

23 December 2015

RECOMMENDATION

Speculative Buy

12 month volume	672.4m
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	\$0.048
Mkt cap ¹	\$12.0m
Ordinary shares on issue	251.6m
Listed options	23.4m
Unlisted options	27.5m

Source: IRESS

DIRECTORS

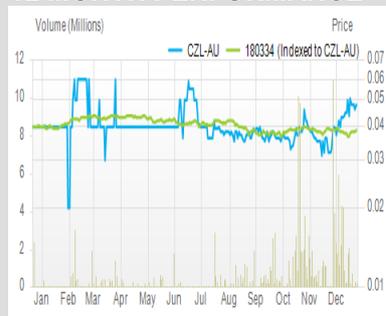
Stephen Copulos	Chairman
Will Dix	CEO
Andrew Richards	Exec Director
Louis Valles	Non-Exec Director

MAJOR SHAREHOLDERS

Copulos Group	19.9%
Compania Retec	11.4%
Tonka Trading	5.6%

As at 25 September 2015

12 MONTH PERFORMANCE



Source: FactSet

Paul Adams

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Consolidated Zinc Ltd (CZL)

\$3.5m funding secured to drill high grade Plomosas Zinc Project

CZL announced today that it has raised \$1.3m through new and existing sophisticated investors and has secured a funding facility from a Singaporean-based trading company, Funan Groupe Pte Ltd, with experience in advanced stage projects, such as CZL's high grade Plomosas Zinc Project. The total funding package available will be up to \$3.5m, with \$2.2m from Funan still subject to final due diligence, but is expected to be available within 3 months. The funding will see CZL maintain its aggressive focus on drilling the down-dip extensions of the zinc deposit and defining a JORC resource towards the end of 1Q16.

Key Points

- \$3.5m total funding to advance Plomosas Zinc Project:** CZL has raised \$1.3m in a placement to existing and new sophisticated investors and has attracted a funding facility and on-going services, from the Funan Group Pte Ltd. Funan Group Pte Ltd are a Singapore-based trading company with strong links to the Asian banking sector and could provide further services related to project financing opportunities. The Funan facility will provide up to \$2.2m in tranches of \$0.55m at the election of the company. The facility is still subject to some due diligence, including a site visit.
- Funds will provide uninterrupted drilling of main zone and new discoveries:** The funds will therefore allow to accelerate the drill program which if successful will require additional underground development to gain optimal drill orientation. The recent discovery of the FW and now additional HW zones shows the prospective nature of the project, which has received little to no modern day exploration over the last 20 years. The funds will also be deployed to complete metallurgical test work and scoping study work in preparation for a potential development decision.
- CZL now drilling on a number of fronts:** CZL has completed drilling of the up-dip targets on the recently discovered footwall (FW) mineralisation. An RC rig has completed 8 RC pre-collars and a surface diamond rig has completed 3 diamond tail holes so far, for a combined 538m. Drilling has commenced from a hanging wall drill caddy of a HW drill drive. The HW drill drive was developed 50m into the HW to provide an optimum drill intersection angle. A number of holes will be drilled down dip of the known Main mantos horizon to establish the extent of the Semi-oxidised zone already encountered and the potential for the continuation of the massive sulphide mineralisation below this. In addition, when establishing the HW drill drive, CZL encountered a previously unknown mineralised horizon, now termed the Jacanas Manto Horizon in the HW of the main zone. Patchy galena and sulphur appears throughout the unit similar to the Mina Vieja manto. A series of horizontal and angled holes will now be designed to assess the economic potential of the new horizon.
- Speculative Buy recommendation:** We maintain our Speculative buy recommendation as CZL focus on the down-dip extensions of the known mineralisation.

Capital raise introduces new funding partner to register

CZL has raised \$1.3m in a placement to existing and new sophisticated investors and has attracted a funding facility and on-going services, from the Funan Group Pte Ltd. Funan Group Pte Ltd are a Singapore-based trading company with strong links to the Asian banking sector and could provide further services related to project financing opportunities. The Funan facility will provide up to \$2.2m in tranches of \$0.55m at the election of the company. The facility is still subject to some due diligence, including a site visit.

The placement raised \$1.3m at \$0.045 per share for an additional 28.88m shares and will be used primarily to drill the Plomosas deposit and to provide working capital for the company.

The \$1m funding facility provided previously by the Copulos Group has been converted into 3m ordinary shares at the same price as the capital raise.

The funds will therefore allow to accelerate the drill program which if successful will require additional underground development to gain optimal drill orientation. The recent discovery of the FW and now additional HW zones shows the prospective nature of the project, which has received little to no modern day exploration over the last 20 years. The funds will also be deployed to complete metallurgical test work and scoping study work in preparation for a potential development decision.

Drilling starts on up-dip FW zone

CZL has completed drilling of the up-dip targets on the recently discovered footwall (FW) mineralisation. An RC rig has completed 8 RC pre-collars and a surface diamond rig has completed 3 diamond tail holes so far, for a combined 538m.

A graphitic schist unit caused some azimuth control issues in the higher parts of the pre-collars which has been subsequently addressed but one diamond tail intersected a stope, indicating that massive sulphide mineralisation at this location had been mined previously. Another hole encountered 1.3m of massive sulphide (with some internal waste) adjacent to the stoped zone. Logging and sampling still needs to be carried out. A more comprehensive assessment of the area will not be permitted until all the holes have been drilled.



Figure 1. RC and diamond (background) rigs on surface at Plomosas

Source: CZL

Level 7 drilling in the Main Manto horizon to start

Drilling has commenced from a hanging wall drill cuddy of a HW drill drive. The HW drill drive was developed 50m into the HW to provide an optimum drill intersection angle. A number of holes will be drilled down dip of the known Main mantos horizon to establish the extent of the Semi-oxidised zone already encountered and the potential for the continuation of the massive sulphide mineralisation below this.

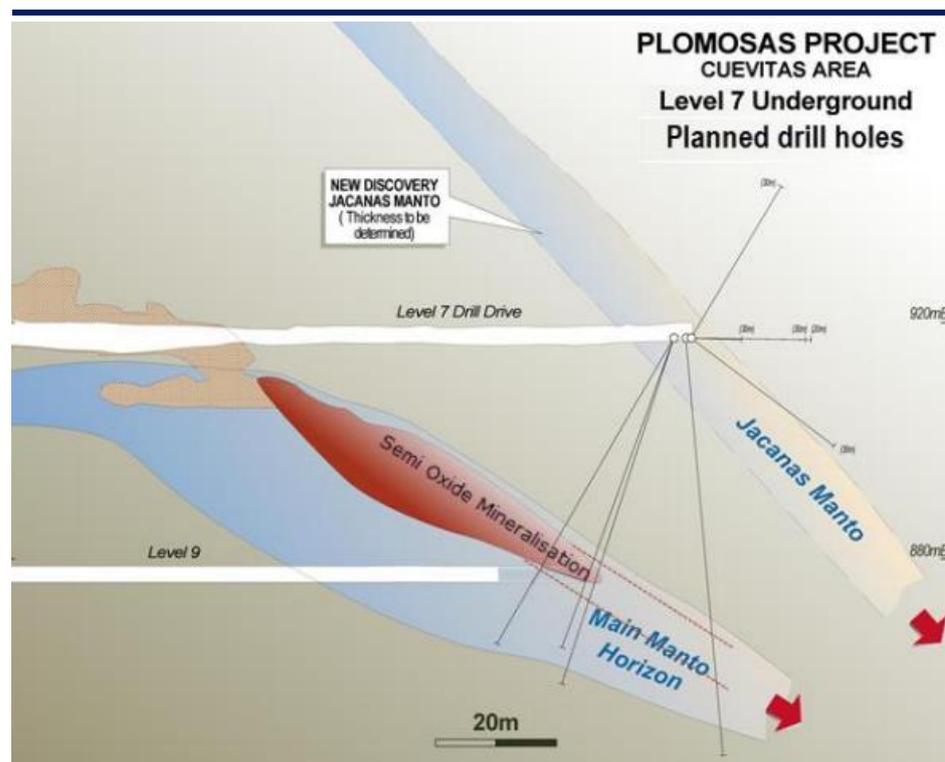


Figure 2. Cross section showing Tres Amigos drilling, historic holes and 7 Level

Source: CZL

New mineralised zone encountered in the Hanging Wall

When establishing the HW drill drive, CZL encountered a previously unknown mineralised horizon, now termed the Jacanas Manto Horizon. Development towards the end of the HW drill drive encountered a 2m wide zone of massive sulphide hosted by a massive marble unit with similar geological characteristics to that of the Main Manto Horizon. The geological unit is at least 12m thick and is located 30-40m up-dip of the Main Manto Horizon, but at an angle of 50° to the NE.

Patchy galena and sulphur appears throughout the unit similar to the Mina Vieja manto. A series of horizontal and angled holes will now be designed to assess the economic potential of the new horizon.

Metallurgical assessment of the semi-oxide zone

Samples of the semi-oxide zone previously identified are now in a metallurgical lab in Australia undergoing analysis. The semi-oxide zone is a zone of the Main Manto massive sulphide that has been partially oxidised as a result of structures that bisect the manto at that location. Oxidation of the sulphides on fracture planes could potentially decrease metallurgical recoveries from those surfaces. However, this appears to be a surface phenomenon only and the sulphide behind oxidised surfaces would be unaffected. Crushing to a certain size could mitigate metallurgical recovery issues.

Recommendation

We maintain our Speculative Buy recommendation on CZL whom now have enough funding to allow an uninterrupted drilling campaign on several fronts in order to establish an initial JORC resource towards the end of 1Q 2016.

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RCAN1318

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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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