

Quarterly Activities Report September 2018

- **Mining commenced at Plomosas Mine for total capital cost of US\$275,000**
- **Toll treatment and offtake agreements executed with Grupo Mexico**
- **Bankable Feasibility Study Completed**

Consolidated Zinc Limited (ASX:CZL or “the Company”) is pleased to present the September 2018 quarterly activities report.

OPERATIONS - PLOMOSAS MINE, CHIHUAHUA STATE, MEXICO

Health, Safety and Environment

There were no reportable environmental or safety incidents during the quarter.

Toll Treatment and Offtake Agreement

The Group has entered into a twelve month Toll Treatment and Offtake Purchase Agreements (“the Tolling Agreements”) with Grupo Mexico.

The Plomosas ore will be processed through Grupo Mexico’s Santa Eulalia concentrator with the resulting zinc and lead concentrates sold to Grupo Mexico in accordance with the terms of the Tolling Agreements for refining at the San Luis Potosi zinc smelter located in Mexico. The sale of the concentrates within Mexico delivers substantial logistics and commercial savings. For further details of the Tolling Agreements refer to the ASX announcement dated 5 September, 2018.

Mining

Following approval by the Company to proceed with the Tolling Agreement, the mining contractor rapidly mobilised and was ready to commence mining by 13 September, 2018. First ore was hauled to the surface on 19 September, 2018.

Mining commenced at Level 5 with extraction from ore strike drives north and south in the Tres Amigos zone and a north strike drive in the Tres Amigos North mineralised zone.

The decline bypass, detouring around the zig zag bottleneck in the decline, has commenced and will be completed in the December quarter allowing for reduced haulage cycle times, improving both productivity and production.



Figure 1. Location plan of Plomosas mine within the Chihuahua zinc-lead geological belt and Santa Eulalia concentrator.

Table 1: Q1 2018 Production Statistics

Q1 2018 PRODUCTION STATISTICS			Q1 2018	YTD
MINED	ORE	TONNES	784	784
	WASTE	TONNES	132	132
	DEVELOPMENT	METRES	17.5	17.5
MINED GRADE**	ZINC**	%	6.65	6.65
	LEAD**	%	1.64	1.64
TOTAL METAL MINED	ZINC	TONNES	52.14	52.14
	LEAD	TONNES	12.81	12.81

****Mined grade was impacted by low grade material derived from strike drive and access development (442 tonnes) while 342 tonnes grading 13.1% Zn, 2.9% Pb were mined from stopes in the latter part of September.**

All Plomosas mine and site support service costs were capitalised during the development and commissioning phase of operations and will be capitalised until commercial production is achieved.

The total expenditure capitalised as mine development and property, plant and equipment for the quarter was US\$275,000 (inclusive of site support services).

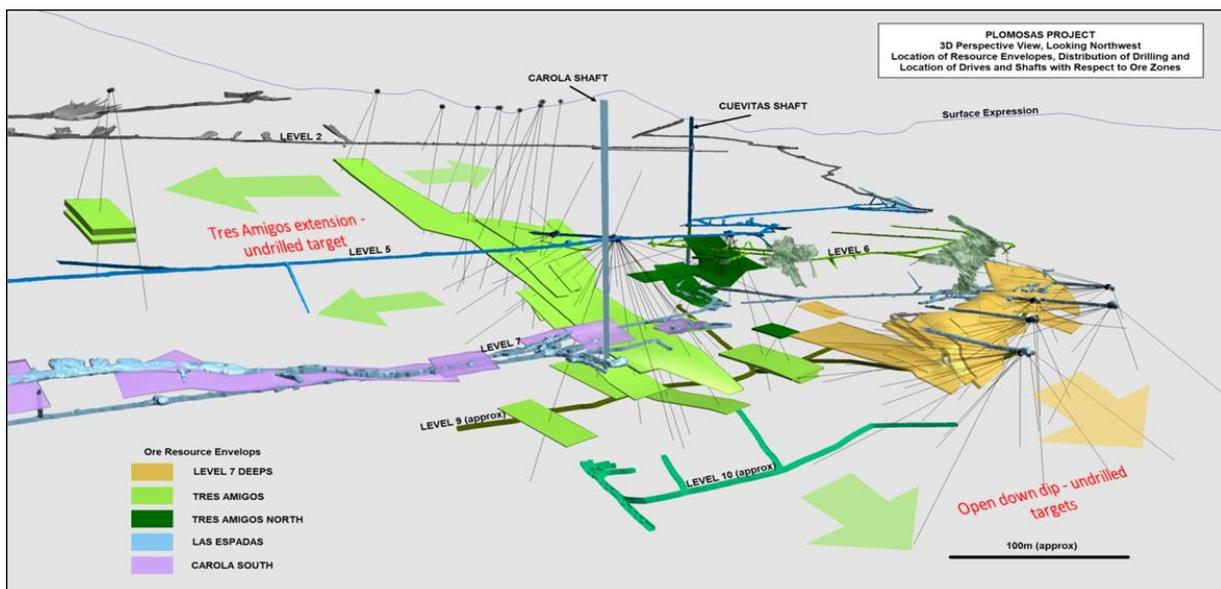


Figure 2: Oblique view looking NW of Plomosas Mineral Resource wireframed solids. Relative spatial locations of resources are shown with proximity of shafts and underground development and areas with potential for future extension and infill resource drilling. Note extensive down dip extent identified for Tres Amigos whose strike extent has remains untested and is confined by the lack of drilling.

Processing

Plomosas ore deliveries to the Santa Eulalia concentrator commenced on 20 September, 2018, with Santa Eulalia building the first stockpile in advance of commencing the first campaign batch treatment in October.

Revenues generated from the sale of zinc and lead concentrates mined and produced during the commissioning period will be capitalised during mine development in accordance with Australian Accounting Standards.

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Figure 3. CZL's mining team planning the recommissioning of the Plomosas mine



Figure 4. Tres Amigos high grade ore exposed in stope 1000. Note the hanging wall contact in the top left corner of plate with low grade running >5% Zinc.

Bankable Feasibility Study

The Detailed Costing Study (“DCS”) was completed and incorporated into a Bankable Feasibility Study (“BFS”). It was submitted to banks and merchant trading houses for review and several finance offers were received comprising debt and/or offtake and equity funding and funding term sheets were provided. A Mexican bank experienced in mine resource debt funding offered a US dollar debt facility, the terms of which were considered favourable and would have funded the proposed development plan including commencement of mining, refurbishment of the concentrator at Plomosas and expansion of the tailings dam.

Subsequent to these offers of finance, a proposal was received from Grupo Mexico for the toll treatment of the Plomosas ore at their nearby Santa Eulalia concentrator and the sale of the resulting zinc and lead concentrates to the Grupo Mexico smelter.

The Grupo Mexico proposal was considered far superior to the options presented in the DCS and BFS, particularly in the short to medium term. It resulted in Plomosas being brought into production far sooner than originally planned, with a much reduced capital requirement and operating cost benefits in both processing and transport.

The BFS completed to date will be used as a basis for ongoing studies into expanded operations in line with future Resource improvements and exploration success.

Environmental Permits for Operations

During the quarter the Mexican Environmental Authority (PROFEPA) provided the Company with an MIA Exception (EPA exception) for the mine and processing plant area. This MIA exception issued for the mine and process plant allows the Plomosas mining operations to commence whilst the environmental approval process continues for the remainder of the site and tailings storage facility (TSF).

Work will continue into the next quarter on the baseline study for the new design for the TSF and surface buildings to support the mine's ongoing operations and planned expansion.

While current mining activities do not utilise a TSF at Plomosas, CZL considers it prudent to have all permits in place to develop a concentrator on the Plomosas mining lease in the event of an expanded mine operation.

Corporate

Board changes

Ms Angela Pankhurst commenced on 1 August 2018 as a Non-Executive Director and brings a wealth of international mining, financial and corporate experience to the Board.

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Mr Andrew Beigel joined the Board in June 2018 following the resignation of Eduardo Valenzuela as a Director to assist with the Company restructuring. Subsequent to the end of the quarter Mr Beigel resigned as a Director and stepped back into the role as Company Secretary.

Third Party Claim

During the quarter, the Company announced it has received a claim by a company named Pandion Minerals Pty Ltd ("Pandion") pursuant to which Pandion claims to be entitled to a 10% interest in the Plomosas project at such time as a Bankable Feasibility Study is completed.

The Company considers the claim to be unfounded, and if the claim is pursued it will be defended vigorously.

Cashflows and Funding

Cash balance

The closing cash balance at 30 September 2018 was \$0.609 million, with the convertible note facilities fully drawn to \$3.527 million. Future operational cash surplus are expected to be sufficient to pay down the convertible loans.

Convertible Notes

The Company issued convertible notes to a value of \$1.55 million during the quarter to fund the development of the Plomosas Mine. These were issued on the following key terms:

Tranche C

- Issued \$0.300 million of convertible notes;
- Convertible at the 12 month anniversary or by election by lender;
- Interest payable at 10% pa; and
- Convertible at the lower of A\$0.01 or the price of the capital raising prior to the conversion date, subject to shareholder approval

Tranche D

- Issued \$1.25 million of convertible notes;
- Convertible at either the 12 or 24 month anniversary or by election by lender;
- Interest payable at 10% pa
- Convertible at the lower of A\$0.01 (12 month anniversary) or the price of the capital raising prior to the conversion date, subject to shareholder approval; and
- Convertible at the lower of A\$0.015 (24 month anniversary) or the price of the capital raising prior to the conversion date, subject to shareholder approval

For and on behalf of Consolidated Zinc Limited.



Brad Marwood
Chief Executive Officer

29 October 2018

ABOUT CONSOLIDATED ZINC

Consolidated Zinc Limited (ASX:CZL) owns 51% of the historic Plomosas Mine, located 120km from Chihuahua City, Chihuahua State, Mexico with the option to increase its ownership to 90% by the end of 2018. 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.

Competent Person Statement:

The information in this report that relates to Mineral Resources is based on, and fairly represents information and supporting documentation prepared by Mr Andrew Richards, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy and Member of the Australian Institute of Geoscientists. Mr Richards is a Director of the Company. Mr Richards has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Richards has approved the Statement as a whole and consents to its inclusion in this report in the form and context in which it appears.

The information in this report that relates to the Mineral Resources were first reported by the Company in compliance with JORC 2012 in market release dated 30 April 2018.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcements referred to above and further confirms that all material assumptions and technical parameters underpinning the ore reserve and mineral resource estimates contained in those market releases continue to apply and have not materially changed.