

3 February 2016

RECOMMENDATION

Speculative Buy

30 day Average Vol	466k
12 month share low	\$0.02
12 month share high	\$0.08

Market Risk	High
Liquidity Risk	High
Infrastructure Risk	Med
Country Risk	Med

IRESS & DJC Research

ISSUED CAPITAL

ASX	CZL
Share price	\$0.046
Mkt cap ¹	\$11.0m
Ordinary shares on issue	251.6m
Listed options	23.4m
Unlisted options	27.5m

Source: IRESS

DIRECTORS

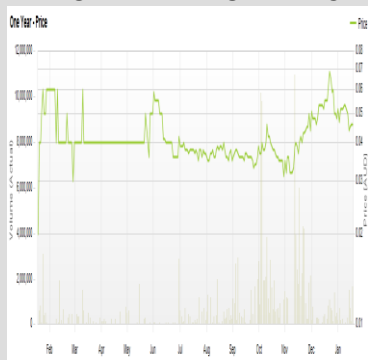
Stephen Copulos	Chairman
Will Dix	CEO
Andrew Richards	Exec Director
Louis Valles	Non-Exec Director

MAJOR SHAREHOLDERS

Copulos Group	19.9%
Compania Retec	11.4%
Tonka Trading	5.6%

As at 25 September 2015

12 MONTH PERFORMANCE



Source: FactSet

Paul Adams

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Consolidated Zinc Ltd (CZL)

High grade Zinc down dip of Main Zone at Plomosas Zinc Project

CZL has announced the first mineralised intersection in its drilling campaign below the Main Zone at the high grade Plomosas Project. The intersection of massive sulphide is located approximately 40m below Level 7 which was the last level to be exploited in the mine. The discovery of high grade zinc in the Main Manto Zone is absolutely key to the future exploitation of the mine and gives us some confidence that a larger, high grade mineral system exists below the current workings. We retain our Speculative Buy recommendation as a result.

Key Points

- 6.75m massive sulphide intersection at Plomosas Zinc Project:** CZL has announced the first mineralised intersection from its underground drilling campaign from Level 7. The drilling is aimed at intersecting the zinc and lead mineralisation already identified in the semi-oxide zone just below the Level 7 workings, down dip in the Main Zone limestone horizon. In the second hole CZL were successful in finding the massive sulphide with an intersection of 6.75m at 27.2% zinc, 12.7% lead and 60.4g/t silver.
- Most intervals assayed higher than the limits of the assay technique:** As we have seen in the drilling of the newly discovered footwall mineralisation, four out of the seven intervals have had to be sent to a different laboratory where they can assay for zinc grades over 30%. The reported zinc grade of 27.2% is therefore a minimum grade and will report higher once the new assays are reported. Should some grades report as high as +40% the intersection could be bolstered to over 50% combined Zn+Pb which essentially is DSO grade, without the need to beneficiate into a concentrate.
- Structure still expected to pinch and swell:** CZL has demonstrated in other drilling at Plomosas that the mineralised structures pinch and swell and not all intersections in the structure will yield high grade results. Results for LV7DD001 and LV7DD003 are still to be received. DD001 passed through a shear in the main manto zone host showing patchy disseminated zinc sulphides over a 2m interval but hole DD003 was drilled 30m along strike from DD002 and intersected a total of 5m of massive sulphide mineralisation and collapse breccias.
- Importance of massive sulphide in the Main Manto Zone:** We believe the primary exploration focus for the Plomosas project should be on the down dip extensions of the massive sulphide mineralisation in the Main Manto Zone. **The discovery of a thick, near true width intersection of exceptional grade is what we were looking for in these initial holes.** This is where significant metal could be added to the system and fulfil the exploration target to justify the construction of a larger, stand-alone concentrator to treat circa 300,000tpa. At historical grades (15% Zn), that could produce circa 30,000 tonnes of payable zinc production per annum plus lead.
- Speculative Buy recommendation:** We maintain our Speculative buy recommendation as CZL continue to focus on the down-dip extensions of the known mineralisation and are only weeks away from producing their maiden resource estimate for the footwall zone.

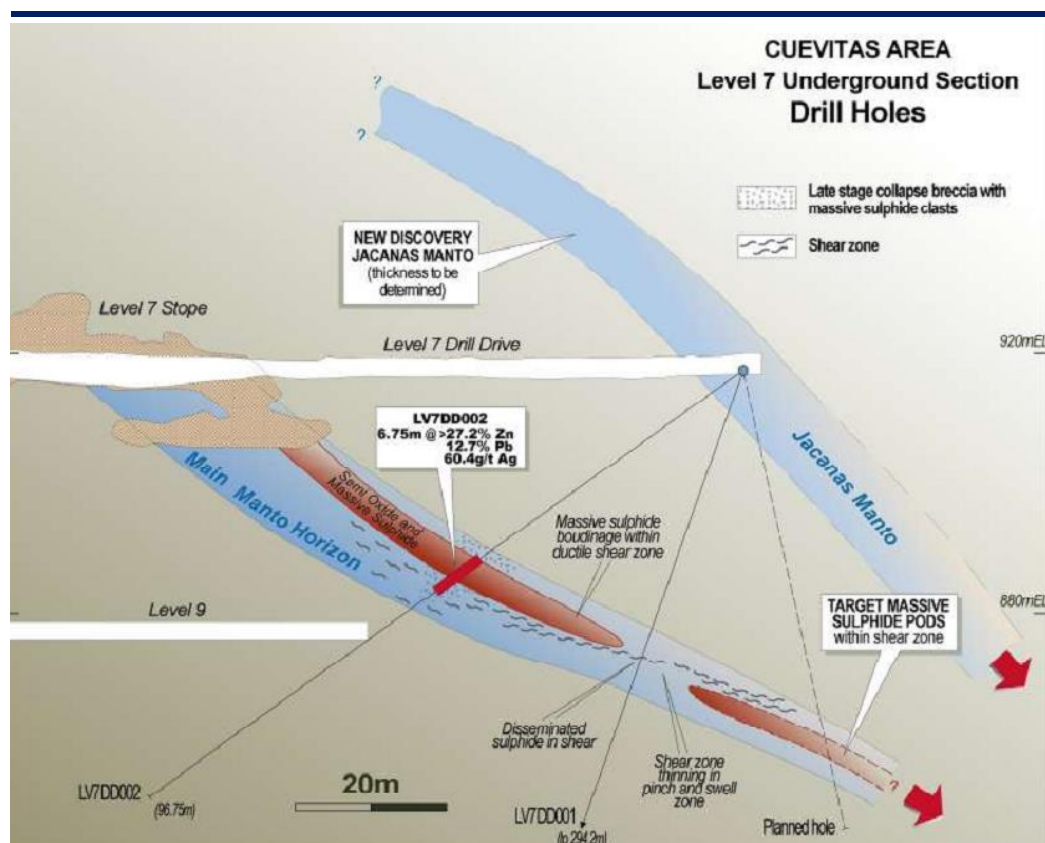


Figure 1. Cross section showing drill traces and mineralisation below Level 7

Source: CZL

From (m)	To (m)	Interval (m)	Core Recovery (m)	Recovery (%)	Unit	Prelim. Intersect	Zn %	Pb %	Ag (g/t)
43.75	45.25	1.50	1.50	100.00					
45.25	46.75	1.50	0.35	23.33	Mass sulphides	6.75m at 27.2% Zn, 12.7% Pb, 60.4g/t Ag	>30.0	17.50	163.0
46.75	48.25	1.50	1.07	71.33			>30.0	17.15	97.1
48.25	49.75	1.50	0.95	63.33			>30.0	16.35	109.5
49.75	51.25	1.50	0.75	50.00	Collapse Breccia		22.9	3.91	36.6
51.25	52.75	1.50	1.25	83.33	Marble/Mass sulph/breccia		19.1	4.19	36.6
52.75	54.25	1.50	1.50	100.00					

Table 1. Interval breakdown of mineralised intersection

Source: CZL

Note the core recovery in the above table. There is a possibility that sulphide material may have been lost, or washed away, with circulating drill water. If this were proved there is potential that the real grade could be slightly higher than those reported.

Recommendation

We maintain our Speculative buy recommendation as CZL continue to focus on the down-dip extensions of the known mineralisation and are only weeks away from producing their maiden resource estimate for the footwall zone.

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RCAN1321

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The Author of this report made contact with the **Consolidated Zinc Ltd** for assistance with verification of facts, admittance to business sites, access to industry/company information. No inducements have been offered or accepted by the company.

The recommendation made in this report is valid for four weeks from the stated date of issue. If in the event another report has been constructed and released on **Consolidated Zinc Ltd**, the new recommendation supersedes this and therefore the recommendation in this report will become null and void.

Recommendation Definitions

SPECULATIVE BUY – 10% or more outperformance, high risk

BUY – 10% or more outperformance

HOLD – 10% underperformance to 10% over performance

SELL – 10% or more underperformance

Period: During the forthcoming 12 months, at any time during that period and not necessarily just at the end of those 12 months.

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