

8 April 2016

RECOMMENDATION

Speculative Buy

30 day Average Vol	480k
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	\$0.04
Mkt cap ¹	\$10.2m
Ordinary shares on issue	255.5m
Listed options	23.4m
Unlisted options	27.5m

Source: IRESS

DIRECTORS

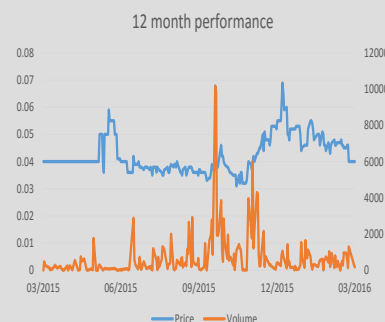
Stephen Copulos	Chairman
Will Dix	CEO
Andrew Richards	Exec Director
Louis Valles	Non-Exec Director

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)

More high grade Zinc down dip at Plomosas Zinc Project

CZL announced its first mineralised intersection in its drilling campaign below the Main Zone at the high grade Plomosas Project in early February with an intersection of 6.75m at 30.13% Zn, 12.67%Pb and 94.2g/t Ag. The intersection of massive sulphide was located approximately 40m below Level 7 which was the last level to be exploited in the mine. On 7 April the company announced further intersections down dip in the main zone which are consistent with this result recording a high of 47.9% Zn. We continue to be impressed with the grades at Plomosas, but more importantly, are pleased to see that reasonable widths continue to be intersected.

Key Points

- Massive sulphides continue in the Main Zone:** CZL are drilling from surface and underground positions on several targets at its high grade Plomosas zinc project in Mexico. The second hole into the main target (LVDD002), below Level 7, drilling from an underground position, intersected **6.75m at 30.13% Zn, 12.7% Pb and 60.4g/t Ag**. Almost every hole drilled into the Main Manto Zone so far has intersected high grade massive sulphide mineralisation. So far, 4,967m of diamond drill core has been drilled into targets at Tres Amigos (from Level 5 and surface) and into the Main Manto Zone (from Level 7). Recent results include **6.85m at 14.4% Zn, 6.9% Pb and 42.6g/t Ag** and **4.10m at 25.2% Zn, 12.7% Pb and 70.7g/t Ag**.
- Tres Amigos holes still to be finalised:** Tres Amigos is a footwall target being drilled from both underground on Level 5 and from surface. The latest drilling results from the surface holes indicate up-dip massive sulphide mineralisation within the Main Manto Zone, which is intersected prior to intersection of the Tres Amigos footwall. Most of the RC holes drilled so far are still in pre-collar stage and diamond tails into the footwall have yet to be completed. Even so, intersections of up to 4m in width are seen when drilling through the up-dip positions of the Main Manto Zones.
- Good intersection widths are critical to establish meaningful resource:** Widths of 4m and 6m in the Main Manto Zone mean that CZL has the potential to develop a reasonably sized resource at Plomosas. This is crucial in our view to being able to develop a project with a meaningful production profile. However, as an example, a relatively modest throughput rate of 500 tonnes per day would only require approximately 1.4Mt of reserves over an 8 year life of mine. At an SG (specific gravity) of nearly 4.0, this would only require 350,000 cubic metres, or 250m x 400m x 3.5m.
- Speculative Buy recommendation:** We maintain our Speculative buy recommendation as CZL continue to focus on the down-dip extensions of the known mineralisation. We believe that should economic widths of mineralisation continue to be encountered, a reasonable resource base can be established.

Drilling campaign down dip of Level 7 continues to intersect impressive grade

CZL are drilling from surface and underground positions on several targets at its high grade Plomosas zinc project in Mexico

The second hole into the main target (LVDD002), below Level 7, drilling from an underground position, intersected 6.75m at 30.13% Zn, 12.7% Pb and 60.4g/t Ag. Almost every hole drilled into the Main Manto Zone so far has intersected high grade massive sulphide mineralisation. So far, 4,967m of diamond drill core has been drilled into targets at Tres Amigos (from Level 5 and surface) and into the Main Manto Zone (from Level 7).

Ten holes have returned assay results since the previous update. All but one hole intersected high grade mineralisation. Within the Main Manto Zone, CZL has now followed up this initial result with:

- LVDD009: 6.85m at 14.4% Zn, 6.9% Pb and 42.6g/t Ag
- LVDD010: 3.15m at 37.9% Zn, 4.2% Pb and 49.0g/t Ag
- LVDD012: 4.10m at 25.2% Zn, 12.7% Pb and 70.7g/t Ag

The Plomosas mine has historically produced at between 15% and 25% combined Zn+Pb grades.

Core recovery continues to be an issue due to broken ground. CZL believe these issues are related to the oxide portions of the deposit immediately below Level 7 and are localised. The intersection lengths quoted above are those of core recovered only, so therefore there may be additional material within the geological formation that is not being recovered from the zones which, if present would add to intersection lengths.

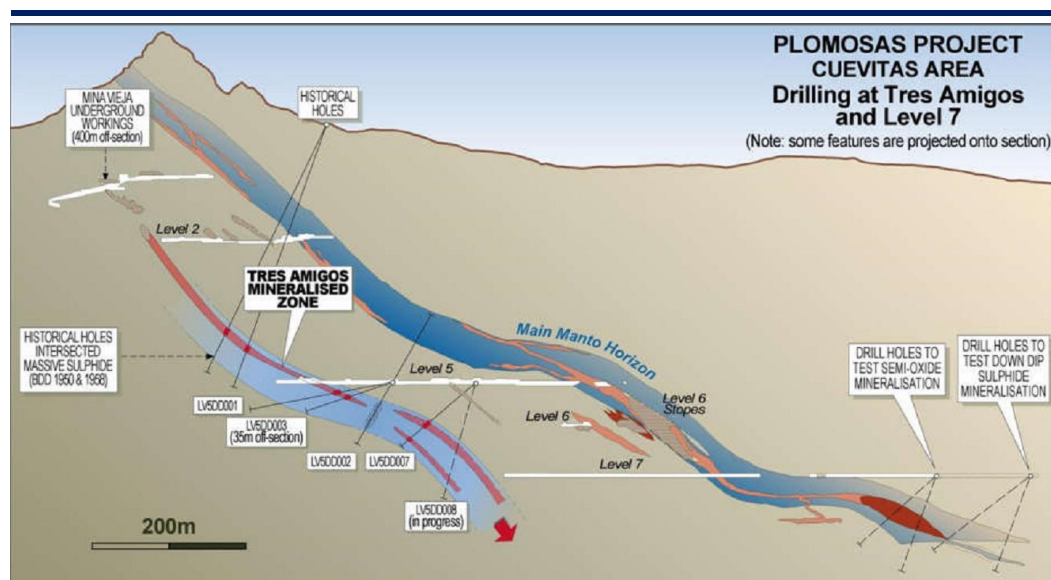


Figure 1. Cross section through deposit with lodes in footwall and below Level 7 Source: CZL

Intersection widths in the Main Zone vary between 6.85m at 1.50m but average 3.4m in this latest round of drilling results.

Tres Amigos Drilling

Tres Amigos is a footwall target being drilled from both underground on Level 5 and from surface. The latest drilling results from the surface holes indicate up-dip massive sulphide mineralisation within the Main Manto Zone, which is intersected prior to intersection of the Tres Amigos footwall. Most of the RC holes drilled so far are still in pre-collar stage and diamond tails into the footwall have yet to be completed. Even so, intersections of up to 4m in width are seen when drilling through the up-dip positions of the Main Manto Zones.

Interestingly, the 4m wide intersection, grading 11.7% Zn, appears to be emplaced along bedding planes in shales in a footwall position to the Main Manto Zone. We infer therefore that additional massive sulphide mineralisation may be present in zones not previously considered as having much potential. RC holes TRSRC005, 007 and 008 are yet to be drilled into the footwall zone.

The latest results from Tres Amigos confirms the differing chemistry of the mineralising fluids, being more Zn-rich in general than in the Main Zone, which has a Zn:Pb ratio of approximately 2:1

Pinching and swelling within the lodes requires drill out

CZL continue to see the massive sulphide lodes pinching and swelling along the sheared, ductile zone that typically is more prominent in the hanging wall of the Main Manto Zone. CZL believe thicker mineralisation widths will occur below down dip with continued pinching and swelling within the units.

Due to the nature of this style of mineralisation, a more extensive drill out will be required to define the geometry with sufficient confidence to estimate a resource.

Good widths in Main Zone critical for a long term mining project

Widths of 4m and 6m in the Main Manto Zone mean that CZL has the potential to develop a reasonably sized resource at Plomosas. This is crucial in our view to being able to develop a project with a meaningful production profile.

However, as an example, a relatively modest throughput rate of 500 tonnes per day would only require approximately 1.4Mt of reserves over an 8 year life of mine. At an SG (specific gravity) of nearly 4.0, this would only require 350,000 cubic metres, or 250m x 400m x 3.5m.

This would produce approximately 40,000 tonnes of combined payable zinc and lead per annum with a revenue stream of around US\$75m, or A\$100m p.a. at current metal prices. On our estimates, that would equate to an EBITDA of approximately US\$40m (A\$53m) per annum.

CZL secures interim funding package from existing shareholders

CZL has announced a \$0.55m interim funding package to enable the company to continue its high impact drilling program at Plomosas. The package has been sourced from existing shareholders and consists of a placement and convertible loans which are under the same terms as the recently completed placement at \$0.045 per share. CZL is actively engaged with other longer term funding providers.

Recommendation

We maintain our Speculative buy recommendation as CZL continue to focus on the down-dip extensions of the known mineralisation. We believe that should economic widths of mineralisation continue to be encountered, a reasonable resource base can be established.

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RCAN1334

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

Recommendation Definitions

SPECULATIVE BUY – 10% or more outperformance, high risk

BUY – 10% or more outperformance

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.

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