

Dealing Desk Note

Targeting Larger Scale Production with Regional Upside

- Consolidated Zinc Limited (CZL) has unveiled its new strategy to target larger scale production from its 51% owned Plomosas Zinc mine in Chihuahua, Mexico. The Company plans to move into production during 2019 targeting a 250,000tpa production rate with a mine life of 7-10 years. This is a substantial increase over the 100,000tpa contemplated in the recent scoping study. This has occurred due to recent positive exploration results and recent expansions to the project's Mineral Resource as well as positive findings in the recently completed Scoping Study. In order to achieve the larger production rates the Company plans to conduct an aggressive extensional and infill drill program to convert more material into the Indicated category (from Inferred) and complete further metallurgical testwork to maximise recoveries. In parallel, the Company plans to do some regional exploration including first pass drilling on outcropping targets where rockchip samples have returned results >20% Zn+Pb.**
- Larger Scale Production:** The Company is targeting larger scale production from its Plomosas Zinc mine. This is a direct result of its continuing exploration success and recent expansions to the Mineral Resource (JORC 2012: 968,000t at 15.9% Zn + Pb for 154,000t up 70% from the previous resource). The larger scale will likely improve operating costs and efficiencies. In late October 2017, the Company released a positive scoping study which focussed on mining the Tres Amigos resource on Level 5 which is slightly lower grade than the other resources at Plomosas. This material was prioritised due to its proximity to surface, the immediate access to ore, the high metallurgical recoveries that had previously been identified and the quality concentrate that testwork has established can be obtained.
- High Grade Zinc Project:** The zinc grades at Plomosas are excellent (c.20%) and higher than most global zinc deposits. We note historical mining occurred at Plomosas between 1945 and 1974 extracted 2.5Mt at 24% Zn+Pb and over 80g/t Ag. There are also a number of surrounding mines in the district, some of which have been mined out recording grades over 20% Zn+Pb. One such mine is Santa Eulelia in the Chihuahua district which is owned by Southern Copper (SCCO-US).
- Resource Expansion:** We are particularly encouraged by the potential to expand the existing Mineral Resource and note that neighbouring mines have reached depths of c.1.5km versus the 260m for the current Resource. CZL has identified multiple in-mine target areas outside the existing resource including: Tres Amigos North (positive drill results released), La Espadas, Carola South and Level 7 Deeps (Figure 1). The next Mineral Resource update is expected early in Q2, 2018.
- District Zinc Play:** We note that the Plomosas deposit is typically hosted in a limestone/carbonate sequence and is similar to a Mississippi Valley Type (MVP) Zn-Pb deposit. A key feature of these deposits is that they are in districts that cover hundreds of square kilometres, and thus, there is good potential to discover further deposits in the area. In addition, there are a number of other small scale zinc mines in the region, and therefore, over the longer term we see the potential for a district play to significantly expand the scale of the project.
- Accomplished Management Team:** CZL has an accomplished Board with a strong geological focus. From 2018, the team will be headed up by Andrew Richards who has over 30 years' experience as a geologist in, South America, Asia, Australia and Africa, in base and precious metals at the exploration, development and production stages. He also has experience in financing mining projects having worked in the merchant banking sector during his career.
- Catalysts:** 1) Ongoing Results from Infill/Extensional drilling to recommence shortly 2) Early 2018 Regional Drilling 3) June Q 2018 Resource Update 4) Late 2018 Updated Metallurgical testwork 5) Late 2018 Updated Feasibility.

16 November 2017

Price	A\$	0.015
ASX		CZL.ASX
Shares o/s	m	726.2
Free Float	%	58.0
Market Cap.	A\$m	10.9
Net Cash	A\$m	1.06
Net Debt/Equity	%	NA
3mth Av. D. Tover	A\$m	0.04
52wk High/Low	A\$	0.035/0.012

DIRECTORS & MANAGEMENT

Name	Role
Steve Copulos	Non-Exec. Chairman
Will Dix	Managing Director
Andrew Richards	Executive Director
L. Rogelio	Non-Exec. Director
Andrew Beigel	Company Secretary
Steve Boda	Country/Exploration Manager

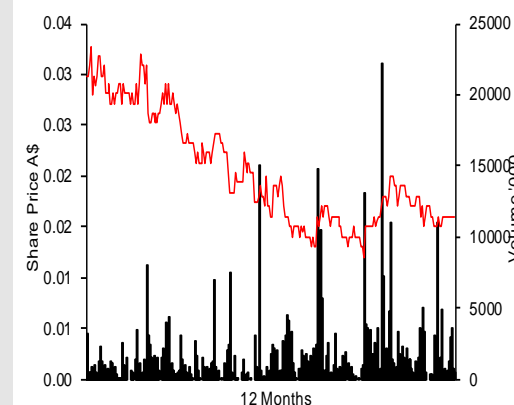
TOP SHAREHOLDERS

Name	Shares	%
Copulos Group	145.2	19.9
Jetsea	70.1	9.7
Retzos Group	49.7	6.8
Farjoy Pty Ltd	40.8	5.6

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Disclosure: Patersons acted as Lead Manager and Underwriter to a Rights Issue that raised \$2.95m at \$0.016/sh in May 2017. Patersons also acted as Lead Manager to a Share Placement that raised \$1.25m at \$0.016/sh in May 2017. It received fees for these services.

12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	-6	23	-46
Rel. S&P/ASX 300	-10	12	-64

BACKGROUND

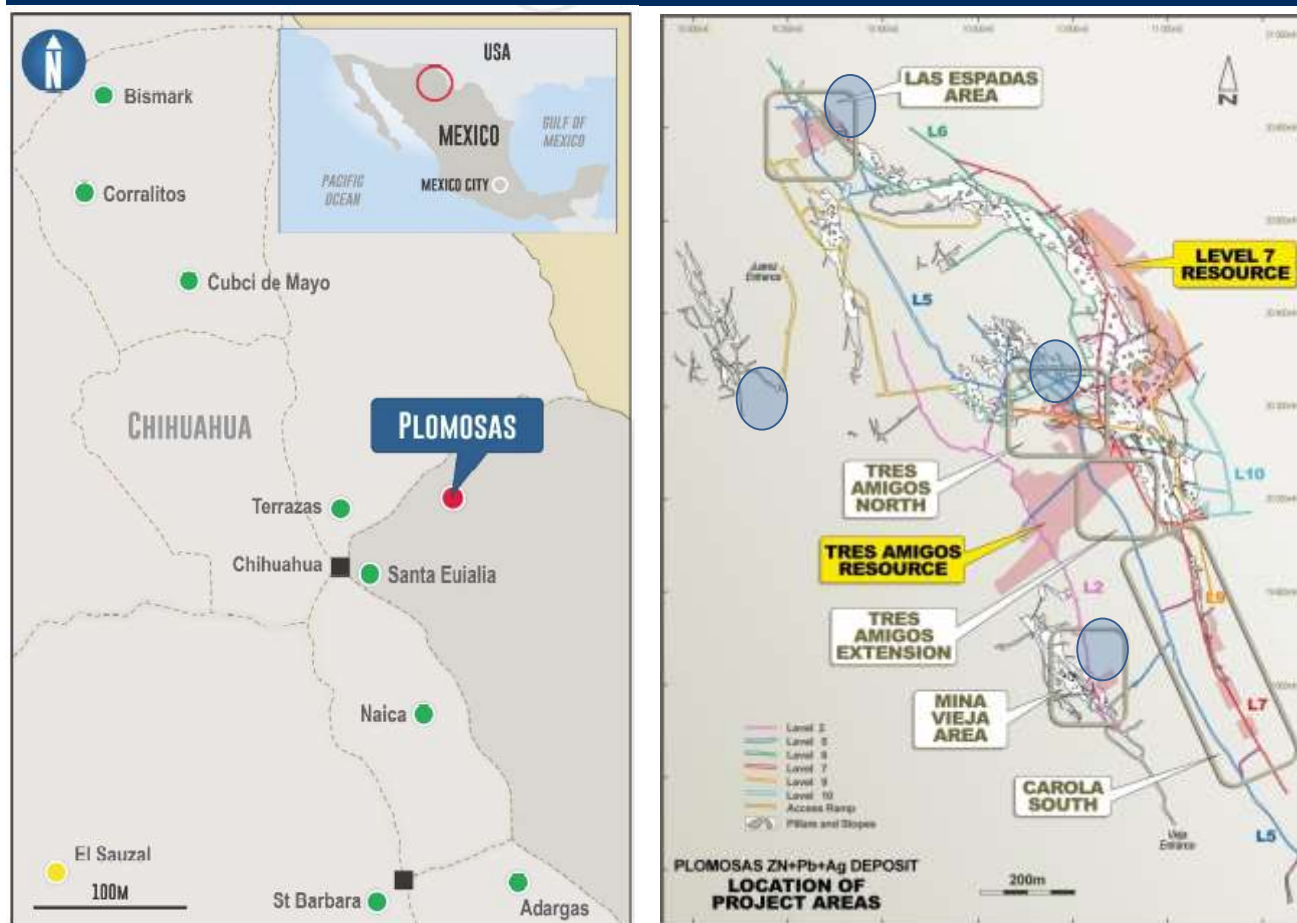
The Santa Eulalia mining district, where the Plomosas deposit is located, was first discovered by the Spanish in 1591 (Figure 1). The region has been in continuous production over three centuries (1703-Present) and ranks as one of Mexico's most prolific silver and base metals producers with over half a billion ounce of silver and nearly 6Mt of contained lead and zinc recovered. Chihuahua City was built by Spanish pioneers on the riches from Santa Eulalia over the first 200 years of mining.

Prior to 1925, mining was focused on the high grade oxidised orebodies that outcropped. Since that date however, operations have exploited the massive sulphide and skarns that underlie the oxide mineralisation. Mining has continued to the present, but at a reduced rate compared to that achieved from the late 19th to mid-20th century (Megaw, 1990).

The Plomosas deposit is one of the many carbonate Replacement Deposits that occur in a 2,200km long belt running from Hidalgo State to the Chihuahua and into the USA. This belt of deposits includes many of Mexico's most prolific producing mines such as: Ojuela, Naica, Concepcion del Oro, Santa Eulalia District, Los Lamentos, San Carlos, San Pedro Corralitos, Charcas and Sabinas-San Martin.

These deposits are formed by mineralised fluids migrating through district scale structures and replacing carbonate units in the shale-limestone sequence similar to the MVT style. Plomosas is located on the southern end of the Chihuahua Trough within Sierra Plomosa, comprising a sequence of limestones, shales and conglomerates of Ordovician to Permian age with thickness of 1,600m. Mineralisation is confined to identifiable stratigraphic horizons as: 1) Low angle, stratiform sheets of mineralisation at several limestone rich horizons in the sequence (mantos) 2) High angle, crosscutting mineralised bodies in linking structures 3) Replacive-style endo-skarns related to shearing within carbonate hosts. At Plomosas, strike lengths range from tens to several hundred metres and thickness from 0.5 to 15m (average 3-4m).

Figure 1 – Project Location (left); Plan View of Plomosas Mine Showing Exploration Areas (right)



Source: Consolidation Zinc Limited

UPDATED STRATEGY

The Company is targeting larger scale production from its Plomosas Zinc mine. This is a direct result of continuing exploration success and recent expansions to the Mineral Resource (JORC 2012: 968,000t at 15.9% Zn + Pb for 154,000t up 70% from the previous resource). The larger scale will likely improve operating costs and efficiencies. In late October 2017, the Company released positive scoping study results which focussed on mining the Tres Amigos resource on Level 5 which is slightly lower grade than the other resources at Plomosas. This material was prioritised due to its proximity to surface, the ability to immediately access the ore via existing infrastructure, the high metallurgical recoveries that had previously been identified and the quality concentrate that testwork has established can be obtained.

The Company also plans to increase its equity in the project to 90% during 2018. Moving forward, the Company will focus on increasing the resource base through ongoing exploration activity and potential acquisitions, while continuing its feasibility study.

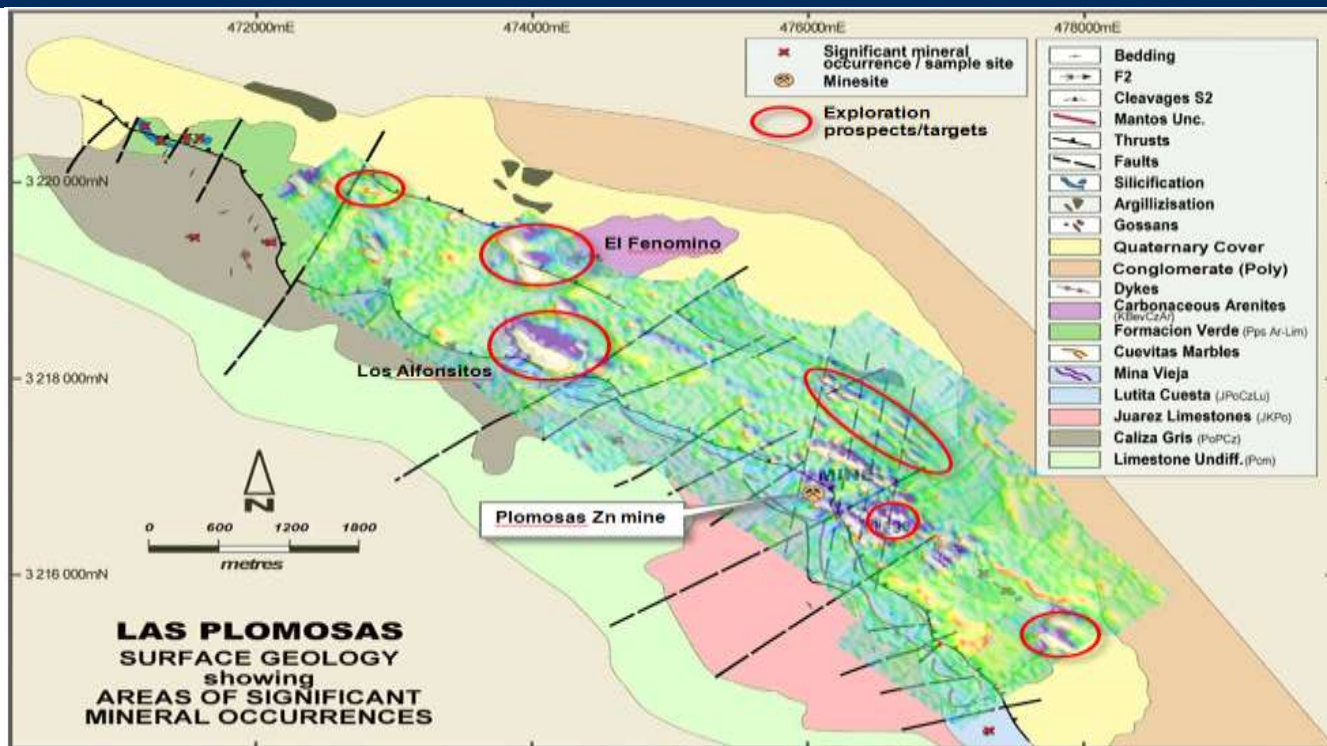
At the same time, the company is in the process of establishing strategic partnerships for offtake, funding and joint venture possibilities, while restructuring management in line with the skill sets required for mine development.

REGIONAL EXPLORATION UPSIDE

Assuming funding is available CZL plans to drill test several regional targets with known outcropping mineralisation (Figure 2). In November 2017, CZL announced first pass rock chip sampling at the Alfonsitos prospect returned exciting results with grades up to 18.53% and 24.34% Zn+Pb from workings and 15.05% Zn+Pb from outcrop. Alfonsitos is the first of several prospects identified by reconnaissance exploration and geophysical surveys previously reported to the ASX in November 2016. This is the first modern exploration undertaken at Alfonsitos, although artisanal shallow workings have been located, which date from pre-1940s. ASARCO also carried out a limited exploration program in the area in 1976, but despite positive results, no follow up work or drilling was undertaken.

Alfonsitos and several other specific targets have been outlined which will be drilled from surface as soon as permits are approved by the Mines Department. Additional surface exploration planned for other prospects identified in the region is continuing.

Figure 2: Surface geology, magnetics and regional prospects at the Plomosas Project.



Source: Consolidated Zinc Limited



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