

27 December 2018

Consolidated Zinc increases ownership in Plomosas mine to 90%

Consolidated Zinc Limited (ASX: CZL or “the Company”) is pleased to advise that the Company now owns 90% of the Plomosas Mine through an increased shareholding in Minera Latin American Zinc SAPI CV (MLAZ).

A MLAZ shareholder meeting held Thursday 14 December 2018 approved the increase of issued shares in MLAZ such that the Company, through its wholly own subsidiary Arena Exploration Pty Ltd (Arena), now holds 90% of all issued shares in MLAZ.

The necessary documentation was lodged with the relevant authorities in Mexico and the new issue of capital was formally received on 24 December 2018.

The consideration given to the Mexican Partners for the acquisition of the additional 39% interest in MLAZ is in accordance with the MLAZ shareholders agreement being:

- Cash payment of A\$750,000; and
- Issue of shares in CZL to the value of A\$1,700,000 at a share price of 2.34 cents per share.

The payment and share issue to complete this transaction, along with associated payments to the vendors of Arena, were approved by CZL shareholders on 11 December 2018.

With CZL’s acquisition of 90% of MLAZ now completed, the Mexican Partners will retain a 10% interest in MLAZ. In accordance with the Shareholders Agreement between Arena and the Mexican Partners (and as announced on 2 January 2018), after completion of both the 90% acquisition of MLAZ and the delivery of a Bankable Feasibility Study (BFS) to the Mexican Partners, the interest of the Mexican Partners ceases to be free carried. A BFS was completed and announced in the September 2018 Quarterly Report released to ASX on 29 October 2018. This BFS will be delivered to the Mexican Partners after completion of the 90% acquisition of MLAZ.

In respect of the Mexican Partners’ 10% interest in MLAZ, upon their receipt of the BFS the Shareholders Agreement provides:

1. A right (or option) in favour of the Mexican Partners to sell the 10% interest subject to a pre-emptive right in favour of Arena with the sale price determined by taking 10% of the average valuation of the Plomosas Project from up to 4 independent parties. The consideration shall be in shares or cash as the parties may agree. Failing agreement, the consideration will be 50% cash and 50% shares in CZL. In this circumstance, the issue of the shares and the completion of the sale of the 10% interest in MLAZ is subject to CZL shareholder approval.
2. If the Mexican Partners do not exercise their right to sell the 10% interest or completion of this sale does not occur, then the Mexican Partners must contribute pro-rata to expenditure or dilute.

In respect of CZL’s ownership in the Plomosas Project, CZL also refers to its announcement of 10 August 2018 and page 25 of its 2018 Annual Report by which disclosure was made of a claim by Pandion Minerals Pty Ltd to a 10% interest in the Plomosas Project. CZL considers the claim unfounded and will defend any claim vigorously if it is pursued.

At a corporate level the Company has secured a short-term facility of A\$500,000 from Chairman Stephen Copulos and Executive Director Andrew Richards (“the Facility”). The Facility is unsecured, at an interest rate of 10% per annum and is repayable in two equal instalments due on or before 28 February 2019 and 31 March 2019. The Facility is provided for general working capital.

Brad Marwood, Chief Executive Officer of the Company commented “*We are very happy to have secured the increase in ownership of the Plomosas Mine as we see a bright future for the mine that will deliver increased*”

27 December 2018

shareholder value. Over the next 9 months the team will be pursuing avenues to increase production and decrease costs while revenues from zinc sales will allow the Company to resume resource definition drilling to increase the resource base and confidence."

The Plomosas Mine was re-commissioned in September 2018, and now is ramping up production with solid incremental improvements in the production profile. During 2019, production is expected to stabilise and the shaft refurbishment will be completed, further reducing operating costs. The Plomosas Mine is the primary asset of CZL and is expected to deliver free operating cashflows during the second quarter 2019.



For and on behalf of Consolidated Zinc Limited.

Brad Marwood
Chief Executive Officer

ABOUT CONSOLIDATED ZINC

Consolidated Zinc Limited (ASX: CZL) owns 90% of the historic Plomosas Mine, located 120km from Chihuahua City, Chihuahua State, Mexico. 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.