

Date: 23 August 2016

Recommendation: **Speculative BUY**
 Valuation: **N/A**

Company Information

ASX Code	CZL
Last Price (\$)	\$0.045
12 month share low	\$0.02
12 month share high	\$0.07
Shares on Issue (m)	411
Market Capitalisation (\$m)	\$18m
Daily Volume (30-day)	3.97m

Factset, DJC Research

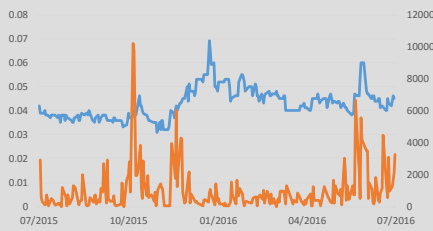
Business Description

CZL are an exploration / development company with an advanced, high grade zinc and lead asset in Mexico. The project has been in private hands for the last 30 years and is only now being explored with modern techniques. Extensive mine infrastructure already exists including an open underground mine which CZL is using to drill newly discovered mineralisation both down dip in the main zone and in the footwall. The mineralisation remains open in several directions.

Factset, DJC Research

Performance

12 month performance



Factset

Analyst Details

Paul Adams
 +618 9263 5234
padams@djcarmichael.com.au

Consolidated Zinc Ltd (CZL): Level 7 drilling

- **CZL announces continued high grade drilling results:** CZL has announced high grade drilling results from its underground diamond drilling program from drill cuddy 7.2 at the high grade Plomosas zinc-lead project in northern Mexico. Previous intersections up to 8.5m wide of up to 50% combined zinc-lead has been followed by the latest intersection of **13.8m at 25% zinc, 14% lead and 72g/t silver. True width for this intersection is estimated at 6.25m.**
- **Regional geophysical and mapping program underway:** For the first time, modern geophysical exploration techniques are being applied to the tenement package. CZL has initiated a close-spaced heli-mag and gravity survey to define anomalies that have similar characteristics to the Plomosas deposit. The survey is being conducted along the 7km trend of prospective geology (Main Manto Horizon) which will subsequently be followed up with mapping, sampling and eventually drilling, should suitable targets be identified. Most VMS-styled deposits occur in clusters and therefore we would expect to see some anomalous zones being identified by the program.
- **Additional drill cuddies now becoming available:** CZL has also announced it continues to develop additional underground drill cuddies to allow for further exploration and definition drilling down dip of the main mineralised zones. Cuddy 7.3 is now ready and Cuddy 8.1, from a position to the south of Cuddy 7.1, will target the mineralising structure down dip of the thicker mineralised zones seen in the historic mine.

ANALYSIS

- **A second drill rig is now being mobilised:** CZL has mobilised a second underground drill rig to expedite the down dip drilling program in preparation for a maiden JORC resource during Q4. We estimate this is likely to be between 0.5 and 1.0Mt. Whilst not large in tonnage terms, we expect to see the resource at reasonably high grades compared to peers, even after allowances for edge and internal dilution.
- **Regional exploration program:** We see the regional exploration program as an important step. The results from this program are likely to be pivotal to the future allocation of exploration funding and if successful, could open up other exploration fronts. The gravity survey has been completed already and is now being ground truthed with detailed surface mapping. In addition, a heli-mag survey will be initiated in the coming days to help with the structural interpretation.

OUR VIEW

CZL continue to intersect high grade massive sulphide mineralisation at Plomosas. We look towards further drilling from the extensions of the existing drill cuddies and from cuddy 8.1 which will allow for drill intersections at a reasonable distance down dip of the existing mineralisation. We view this as important to establish a reasonable resource tonnage that has the potential therefore to host an operation at reasonable scale. We see this at circa 300Kt throughput per annum over a 5-year mine life.

The regional program is likely to result in other anomalies, given most base metal deposits occur in clusters. Success here could open up new exploration fronts on targets that have not yet been identified or exploited.

We retain our **Speculative BUY** recommendation.

Disclosure Disclaimer

RCAN1354

This Research report, accurately expresses the personal view of the Author. DJ Carmichael Pty Limited, members of the Research Team; including authors of this report, its directors and employees advise that they may hold securities, may have an interest in and/or earn brokerage and other benefits or advantages, either directly or indirectly from client transactions in stocks mentioned in this report.

The analyst does not own shares in **Consolidated Zinc Ltd**. DJC Advisors and/or Directors do hold shares in **Consolidated Zinc Ltd**.

DJ Carmichael Pty Limited, members of the Research Team; including authors of this report, its directors and employees advise that they may hold securities, may have an interest in and/or earn brokerage and other benefits or advantages, either directly or indirectly from client transactions in stocks mentioned in this report. DJ Carmichael Pty Ltd acted as Lead Manager and Underwriter to a SPP in **Consolidated Zinc Ltd** and was paid a fee for this service. DJ Carmichael Pty Ltd underwrote a rights issue in **Consolidated Zinc Ltd** and was paid a fee for this service. DJ Carmichael Pty limited acted as Lead Manager in a placement and was paid a fee for that service. DJ Carmichael Pty Ltd hold securities as principal in **Consolidated Zinc Ltd**.

Recommendation Definitions

SPECULATIVE BUY – 10% out-performance, but high risk

BUY – 10% or more out-performance

ACCUMULATE – 10% or more out-performance, buy on share price weakness

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. Stocks included in this report have their expected performance measured relative to the ASX All Ordinaries Index. DJ Carmichael Pty Limited's recommendation is made on the basis of absolute performance. Recommendations are adjusted accordingly as and when the index changes.

DJ Carmichael Pty Ltd is a wholly owned subsidiary of DJ Carmichael Group Pty Ltd ACN 114 921 247.

In accordance with Section 949A of the Corporations Act 2001 D J Carmichael Pty Limited advise this email contains general financial advice only. In preparing this document D J Carmichael Pty Limited did not take into account the investment objectives, financial situation and particular needs ('financial circumstances') of any particular person. Accordingly, before acting on any advice contained in this document, you should assess whether the advice is appropriate in light of your own financial circumstances or contact your D J Carmichael Pty Limited adviser. D J Carmichael Pty Limited, its Directors employees and advisers may earn brokerage or commission from any transactions undertaken on your behalf as a result of acting upon this information. D J Carmichael Pty Limited, its directors and employees advise that they may hold securities, may have an interest in and/or earn brokerage and other benefits or advantages, either directly or indirectly, from client transactions. D J Carmichael Pty Limited believe that the advice herein is accurate however no warranty of accuracy or reliability is given in relation to any advice or information contained in this publication and no responsibility for any loss or damage whatsoever arising in any way for any representation, act or omission, whether express or implied (including responsibility to any persons by reason of negligence), is accepted by DJ Carmichael Pty Limited or any officer, agent or employee of D J Carmichael Pty Limited. This message is intended only for the use of the individual or entity to which it is addressed and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If you are not the intended recipient or employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication and its attachments is strictly prohibited.

To elect not to receive any further direct marketing communications from us, please reply to this email and type 'opt out' in the subject line. Please allow two weeks for request to be processed.

© 2016 No part of this report may be reproduced or distributed in any manner without permission of DJ Carmichael Pty Limited