion of a Feasibility Study within 24 months.

The agreement provides an important strategic edge for ZNC, because it:

- facilitates advancement of prospective tenements with no capital drag
- allows ZNC to focus on executing its strategic edge in new project generation.

We believe this unique industry partnership secured with EVM is underappreciated and provides important tailwinds for potential value creation.

See Appendix 1 for a more details of the EVM partnership



Split Rocks Lithium Project: Charging Ahead – A Great Start, with Much More to Come

The Split Rocks project is ZNC's most advanced and prospective lithium ground, covering an expansive 660km² and proximal to the Mt Holland project (SQM & Wesfarmers - in construction) about halfway between Kalgoorlie and Perth. The project represented the key attraction for JV partner EVM in establishing the landmark agreement with ZNC to unlock the significant potential of the asset via investment in exploration.

Overall, momentum on the ground at Split Rocks is very favourable, with early results from the current program of drilling confirming the presence of lithium mineralisation and providing confidence in the geological understanding of the tenements. We believe that early success at Split Rocks is key. The asset is the primary focus for JV partner EVM, and strong traction will cement the relationship which provides significant strategic advantagess for ZNC to focus on what it does best: generate a pipeline of highly prospective new projects worthy of investment and advancement. It remains early days; however, we are highly encouraged by ZNC's progress thus far.

Drilling Results at Split Rocks: An Encouraging Start

Split Rocks has undergone a systematic drilling campaign. To date, 8 diamond holes have been completed, with results received for one; and 67 RC holes have been drilled, with results received for 34.







First diamond hole result - nice grade and thickness

Assays looking good: Assays have been received for one diamond drill hole (with 8 completed). These holes are 200m east and 200m south of previously mineralised holes. The results are very encouraging for ZNC.

- 26m @1.2% Li₂O including 13m @1.9%
- 23m @ 0.8% including 8m @1.3%

Diamond drilling shows more pegmatite, indicating lithium: Diamond drilling also confirms that pegmatite (indicates lithium mineralisation) continues or repeats at depth below many RC drill holes.



RC holes – 67 drilled, 34 results received; lithium all over the place

In addition to the diamond drill results, the extensive RC program has had substantial lithium finds including:

- $20m @ 1.0\% Li_2O$, incl. $10m @ 1.7\% Li_2O$ within a broader interval of $108m @ 0.4\% Li_2O$
- 24m @ 0.7% Li₂O, incl. 3m @ 2.7% Li₂O & 1m @ 1.5% Li₂O within a broader interval of 104m @ 0.3 % Li₂O to end of hole
- 25m @ 0.7% Li₂O, incl. 5m @ 1.1% Li₂O & 3m @ 1.1% Li₂O & 2m @ 1.2% Li₂O within a broader interval of 116m @ 0.3 % Li₂O
- 12m @ 0.6% Li₂O, incl. 4m @ 1.2% Li₂O within a broader interval of 88m @ 0.3 % Li₂O to end of hole
- $7m @ 1.3\% Li_2O$ within a broader interval of 56m $@ 0.3\% Li_2O$ to end of hole
- 10m @ 1.0% Li₂O within a broader interval of 62m @ 0.3% Li₂O

Exhibit 4 – Split Rocks significant drill results



Source: Company reports, MST Access.

Geology at Split Rocks

Lithium pegmatite mineralisation identified to date is a mixture of eucryptite with lesser spodumene, petalite and lepidolite. Spodumene is the dominant form of hard rock lithium in WA and processing of the ore is well established and understood in the Australian lithium industry.

Eucryptite is less common and less understood; however, the amenability of eucryptite mineralisation to conventional treatment processes has been shown by positive sighter flotation testwork and bench scale calcination-leach tests, hence confirming the potential of eucryptite as a viable lithium target.



The Next Steps at This Exciting Prospect

Results pending

Of the 67 RC drill holes drilled, 34 results have come through, leaving 31 assays still to be received. Assay testing results are arriving slowly due to high demand and limited skilled staff available in test labs.

Only 1 of the 8 diamond drill results has been received.

Drilling still to come

Ongoing exploration continues with an extensive program still to be completed:

- an additional 74 diamond drill holes
- an additional 82 RC holes to be drilled to test southern extensions of the project.

Exhibit 5 – Split Rocks drilling program



Source: Company reports, MST Access.



Waratah Well Lithium: Lithium Prospectivity – Ni-Cu-PGE Kicker

Drilling Progress

An initial program of drilling (47 RC holes) at Waratah Well in the June quarter intersected thick sections of lithiumbearing pegmatite dykes over a 4km zone, although the mineralisation was not the targeted spodumene.

Expanded Potential Identified with Ni-Cu-PGE Targets

The geology at Waratah Well has been defined as blind lithium spodumene underlying tantalum-bearing dykes –similar to other well-known lithium mines such as Bald Hills and Kathleen Valley. However, subsequent to the initial drilling program, ZNC provided an expanded view of the potential of Waratah Well with the definition of nickel–copper–platinum group elements (Ni-Cu-PGE) targets in previously completed soil sampling work confirmed by initial EM geophysics follow-up work.

Drilling Plan Using New Information

With the benefit of additional geological information provided by the drilling program, ZNC has decided to advance below the depth of weathering and possible lithium depletion of the previous shallow drilling campaign, as well as to assess potential for lithium spodumene at deeper depths. Approximately 12 holes to depths of 150m have commenced.

The Ni-Cu-PGE targets identified have now been included for drill testing after the lithium pegmatites have been drilled.



Exhibit 6 – Waratah Well map: showing location of lithium drill target vs Ni-Cu-PGE target

Source: Company reports, MST Access.



Mt Ida North: Maiden RC Drill Testing

Maiden Drilling Program 12 Holes

ZNC has commenced a maiden RC drilling program at Mt Ida North. Mt Ida North's geology is believed to be similar to Waratah Well (as well as to that of Bald Hills and Kathleen Valley).

The drill program of 12 holes (RC) is designed to provide important initial information to shape the direction of ongoing exploration work at Mt Ida North. The program has been completed in October and is awaiting assays.

A Separate EVM JV – the Australian Lithium Alliance

Unlike ZNC's two other key lithium projects, Mt Ida North falls under a separate JV agreement with would rephrase this as 'a separate JV agreement with EVM's vehicle, dubbed the Australian Lithium Alliance (ALA), launched by EVM in January 2022.

The ALA is a strategic initiative to partner with Australian lithium companies to accelerate the exploration, development, mining, processing and production of lithium minerals in Australia. The ALA also offers life-of-mine offtake agreements for spodumene concentrate containing 6% lithium oxide (SC6) as an alternative to Chinese chemical processing companies that dominate the purchase of SC6 from Australia. The lithium JV with ZNC is the first agreement entered into by ALA which will promote the development of ZNC as major producer of SC6 in Australia.

In contrast to the JVs relating to Split Rocks and Waratah Well, funding agreed under the ALA is to be met on a 40%/60% basis between ZNC and EVM.



Exhibit 7 – Mt Ida North map: showing location of lithium drill target

Source: Company reports, MST Access.



Mackerel Metals Demerger: Nearly There! – December Listing Targeted

The Mackerel Gold and Base Metals Assets – A Broad Portfolio

ZNC's existing gold and base metals project portfolio is the focus of a proposed demerger (primarily via an in-specie distribution) targeted for listing by 16 December 2022 (Mackerel Metals: ASX: MKM). Mackerel contains a broad portfolio of prospective gold and base metals assets, including:

- Base Metals
 - Earaheedy (WA, 25% interest)
 - Develin Creek (QLD, 100% interest).
- Gold
 - Red Mountain (QLD, 100% interest)
 - o The recently acquired Privateer and Auburn projects are located in close proximity to the Red Mountain
 - Cowarra (NSW, initial 22.5% interest)
 - Split Rocks Gold (WA, 100% interest)

Spinoff to Facilitate Lithium Focus

After signing the EVM JV agreement, ZNC decided to spin out its gold and base metals portfolio to a dedicated management team, led by experienced mining executive Kevin Seymour, in order to pursue a lithium-focused strategy within ZNC.

As part of this process, a \$10m raise has been flagged (a minimum of \$6m in an IPO, via the issue of 20m new shares at an issue price of \$0.30 per share, with the right to accept oversubscriptions of up to \$4m). Commitments are in place for the majority of funds from ZNC (the company), EVM and existing ZNC shareholders. The funds will be used to fund further exploration and development of the gold and base metal assets.

We expect the demerger and raise will be well supported and form a capable, well-funded gold- and base metalsfocused exploration company with a clear pathway to advance and develop the current portfolio (in particular Split Rocks Gold and Develin Creek Cu/Zn) and secure other project opportunities as they arise.

Nuts and Bolts of the Demerger

ZNC will be issued approximately 166.67m Mackerel shares pursuant to the demerger transaction agreements. ZNC has agreed to distribute all these shares to its eligible shareholders by way of an in-specie distribution, following receipt of shareholder approval for the proposed capital return and in-specie distribution. The distribution will be on the basis of approximately 0.48 Mackerel shares for every ZNC share held as at the relevant record date.

The anticipated ASX listing date is currently 16 December 2022.

More Detail on Mackerel Metals Assets - Appendix 2

Please refer to Appendix 2 for a more detailed description of Mackerel Metals assets.



Valuation: Quality Portfolio With Considerable Exploration Upside

Valuation of A\$0.63/Share Based on Sum-of-the-Parts

Our base-case valuation for ZNC is A\$0.63/share. Exhibit 8 summarises each of the components of our sum-of-the-parts-based valuation.

Exhibit 8 – Valuation summary for ZNC

NPV OF PROJECTS	A\$M	EQUITY VALUE A\$/SHARE FULLY DILUTED	Valuation Methodology	
Earaheedy Zinc/Lead Project	58	0.16	Risked Project NPV	
Other Gold & Base Metals	30	0.08	MST Estimate	
Investments in Listed Companies	9	0.03	Listed Value	
Lithium Projects	140	0.39	Comparable Companies	
ENTERPRISE NPV	237	0.66		
Add: Cash	7	0.02	Actual at 30 September 2022	
EQUITY VALUE PRE SG&A	244	0.68		
SG&A	(20)	(0.06)	NPV of Corporate Costs	
EQUITY VALUE	224	0.63		

Source: MST Access.

Valuation Methodology: Per-Share Valuation of A\$0.63

Finding an alternative to DCF for early-stage projects

Discounted cash flow (DCF) analysis is generally accepted as the most suitable valuation methodology for mining projects in operation or with a reasonably predictable operating framework, such as that defined in a feasibility study. Another valuation method for projects that have a defined resource is to look at the EV/Resource being paid and compare to a market multiple to ascertain if the underlying resource of the company is being valued in line with market multiples.

However, earlier-stage mining projects, such as those which make up most of ZNC's current suite of assets, require alternative valuation methodologies to be used, given the inputs required to formulate a reasonable DCF are yet to be defined and we do not have a resource on which to base a market multiple. These alternative methods, commonly deployed by experienced industry practitioners, include:

- **comparable companies:** infers a valuation for a company based on the observed market valuation (market capitalisation) of comparable listed companies. Note that this is the method that we use for ZNC's lithium projects as we compare underlying value of exploration tenements
- **comparable transactions:** the value of similar properties which have been exchanged, commonly referencing value per unit of contained metal or ground area
- joint venture terms: the value implied by terms agreed under a JV to acquire an interest in an asset
- **appraised value (or past exploration expenditure):** the total of prior expenditure incurred on an exploration tenement
- **prospectivity enhancement multiplier:** an applied multiple of past exploration expenditure incurred depending on an assessment of whether the expenditure has added value and the stage of development to which the project has advanced
- **geoscience (Kilburn) method:** a technical assessment of exploration property value based on factors such as the location relative to other known mineralisation, drilling intercepts available, exploration targets defined and geological patterns.

Exhibit 9 shows a useful framework for selecting an appropriate valuation methodology for early-stage mineral exploration tenements





Exhibit 9 - Valuation methods by stage of development

Source: https://www.csaglobal.com/valuation-for-mineral-projects-part-1/.

Projects Included in our ZNC Sum-of-the-Parts Valuation

The following projects form the basis of our valuation of ZNC, discussed in more detail below:

Early-stage lithium projects, including:

- Split Rocks
- Waratah Well
- Mount Ida North

Earaheedy zinc/lead project: the most advanced project in the portfolio, with a currently defined exploration target

Early-stage gold and base metals exploration projects, including:

- Develin Creek (copper/zinc)
- Split Rocks (gold)
- Red Mountain (gold)
- Cowarra Option (gold)
- Privateer (gold)
- Auburn (gold).

Investments

- 43.9m shares @ £0.077 in Bradda Head Holdings Limited (AIM: BHL): value A\$6.05m
- 2.5m shares @ A\$0.21 in American Rare Earths (ASX: ARR): value A\$0.52m
- 3.88m shares @ A\$0.24 in Rumble Resources Limited (ASX: RTR): value A\$0.92m
- 0.5m shares @ A\$0.11 in Nickel-X Limited (ASX: NKL): value A\$0.05m
- 1.25m shares @ A\$0.19 in Bindi Metals Limited (ASX: BIM): value A\$0.24m
- 7.88m shares @ £0.066 in Alien Metals Limited (AIM: UFO): value A\$0.05m.

Total value of investments is A\$7.82m



Lithium Projects: Valuation Method – Comparable Companies

Post the spinoff of the gold and base metals assets to Mackerel Metals, the lithium assets will be the core of ZNC's portfolio.

The lithium assets within the portfolio are early stage but have shown significant promise from exploration. Split Rocks is currently engaging a significant diamond and RC drilling program. We believe a comparable companies valuation methodology is the most appropriate way to value ZNC's lithium assets. We also look at the value in the EVM joint venture and assess the value of that with reference to the free carry and spend by EMV to a DFS level for the lithium projects.

We have assessed a number of lithium-based early-stage companies on the ASX and have concluded that a fair comparable to ZNC's lithium business is Morella Ltd (ASX: 1MC). Although there is no perfect comparison Morella represents a reasonable comparison to ZNC's in terms of the type of prospects and the stage of development.

Valuation of Zenith lithium – Morella comparison – A\$140m

Exhibit 10 shows our comparison between ZNC's lithium assets and those of Morella. By applying an EV/km² value to Morella's net 503km² of active exploration tenements, we derive a value of A\$141m for ZNC's lithium assets.

We allocate 100% value to the ZNC tenements as the EVM JV agreement prescribes that the projects revert to ZNC if EVM do not advance them to DFS.

	Zenith Morella				
Assats	Split Rocks WA; Waratah Well WA; Mt Ida	Mallina WA; Fish Lakes and North Big Smoky			
A350(3	Split Rocks: To date ZNC has completed 67	Right to earn a 51% interest in the lithium			
	RC holes and 8 diamond holes. Results	rights of Savona's lithium portfolio.			
	received to date from 34 of the PC holes and	Mallina Lithium Project - subject of			
	1 of the diamond holes have shown	detailed mapping, sampling, study and RC			
	mineralisation of up to 1.2% Li2O and 49m in	drilling (for a combined total of 3,568m			
	thickness. Prospective permetites over 1400m	drilled and 653 samples assayed). Morella's			
	unckness. Prospective pegmatites over 1400m	maiden drill program underway and targe			
	x 1400m have now been defined and a	sub-surface primary pegmatites.			
	further 82 RC holes and 74 diamond holes are	A broad Pilbara-wide airborne geophysic:			
Description of Work Completed	to be drilled.	survey commenced in September. The			
	Waratah Well: The focus of Waratah Well is	surveywas designed to capture high-			
	lithium-rich pegmatites. A follow-up RC drill	resolution data to build on historical data			
	program has commenced to provide deeper	available to Morella. The survey covered			
	test below thick, shallow dipping, lithium-	several tenements included in the Morella-			
	bearing pegmatites identified in the mid-year	SavonaMining Limited ("Savona") earn-in			
	drill program. ZNC has also identified worthy	agreement, where Morella is well advanced			
	nickel-copper-platinum group elements (Ni-	towards achieving the earn-in obligation			
	Cu-PGE) exploration targets.	milestone			
	Split Rocks: The key results 26m @1.2% Li20	Mallina: outcrop sample results ranging			
	including 13m @1.9%; 23m @ 0.8% including	from 0.74-3.98% Li2O, and Eastern No.3			
Key Exploration Highlights	8m @1.3% Waratah Well: 7m @ 0.67% Li2O,	Pegmatite with a strike extent of 1.4km and			
	including 3m @ 1.31% Li2O	sample results of up to 1.95% Li2O.			
	795sqkm	Net total 503sqkm - 51% of 906sqkm Mallina			
Square Kilometres		plus 100% of 36sqkm Fish Lake and 14sqkm			
		North Big Smoky			
EV / Sqkm		\$A178.5k			
Enterprise Vaue	A\$98m	A\$96m (Market Cap A\$104m - A\$8m cash)			

Exhibit 10 – Comparison: Zenith vs Morella Update Font Size

Source: MST Access.

Nevada USA Lithium Project - Morella

- Fish Lake Valley Project located in Nevada
- Regional precedence of lithium exploration and project development
- Fish Lake Valley Lithium Project area covers approximately 44.4 km². Geophysical exploration has demonstrated depth and volume potential; drilling targets have been identified



Value of EVM Joint Venture – EVM Acquiring 60% to Take to DFS

ZNC's JV partner EVM will acquire a 60% stake in the 2 existing lithium assets at Waratah Well and Split Rocks for A\$7m exploration expenditure as well as the expenditure associated with completion of a feasibility study. We expect that in total this is likely to be in the order of A\$20m. The key to this agreement is that, if EVM decides not to take the projects to DFS, they revert back 100% to ZNC.

It would be reasonable to expect that a large JV partner is able to earn in to early-stage projects at a significant discount given the capability it brings to the JV as well as its financial strength and the general uncertainty which is associated with the projects at this stage of advancement.

It can also be expected that the EVM agreement adds significant value to ZNC via a significant drilling program.

We believe that the terms of EVM's earn-in support our comparable company valuation conclusions outlined above.

We examine the upside potential for ZNC of EVM taking the project to DFS by reviewing the market capitalisation of companies at DFS / near production stage.

Value of more advanced lithium plays - potential upside for ZNC

As a look into the potential value that can be created by developing lithium assets, we have detailed below the market cap of a selection of ASX-listed companies with projects at various stages of development with similar underlying commodity exposures.

The developers shown in Exhibit 11 are substantially more advanced in general relative to ZNC and show the potential for value accretion as lithium projects are advanced.

Developers	Status	Market Ca	
		A\$m	
Liontown Resources	DFS	\$	4,569
Core Lithium	Construction	\$	2,610
Lake Resources	DFS	\$	1,440
Leo Lithium	DFS	\$	653
Sayona Mining	Resource	\$	1,827
loneer Ltd	BFS	\$	1,123
Vulcan Energy Resources	Pilot Plant	\$	1,032
AVERAGE		\$	1,893

Exhibit 11 - Battery metals/lithium developers comparable

Source: MST Access.



Valuation of Gold and Base Metals Projects

Earaheedy zinc/lead project (75% Rumble Resources, 25% ZNC) Valuation method: risked project NPV

The Earaheedy zinc/lead project is a significant discovery and has a stated exploration target of 100–120mt at 3.5–4.5% Zn-Pb sulphide. While the project remains subject to continuous drilling and advancement, the exploration target allows for a conceptual valuation estimate using DCF analysis. We highlight that our assumptions are based on high-level MST estimates with reference to the size of the current exploration target, and the actual operational parameters under any future feasibility study may turn out to be significantly different to those assumed. Further, an economically viable project may not emerge from the current exploration target.

In order to populate our DCF analysis, we make the following assumptions:

- at the midpoint of the current exploration target (110mt), conversion into an Ore Reserve of 60% is possible, with a grade marginally above the current range of 5.0%, implying a higher-grade subset is defined for plant feed
- a 12-year mine-life
- mill throughput rates of 5mtpa
- pre-production capital expenditure of A\$700m
- zinc price of US\$3,500/t
- lead price of US\$2,000/t
- 50/50 zinc/lead production split
- life-of-mine EBITDA margins of 50%.

On this basis, we derive an unrisked NPV for the Earaheedy Project of A\$932m, to which we apply a 75% risk discount given the early stage of development.

ZNC's equity stake has an implied valuation on this basis of A\$58m.

Other gold and base metals exploration projects Valuation method: high-level MST estimate

We apply a nominal valuation of A\$30m to the remaining gold and base metals projects. This is a high-level MST estimate based on a review of the projects and their current prospectivity and potential.

We see strong option value in these assets, particularly the Split Rocks asset in WA.

The district is a well-recognised for gold deposits with a gold endowment of 10Moz around the Parker Dome. Management has recognised the potential for large-scale gold deposits. Outstanding results include:

- Dulcie North: 32m @ 9.4 g/t Au, incl. 9m @ 31.4 g/t Au
- Dulcie Laterite Pit: 2m @ 14.5 g/t Au, 18m @ 2.0 g/t Au, 14m @ 3.5 g/t Au, 3m @ 17.9 g/t Au
- Estrella: 2m @ 9.8 g/t Au
- Dulcie Far North: 5m @ 5.6 g/t Au incl. 4m @ 6.8 g/t Au, 4m @ 10.2 g/t Au
- Water Bore: 3m @ 6.6 g/t Au
- Scott's Grey: 8m @ 4.1 g/t Au, 12m @ 1.7 g/t Au.



Financials: EVM JV Lets Management Retain Focus on Generative Edge

Overall Strong Financial Position

At 30 September 2022, ZNC had A\$6.6m in cash as well as ~A\$7.8m of equity investments (nil debt). The company is well funded, financially stable and positioned to advance the base metals portfolio ahead of the proposed demerger as well as to consider the acquisition of further lithium opportunities as they arise.

Funding – Joint Venture With EV Metals Group (EVM)

With the gold and base metals assets earmarked for a demerger in December 2022, ZNC's funding requirements are framed around the commitments required to advance its remaining portfolio of battery metals–exposed assets which at present is focused on lithium.

The January 2022 JV secured with EVM included favourable terms for ZNC. EVM has committed to:

- solely funding the completion of a feasibility study within 24 months
- spending a minimum of A\$7m on exploration at the projects (Waratah Well and Split Rocks) within 24 months before being able to voluntarily withdraw from the agreement
- earning a 60% interest in the lithium rights in exchange
- on completion of a feasibility study, forming a JV with ZNC, after which each entity will fund their equity shares in the project construction cost
- arranging all financing for construction (including ZNC's share), with ZNC to repay its proportionate share of project financing from its share of minerals produced.

The essence of this agreement implies that ZNC receives a free-carried 40% equity interest in the Waratah Well and Split Rocks lithium projects through to production, which we would suggest is as close to an optimal solution as any junior resources company could hope for. In addition to the supportive funding terms, ZNC has access to a larger partner with processing capacity in development, as well as potential for the scope of the current JV to expand to include other projects over time. At execution of the EVM JV, a A\$6m placement was provided to ZNC at A\$0.30 per share, bolstering the balance sheet.

ZNC Can Focus on Adding Further Value

The significance of the EVM JV agreement is clear. The broader benefit to ZNC is that management can maintain an intense focus on its key strategic edge: securing further prospective assets to add to the portfolio where capable exploration can be conducted, and value added to generate a broader suite of prospective assets and build the pipeline of opportunities for ZNC.



Appendix 1: ZNC's Flagship JV Agreement with EV Metals Group – A Quick Summary of ZNC's Partner

In January 2022, ZNC entered into an agreement to form a lithium joint venture (JV) with EV Metals Group plc (EVM) to explore for, mine and process mineral resources containing lithium and other battery metals (JV Agreement). EVM is a global battery materials and technology company committed to a clean energy future. The JV Agreement provides for ZNC to be developed as a pure lithium company focused on lithium and related battery metals listed on the ASX.

EVM Joint Venture Agreement

The JV Agreement includes ZNC's 100% owned Split Rocks and Waratah Well lithium projects (Initial Projects) and provides each party with the non-exclusive rights to introduce additional projects containing lithium and other battery metals (Lithium Minerals) to the JV. Both Initial Projects are 100% owned by ZNC with EVM earning a 60% interest of the rights to all Lithium Minerals in each project by sole funding the completion of the feasibility studies up to the decision to mine within 24 months from the start of the JV Agreement. EVM is required to arrange 100% of the financing for the capital costs of development, construction and commissioning of any future mine, processing plant and related infrastructure (including ZNC's share). ZNC will repay its proportional share of the project financing from its share of production.

EVM is required to spend a minimum of \$7m on exploration for Lithium Minerals in each of the Initial Projects within 24 months. If EVM fails to complete its minimum expenditure obligations, it will be deemed to have withdrawn from the projects and will not earn an interest in the project lithium rights. As part of the execution of the JV agreement between ZNC and EVM, a placement of \$6m was taken up by EVM by way of the issuance of 20m shares in ZNC at \$0.30, a 20% premium to VWAP at the time.

The strategic plan for ZNC is to focus on battery metals projects and EVM has shown interest in expanding its exposure to a broader asset base from the start of the initial JV agreement. In May 2022, ZNC and EVM added a third project with the acquisition of the Mt Ida North lithium project under an option-to-purchase agreement. The JV agreement requires each party will fund its share of costs of the development of each lithium project in Australia on the basis of 40%/60% ZNC/EVM, respectively.

Australian Lithium Alliance: An Alternative to Chinese Dependence

In January 2022, EVM launched the Australian Lithium Alliance (ALA), a strategic initiative to partner with Australian lithium companies to accelerate the exploration, development, mining, processing and production of Lithium Minerals in Australia. The ALA also offers life-of-mine offtake agreements for spodumene concentrate containing 6% lithium oxide (SC6) as an alternative to Chinese chemical processing companies that dominate the purchase of SC6 from Australia. The Lithium JV with ZNC is the first entered into by ALA which will promote the development of ZNC as major producer of SC6 in Australia. In May 2022, the Lithium JV was extended to include the recently acquired Mt Ida North lithium project which falls within ALA but is part of a separate agreement with EVM.

EV Metals Group: A Global Partner with Significant Midstream and Downstream Processing Capacity in Development

The strategy of EV Metals Group is to position itself to become a global leader in battery materials and technology.

EVM's unique business model is based on the upstream, midstream and downstream integration of proprietary supply chains. EVM is fast-tracking the staged development of midstream and downstream processing facilities for production of high purity chemicals and cathode active materials (CAM) containing lithium, nickel, cobalt, manganese and other metals required in rechargeable batteries used in electric vehicles and renewable energy storage.

EVM is developing transparent and geopolitically aligned supply chains targeting electric vehicle and battery cell manufacturers in high growth markets across UK, Europe and the Kingdom of Saudi Arabia (KSA).

EVM is based in Western Australia with over 100 personnel at offices and facilities in Perth, KSA, UK, Germany and Poland. The key executive and management team have over 180 years of combined experience in midstream and downstream processing of minerals, metals and chemicals for global markets and upstream integration through exploration and mining.



Upstream integration of supply chains

EVM is fast-tracking the upstream integration and development of supply chains for critical raw materials containing lithium, nickel, cobalt, manganese and other metals from Western Australia.

EVM participates in the ownership, mining and processing of mineral resources to secure long term supplies of critical raw materials through acquisitions, joint ventures and offtake agreements.

EVM owns 100% of Range Well Ni Co Resources located in the mid-west of Western Australia which contain over 2.3 million tonnes of nickel and over 145,000 tonnes of cobalt – the largest inventory of nickel cobalt in one deposit in Australia.

Midstream production

EVM is currently developing the world's first integrated Battery Chemicals Complex at Yanbu Industrial City in the Kingdom of Saudi Arabia which will produce high-purity chemicals from intermediate products from upstream supply chains required in the downstream production of cathode active materials.

Yanbu provides a strategic location adjacent to a deep-water port on the Red Sea and ideally situated for importing raw materials and exporting battery chemicals to target markets. The Battery Chemicals Complex comprises staged development and expansions of a Lithium Chemicals Plant, a Nickel Chemicals Plant and Cathode Active Materials Plant.

Exhibit 12 – EVM's Yanbu planned plant, Saudi Arabia



Source: Company reports.



Downstream production

In May, EVM entered into definitive agreements to acquire the global assets comprising Battery Materials Business and Technology of Johnson Matthey plc for £50m. This strategically positions EVM as the only battery materials and technology company outside of China building midstream and downstream processing capacity for the production of CAM based on upstream integration of supply chains for critical raw materials containing lithium, nickel, cobalt, manganese and other metals.

The global assets comprising Battery Materials Business and Technology include:

- Battery Technology Centres at Oxford and Billingham in UK and Moosburg in Germany;
- 7 CAM process technologies (4 x LFP, LMFP, NMC, eLNO);
- 3 Laboratories;
- 2 Pilot Plant Facilities;
- A unique technical team of circa 100 personnel;
- Mature customer relationships with product development and qualification in-progress;
- A commercial CAM Plant (eLNO) at Konin in Poland (under construction 60% complete);
- Acquisition of an offtake agreement for the right to purchase lithium hydroxide monohydrate (LHM) or lithium carbonate (LC).

The acquisition of Battery Materials Business and Technology shifts global focus of EVM to growth markets for high energy density (high nickel NCM) CAM and lower energy density (LFP) CAM in UK, Europe and the Kingdom of Saudi Arabia. The acquisition is also globally strategic as it:

- completes integration of upstream and midstream supply chains with downstream customer focused and customer facing cathode active materials business.
- retains and preserves unique IP (know-how and show-how) and high value technical personnel who developed CAM Technology, Pilot Plants, Laboratories and Battery Technology Centres.
- provides the platforms for industrialisation of CAM Technology through the development CAM Plants for electric vehicle and battery cell manufacturers in United Kingdom, Europe and the Kingdom of Saudi Arabia.

A substantial shortfall of over 600,000 tpa of cathode active materials is forecast in Europe in 2030.

Exhibit 13 - EVM's integrated supply chain



Source: Company reports.



Appendix 2: Mackerel Metals Assets – An Overview

Base Metal Projects

ZNC has two base metal projects:

- the 100%-owned Develin Creek project
- the Earaheedy Joint Venture, in which ZNC owns a 25% free-carried interest (Rumble Resources owns 75%).

Exhibit 14 - Project portfolio summary for base metals assets



Source: Company reports.

Develin Creek - copper-zinc project, Queensland

The 100%-owned Develin Creek project, located 80km north-west of Rockhampton, is host to several high-grade volcanogenic massive sulphide (VMS) deposits within the Rookwood Volcanics. In December 2021, a massive copperzinc sulphide deposit was intersected at both the Wilsons North and Snook prospects. Further high-grade copper-zinc drill results were announced at Sulphide City including the highest-grade zinc intersection for the project to date returning 9m @ 1.8% Cu, 18.1% Zn, 0.6 g/t Au and 28.4 g/t Ag.

The deposit has an Inferred Mineral Resource of 2.57Mt @ 1.76% Cu, 2.01% Zn, 0.24g/t Au and 9.6g/t Ag for a Cu equivalent of 2.62%.





Exhibit 15 – Develin Creek outline and areas subject to drill testing in 2021

Source: Company reports.

Earaheedy Zinc Project - joint venture with Rumble Resources (ASX: RTR)

Earaheedy Zinc Project - 3D Flyover

Below is a link to a flyover for the Earaheedy project.

https://inventum3d.com/c/rumble/earaheedy

Source: Rumble Resources

Earaheedy Overview

Located approximately 110km north of Wiluna, Western Australia, the Earaheedy project spans an area covering the unconformity contact between the overlying Frere Iron Formation and underlying Yelma Formation of the Paleoproterozoic Earaheedy basin. ZNC has a 25% interest in the project, with ZNC's share free carried up until the completion of a bankable feasibility study. Three prospects have been defined, located approximately 18km apart, with the potential to join up upon further drill testing.

Joint venture partner Rumble Resources (ASX: RTR) has outlined an Zn-Pb exploration target for the project in the range of 100–120m tonnes at a grade ranging 3.5-4.5% Zn-Pb. The exploration target is at a shallow depth (120m), and over 40kms of prospective strike (completely open), which is an assessment of the potential of large-scale Zn-Pb deposits based on the results from drilling to date.

On 26 May 2022, RTR announced details of multiple new high-grade Zn-Pb zones defined at the Tonka and Chinook prospects. The Tonka Zn-Pb-Ag prospect has high-grade Zn-Pb mineralisation intercepted in the newly identified Colorado Zone. Additionally, the newly recognised Magazine Zone links the Tonka and Navajoh prospects. Chinook and Tonka have a combined strike of 13km and 2km cross strike, which remain open in all directions and at depth.

Higher-grade zones within the mineralised Navajoh Unconformity Unit and underlying dolomite (Sweetwater Well Dolomite – formerly Navajoh Dolomite) are associated with multiple inferred feeder faults/zones that are oriented both northwest and east-west.

The Tonka and Navajoh Prospects are linked by higher-grade east-west feeder fault zones within a large 8km x 2km northwest trending mineralised footprint that remains open in all directions. Two mineralised feeder faults/zones (Colorado and Magazine) have been outlined to date, with the opportunity to define multiple additional zones with further drilling.

The Chinook Prospect is a large 5km by 2km northwest trending mineralised footprint which remains open in all directions. Higher-grade zones associated with both northwest and east-west trending feeder structures with two principal feeder zones (Kalitan and Spur) interpreted to date.



Exhibit 16 - Earaheedy prospectivity map - ZNC JV outlined in red



Source: Company reports.

Exhibit 17 - Earaheedy Tonka-Navajoh Prospect - drilling results



Source: Company reports.







Source: Company reports.

Earaheedy Project - Multiple Mineralisation Styles

The overall geological deposition model for the Earaheedy Base Metal Province is continually evolving with some five (5) styles of mineralisation identified. A least four of these styles have been defined within the Earaheedy Project and based on recent drilling completed by Strickland Metals. The current drilling has outlined laterally extensive flat lying unconformity related zinc-lead-silver sulphide mineralisation at the Chinook, Tonka-Navajoh Prospects.

Exhibit 19 – Earaheedy multiple mineralisation styles



Source: Company reports.



Recent Metallurgical Results Positive and Maiden Resource in CY2023

In mid-November 2022 the Earaheedy JV partners announced that metallurgical testwork conducted on samples taken from the Earaheedy Joint Venture Chinook and Tonka Deposits, returned positive results, including:

- High zinc recoveries to 90% in cleaner concentrates.
- Coarse primary grind size of 150 micron.
- Fast flotation kinetics with clean sulphide separation using site water.
- Simple and conventional processing flowsheet recovers a bulk zinc concentrate with metal credits utilising an uncomplicated and lower dosage reagent scheme.
- Zinc concentrate grades to 59% Zn, with no significant deleterious elements.
- Recoveries and concentrate grades from Earaheedy are at the upper end of global benchmarks when compared to current zinc developer / producers.

This positive metallurgy is to be backed by a maiden JORC Mineral Resource estimate that is now planned for first half 2023.

Continued activity at the Earaheedy Project Tonka Navajoh Prospect

- Extension and infill RC drilling along the new high-grade Colorado Zone
- Extension and infill RC drilling along the high-grade Magazine Zone

Continued activity at the Earaheedy Project Chinook Prospect

• RC infill and extension drilling to delineate further shallow high-grade Zn-Pb mineralisation in the Kalitan Feeder Zone and within the recently interpreted east-west trending mineralised "feeder" structures, including the Spur Zone



Gold Projects – Five Projects Across Australia

ZNC continues to explore and evaluate five gold projects across Queensland, New South Wales and Western Australia. This includes two recently acquired Queensland projects, both 100% owned by ZNC: the Privateer Gold Project announced in March 2022 and the Auburn Gold Project announced in April. However, neither site has been explored recently so the potential of these projects is largely unknown.



Exhibit 20 – Project portfolio summary for gold assets

Source: Company reports.

Gold projects – Queensland

Red Mountain gold project located near large deposits: The 100% ZNC-owned Red Mountain project is located in central Queensland between two existing operational gold mines: Cracow (a low-sulphidation epithermal gold deposit owned by Aeris Resources) and Mount Rawdon (an epizonal intrusion-related gold deposit owned by Evolution Mining).

The Red Mountain project continues to provide encouraging high-grade gold drilling assay results through ongoing exploration activity. Gold and silver drilling results have returned results including:

- 13m @ 8.0 g/t Au from surface, incl. 6m @ 16.7 g/t Au •
- 15m @ 3.5 g/t Au, incl. 2m @ 22.4 g/t Au •
- 12m @ 4.9 g/t Au, incl. 6m @ 9.4 g/t Au
- 5m @ 10.4 g/t Au, incl. 1m @ 49.9 g/t Au •
- 5m @ 3.5 g/t Au and 54.3 g/t Ag
- 10m @ 2.7 g/t Au from surface, incl. 4m @ 4.9 g/t Au .
- 7m @ 4.4 g/t Au. •

Other Queensland gold projects in same area: The recently acquired Privateer and Auburn projects are located in close proximity to the Red Mountain project and both these new projects have had high-grade gold confirmed at surface through sampling.



Cowarra Gold Project - New South Wales

ZNC has a 22.3% interest in the Cowarra Gold project (with the potential for this to increase to 47%). The project is located south-east of Cooma in New South Wales. This equity share in the project is reflected by a holding in Oxley Resources, an unlisted entity. It consists of a single granted exploration licence and is made up of gold zones hosted in the Lachlan Orogenic Belt sedimentary rocks associated with gold mineralised strike extensive zones. 1200m drilling programme is in progress.

Split Rocks Gold Project – Western Australia

The 100%-owned Split Rocks project is located approximately halfway between Perth and Kalgoorlie within the Southern Cross region in the Forrestania greenstone belt. This is a recognised gold district with a gold endowment of 10Moz around the Parker Dome. Management has recognised the potential for both large-scale gold and lithium deposits. Focusing on gold deposits, ZNC has identified 18 high-quality drill targets in the north-eastern portion of the project area. To date, drilling has been conducted on 14 targets, from which 6 prospects have returned outstanding results:

- Dulcie North: •
 - 32m @ 9.4 g/t Au, incl. 9m @ 31.4 g/t Au
 - **Dulcie Laterite Pit:** 2m @ 14.5 g/t Au, 18m @ 2.0 g/t Au, 14m @ 3.5 g/t Au, 3m @ 17.9 g/t Au
- Estrella:
 - Dulcie Far North: 5m @ 5.6 g/t Au incl. 4m @ 6.8 g/t Au, 4m @ 10.2 g/t Au
- Water Bore: 3m @ 6.6 g/t Au
- Scott's Grey: 8m @ 4.1 g/t Au, 12m @ 1.7 g/t Au.

Exhibit 21 – Split Rocks project map and regional gold endowment

2m @ 9.8 g/t Au



Source: Company reports.



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