

14 October 2015

RECOMMENDATION

Speculative Buy

| | |
|---------------------|--------|
| 12 month volume | 672.4m |
| 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 | \$0.036 |
| Mkt cap ¹ | \$8.0m |
| Ordinary shares on issue | 222.7m |
| Listed options | 23.4m |
| Unlisted options | 27.5m |

Source: IRESS

DIRECTORS

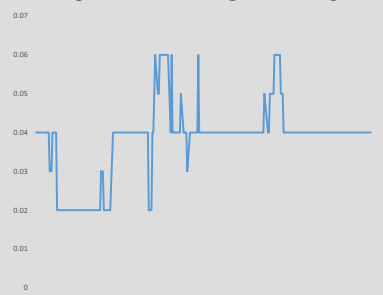
| | |
|-----------------|-------------------|
| Stephen Copulos | Chairman |
| Will Dix | CEO |
| Andrew Richards | Exec Director |
| Louis Valles | Non-Exec Director |

MAJOR SHAREHOLDERS

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

As at 25 September 2015

12 MONTH PERFORMANCE



Source: FactSet

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Consolidated Zinc Ltd (CZL)

\$1.0m facility accelerates exploration on ultra-high grade Pb-Zn lodes

CZL announced today that it had reached an agreement with its largest shareholder, the Copulos Group, on a \$1.0m drawdown facility to accelerate development drilling on its latest ultra-high grade Pb-Zn discovery at the Trés Amigos zone at its Plomosas Project in Mexico. In addition, the facility will allow a fast-tracking of development and proximal exploration drilling down dip in the Cuevitas Zone on the Main lode. Successful drilling will likely prompt a development decision on an initial 200 tonne per day operation within the next 6 to 9 months. We maintain our Speculative Buy recommendation.

Key Points

- \$1.0m facility similar to previous from Copulos Group:** The Copulos Group, CZL's largest shareholder, has provided the company with a \$1.0m drawdown facility to fast track the drilling of the newly discovered ultra-high grade Pb Zn footwall Zone in the Tres Amigos zone at Plomosas. The facility is similar in structure to that provided previously which was instrumental in the acquisition of the project and through funding of the initial exploration. The facility, with a term of 12 months, is provided for a fee of 3m CZL shares which requires shareholder approval. The loan can convert to shares at the next capital raise, as in the previous case.
- Additional equipment to explore from above and below in footwall:** Half of the facility is immediately available. This allows additional equipment to be mobilised straight away to initiate surface RC drilling targeting the up-dip extensions of the footwall mineralisation. Two previous drill holes recorded intersections of massive sulphide which would correspond to the up-dip position of the mineralised lodes intersected from 5 Level. More drilling into the footwall lodes will occur from 5 Level underground seeking roll-over structures where dilation could result in wider intersections.
- Quick timeframe to development decision:** Rapid evaluation of the footwall lode and continued development and drilling on 7 Level could result in a JORC compliant resource estimate by Q4 2015 or early Q1 2016. A Scoping level study would then be on-track for 2Q 2016. A development decision is targeted for mid-2016. This is a relatively short timeframe and reflects the advanced nature of the project and the fact that the decision is more around a ramp up in operations rather than a commencement. CZL are targeting a minimum 5 year mine life for Stage 1 which would likely involve the refurbishment and expansion of the current processing facility to a throughput of 200tpd, equivalent to 75,000 tonnes per annum. With a JORC resource of around 3Mt, CZL would likely establish an operational throughput of over 500tpd, with production ramping up to 250,000 to 300,000 tonnes per annum. This production rate would require a new concentrator.
- Exploration target would rank well against industry peers:** CZL has placed an exploration target on Plomosas of between 2.9Mt to 3.2Mt at 15% - 25% Zn+Pb and 40-60g/t Ag. This target is similar to the Thalanga resource owned by Red River Resources (RVR-AU) which will be in production by December 2015 and similar to Atherton Resources' (ATE-AU) King Vol resource, currently under an unsolicited on-market takeover offer by the private equity firm, Denham Capital.
- Speculative Buy recommendation:** New discoveries in the footwall and evidence of continued mineralisation down dip in the Main Zone suggests that the exploration target is reasonable.

CZL receives final results from recent high grade assays

In addition, CZL has received the final assay grades to its very high grade intersections from the first three holes into the footwall zone at Tres Amigos. Assays of up to 60% Pb+Zn have been received from 8 samples that had to be analysed under a concentrate assay technique for zinc results over 30%.

| Hole ID | Sample No. | From (m) | To (m) | Inters (mdh) | Approx TW* (m) | % Zn | % Pb | g/t Ag | Combined % (Zn+Pb) |
|----------|------------|----------|--------|--------------|----------------|--------------|------|--------|--------------------|
| LV5DD001 | 426029 | 39.05 | 40.05 | 1.00 | 0.70 | 32.82 | 5.31 | 26.5 | 38.12 |
| | 426030 | 40.05 | 41.05 | 1.00 | 0.70 | 44.98 | 5.78 | 40.2 | 50.76 |
| | 426032 | 41.05 | 42.05 | 1.00 | 0.70 | 46.45 | 1.29 | 26.5 | 47.74 |
| | 426034 | 42.05 | 43.05 | 1.00 | 0.70 | 38.31 | 3.63 | 34.9 | 41.94 |
| | 426036 | 43.05 | 43.75 | 0.70 | 0.49 | 51.68 | 8.11 | 37.1 | 59.79 |
| LV5DD003 | 426102 | 25.35 | 26.20 | 0.85 | 0.52 | 32.97 | 0.97 | 25.0 | 33.94 |
| | 426114 | 36.55 | 37.45 | 0.90 | 0.54 | 31.85 | 0.07 | 12.0 | 31.92 |
| | 426115 | 37.45 | 38.40 | 0.95 | 0.57 | 31.36 | 0.07 | 14.2 | 31.43 |

Figure 1. Final assay table from footwall drilling

Source: CZL

Drilling on the footwall zone will continue for the next 4-6 weeks. Two historic holes discovered 400m away, on an up dip projection from the intersections above, confirmed the presence of a 3m wide massive sulphide body. This will be followed up by the surface rigs being mobilised to site.

In parallel to the drilling at Tres Amigos, CZL will continue to maintain its focus on the Main Zone at Cuevitas, where the majority of tonnes in the exploration target are likely to come from. Additional hanging wall (HW) development will facilitate drilling from a HW drill drive to look for repeats of the thick zones of high grade Pb+Zn seen up-dip and to quantify the extend of the semi-oxide zone.

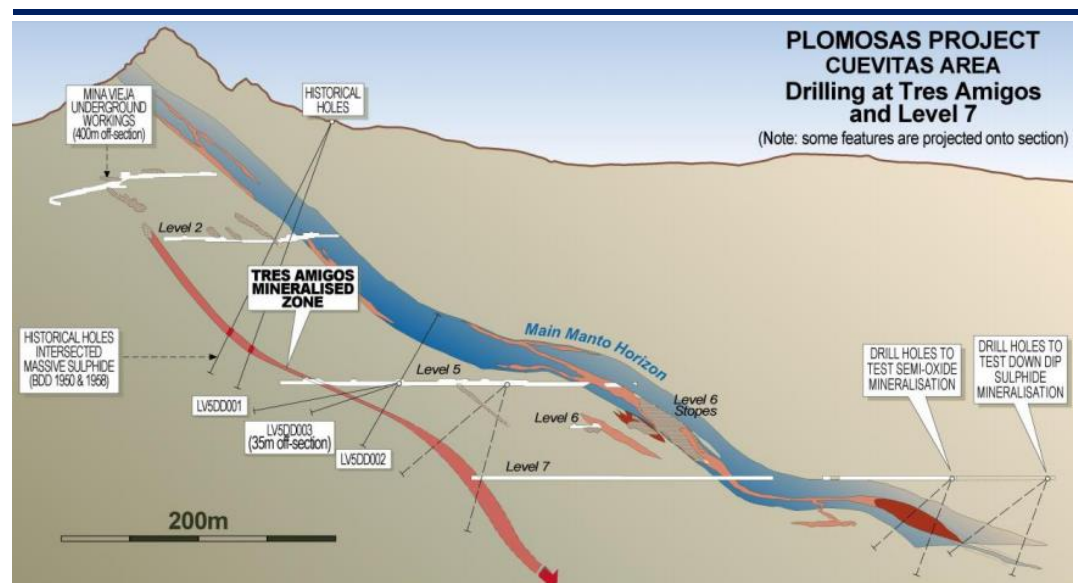


Figure 2. Cross section showing Tres Amigos drilling, historic holes and 7 Level

Source: CZL

Disclosure Disclaimer

RCAN1301

This Research report, accurately expresses the personal view of the Author.

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