

3 November 2016

RECOMMENDATION

Speculative Buy

30 day Average Vol	1.0m
12 month share low	\$0.03
12 month share high	\$0.07

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

IRESS & DJC Research

ISSUED CAPITAL

ASX	CZL
Share price	\$0.031
Mkt cap ¹	\$14.2m
Ordinary shares on issue	429.8m
Unlisted options	165.6m

Source: IRESS

DIRECTORS & Management

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

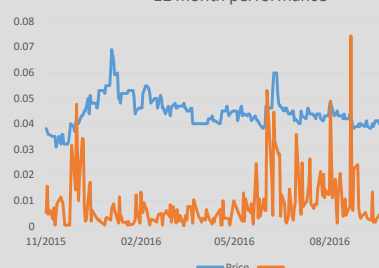
MAJOR SHAREHOLDERS

Copulos Group	19.2%
Chris Retzos	7.8%
Compania Retec	5.8%
FarJoy Pty Ltd	5.6%

As at May 2016

12 MONTH PERFORMANCE

12 month performance



Source: FactSet

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Consolidated Zinc Ltd (CZL)

Six regional exploration targets identified at Plomosas

After recently announcing an early move to acquire 80% of the Plomosas high grade zinc project CZL has received the results of its first pass regional exploration program. The program, involving mapping, sampling, magnetic and gravity surveys, has defined six target areas that display similar characteristics to the Plomosas deposit, either through geology, anomalous base metal grades and/or geophysical signature. CZL will devote a portion of its exploration budget to work up the targets in preparation for drilling in 2017. We re-iterate our Speculative Buy recommendation, awaiting further drill results from below Level 7 and a maiden resource estimate in Q4.

Key Points

- Regional exploration undertaken for the first time:** CZL released an announcement today detailing results from their recently completed geophysical surveys combined with surface geological mapping and sampling. The aim of the work has been to identify targets that could be extensions of the known mineralisation around Plomosas and identification of more distal targets that could represent new, as yet undiscovered ore bodies, similar in size and tenor to Plomosas.
- Geophysics using gravity and magnetics outlines target zones:** CZL has used a combination of geophysical techniques to derive targets. The magnetic survey has been successful in defining structure and horizons that provide analogues to the host of the Plomosas mineralisation. The gravity survey has defined areas of high density contrast that could represent areas of high density adjacent to low density limestones and shales, that may indicate the position of mineralisation.
- Six zones have been discovered:** CZL has defined six areas that require follow up. The newly names El Fenomino Prospect and the Los Alfonsitos Mine are located to the NE of Plomosas. El Fenomino consists of marbles showing extensive deformation and a small working at the northern end. The Los Alfonsitos Mine has numerous workings within a gossan with oxide copper and zinc mineralisation evident from the Juarez Limestone and the Mina Vieja Marbles.
- Additional targets immediately SE of Plomosas Mine:** Importantly the geophysical surveys have delineated a target to the SE of the Plomosas Mine that may represent a faulted and displaced part of the mineral system. In all cases, the first pass results will have to be enhanced and the targets refined prior to drill testing. This is likely to occur 1H 2017.
- Speculative Buy recommendation maintained:** We re-iterate our Speculative Buy recommendation on CZL but note that even though zinc prices are at a 5-yr high, many zinc explorers have not benefited from higher share prices as much as we would have hoped. Zinc price reached a high of US\$2,444 on Wednesday night. We look towards the finalisation of the maiden resource for Plomosas and continued drill results from down dip in the main zone, given timing on further information received from the regional program will likely be in 2017.

CZL completes first pass regional exploration at its Mexican Zinc Project

CZL released an announcement today detailing results from their recently completed geophysical surveys combined with surface geological mapping and sampling.

The aim of the work has been to identify targets that could be:

- i) Extensions of the known mineralisation around Plomosas, and
- ii) Identification of more distal targets that could represent new, as yet undiscovered ore bodies, similar in size and tenor to Plomosas

The methods employed included, in the first instance, surface mapping and sampling, looking for gossans at surface and suitable host rocks that could lead to further base metal mineralisation. Mapping was also aimed at identifying controlling structures and the discovery of parallel lithologies that could provide suitable hosts for another deposit.

Secondly, both magnetics and gravity have been employed.

- The magnetics was undertaken to get a better structural interpretation and to see whether the Plomosas mineralisation could be identified with a particular magnetic signature, in order to look for analogues elsewhere on the tenement package.
- The gravity survey was conducted in order to identify areas of major density contrast between host rock and potential mineralisation. As you know, the Plomosas mineralisation is very high grade and the sulphide has a very high density. Zones of major density contrast could indicate further mineralisation.

Six new targets generated

The results show that all three methods have resulted in new targets worthy of follow up. There are six initial target zones that have been identified.

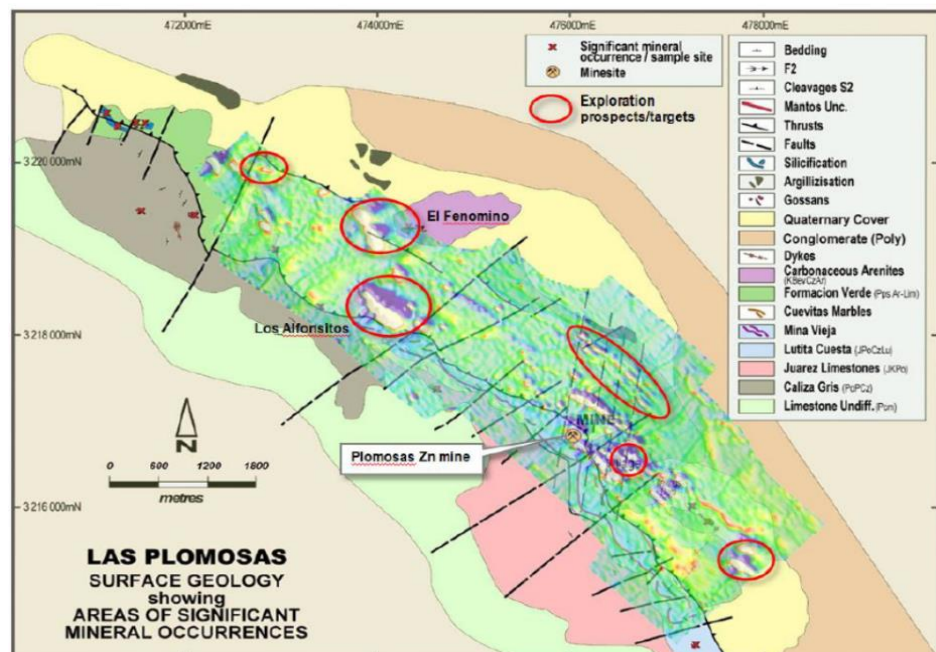


Figure 1. Six target areas identified from the regional program

Source: CZL

The mapping identified a number of zones, that have not had previous drilling, that display the right type of geology; have evidence on surface of elevated base metal content and in some cases minor historical excavation.

The magnetics has highlighted a number of structures that could be the result of displaced mineralisation adjacent to Plomosas or new zones along strike. The gravity has indicated zones of high density contrast that look sufficiently interesting to warrant further work and are in the same areas as the magnetic features mentioned above.

- One area of interest is the zone immediately to the SE of Plomosas where the magnetics and gravity show what could be a faulted and displaced analogue to the signature at Plomosas.
- CZL believe the anomaly at El Fenomino could represent a folded or thrust repeat analogue to the mine sequence at Plomosas.
- The gravity highlights a sequence that maybe younger but shows similar characteristics to that of the zone hosting the mine mineralisation.
- Further enhancement work needs to be undertaken on the geophysics to refine and better define the targets.

OUR VIEW

We think this is an encouraging result for the first time that a regional program has been undertaken on this tenement package. The mapping and geophysics has identified six areas that require follow up outside of the immediate mine. The surveys have shown that there may be a displaced portion of the mineralising sequence to the SE of the current mine but also a potential younger repeat to the NW

There will be enough work here for CZL to keep busy over the forthcoming year as they refine and enhance the targets and start to drill in 1H of 2017. This will increase news flow throughout 2017.

Should CZL delineate a reasonable sized resource at Plomosas further mineralisation in nearby prospects will have relatively low hurdle rates to get into production as they will require just incremental costs to bring into production.

We re-iterate our Speculative Buy recommendation on CZL but note that even though zinc prices are at a 5-yr high, many zinc explorers have not benefited from higher share prices as much as we would have hoped. Zinc price reached a high of US\$2,444 on Wednesday night.

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The Author of this report made contact with the **Consolidated Zinc Limited** 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 Limited**, the new recommendation supersedes this and therefore the recommendation in this report will become null and void.

Recommendation Definitions

SPECULATIVE BUY – Anticipated 10% or more outperformance, high risk

BUY – Anticipated 10% or more outperformance

HOLD – Anticipated 10% underperformance to 10% over performance

SELL – Anticipated 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.

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