

Date: 22 March 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)	254
Market Capitalisation (\$m)	\$11.4m
Daily Volume (90-day)	0.87m

Factset, DJC Research

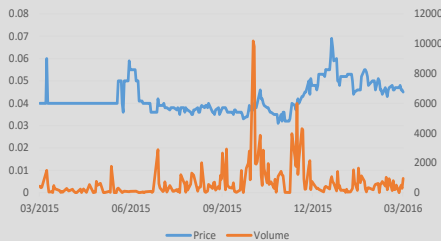
Business Description

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): High grade Zn-Pb results

- CZL announces further high grade Zn-Pb results:** CZL has announced further high grade zinc and lead results from its latest drilling at the Plomosas high grade zinc project in Mexico. Several samples have assayed over 50% combined Zn+Pb with significant silver credits. Results from 10 drill holes have recorded values in excess of 50% combined. Results from a further 11 holes are still awaited. A previously announced intersection (LVDD002) has returned final assays of **6.75m at 30.13% Zn, 12.67% Pb and 94.2g/t Ag (42.8% combined Zn+Pb)**.
- Pinch and swell still in evidence:** Typical for this style of mineralisation, pinch and swell structures are determining the thickness of mineralisation. Mineralisation widths typically vary from 0.5m to 4.0m whilst averaging approximately 2.0m. A systematic drill out will be required to properly evaluate the deposit. Several intersections of around 4.0m are still awaiting assay results.
- Recoveries could be under-calling mineralisation:** CZL have noted recovery issues in some of the holes that intersected mineralisation breccia with recoveries of between 47% and 86%. CZL believe that loss of drill circulation fluid may be causing a recovery loss of mineralised breccia.

ANALYSIS

- Continuing to see this evolve:** CZL continue to make in-roads into the understanding of the Plomosas deposit. Intersections of high grade massive sulphide are very common however the width is determined by structural controls within and adjacent to sheered margins within the main manto horizon below Level 7. In our view intersections of around 2.0m to 2.5m are mineable at these grades and have been mined previously at the project. With these high grades, edge dilution can be absorbed without making profitability tenuous.
- On track for maiden resource:** CZL are working towards a maiden JORC resource for the project. We would expect this at some point in Q2. We do not expect to see a large tonnage in this resource given the amount of drilling completed. At this stage we are more interested in the grade of the resource and what parameters are being set around 'mineability'. We would like to see 'mineable resources' as it will be an underground mining environment. i.e. an estimate that takes into account whether the resource can be physically mined.
- Effect of core recovery:** CZL have noted low core recovery for some of the intersections as loss of core in breccia zones has likely lost mineralised material. We believe that the intersection widths do not take into account the core loss and we would therefore expect to see thicker zones in these areas during mining.

OUR VIEW

It is still early days in the exploration of the Plomosas Project but the geological understanding is improving. The encouraging sign is that 90% of holes drilled are intersecting massive sulphide or disseminated sulphide mineralisation and, importantly, the grade is consistently high. We look towards a maiden JORC resource in the coming months to establish some 'mineability' parameters and acknowledge that this will be a relatively small number. However, the real exploration of the property has hardly begun and we would expect to see further, high grade and thicker zones being discovered as the program expands.

We retain our **Speculative BUY** recommendation.

Disclosure Disclaimer

RCAN1330

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 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 Ltd hold securities as principal in **Consolidated Zinc Ltd**. An associated person of a DJC Director who assisted in the facilitation of the acquisition of the Plomosas Project is a majority shareholder, holding 1.5% of the issued fully paid ordinary shares 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