

## Quarterly Activities Report December 2018

- Ore mined at Plomosas 5,291 tonnes of ore in the quarter at 10.0% zinc and 2.1% lead
- Ore delivered to Grupo Mexico 3,487 tonnes
- CZL increased ownership of Plomosas Mine to 90%

Consolidated Zinc Limited (CZL:ASX or “the Company”) is pleased to present the December 2018 Quarterly Activities Report.

### OPERATIONS - PLOMOSAS MINE, CHIHUAHUA STATE, MEXICO

#### Overview

Plomosas mined 5,291 tonnes grading 10.0% Zinc and 2.1% Lead during the quarter comprising lower grade material from development headings and higher grade stoped ore. Of that, 3,487 tonnes were delivered to Grupo Mexico’s Santa Eulalia plant near Chihuahua for toll Treatment and sale of concentrate produced. Zinc and lead recoveries to concentrate were 89% and 86% respectively.

TABLE 1: QUARTER ENDED 31 DECEMBER 2018 PRODUCTION STATISTICS			Sep-18 Qtr	Dec-18 Qtr	YTD
MINED*	ORE	TONNES	784	5,291	6,075
	WASTE	TONNES	132	6,933	7,065
	DEVELOPMENT	METRES	17	392	409
MINED GRADE**	ZINC	%	6.6%	10.0%	9.6%
	LEAD	%	1.6%	2.1%	2.1%
TOTAL METAL MINED	ZINC	TONNES	52	528	580
	LEAD	TONNES	13	113	126

\* Includes development ore and excludes 600 tonnes of Level 6 broken ore hauled to surface located from prior mined stockpiles.

\*\* Mined grade includes lower grade ore from development drives preparing stopes for high grade production.

#### Health, Safety and Environment

There were no reportable environmental or safety incidents during the quarter.

#### Mining

##### Development

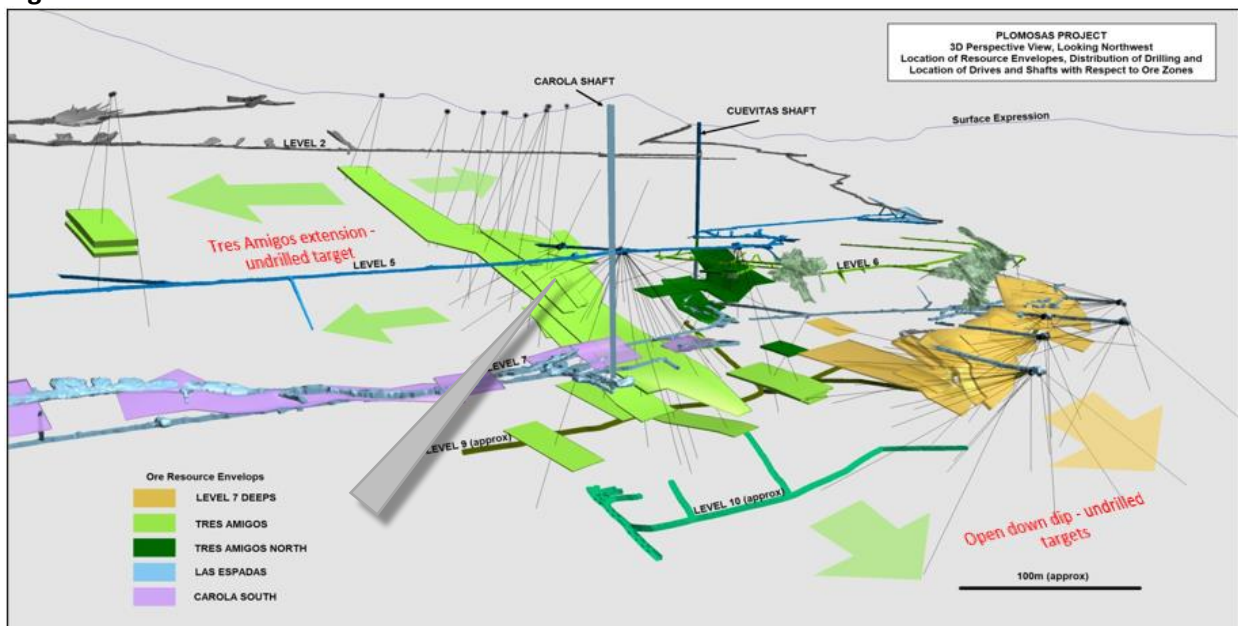
During the quarter, Plomosas mine activities focused on increasing underground development to increase access to high grade stopes and mining high grade ore from existing stopes. Significant new discoveries of economic mineralisation were encountered above the Level 5 initial access point to the Tres Amigos mineralisation and noted for future follow up by resource definition drilling. Ore sent to the Santa Eulalia plant included mineralisation mined from outside the current JORC resource.

The 392 metres of development completed during the quarter of was in line with expectations, after a revision to the mine plan to reduce development metres during the quarter by 210 metres.

The major development completed during the quarter included:

- Main Decline bypass of 72 metre reduced haul truck cycle times from 125 minutes to 60 minutes and contributed to a significant increase in truck haulage to surface (Figure 1) and reduction in vehicle wear and tear;
- Level 5 (992m RL) development provided access to the South West, North and 1000 Stopes;
- The internal decline between Level 5 and Level 7 was advanced over 120 metres during the quarter leaving 50 metres remaining to reach the 972m RL level;
- Establishment of access to the Level 6 ore stope where over 3,000 tonnes of high-grade ore had been broken but not hauled to the surface;
- The walls of all haul drives were trimmed to improve access for the larger 12 tonne haul trucks, and
- Installation of main surface fan and a secondary ventilation system, providing clean fresh air for the operations.

**Figure 1: Plomosas Mine**

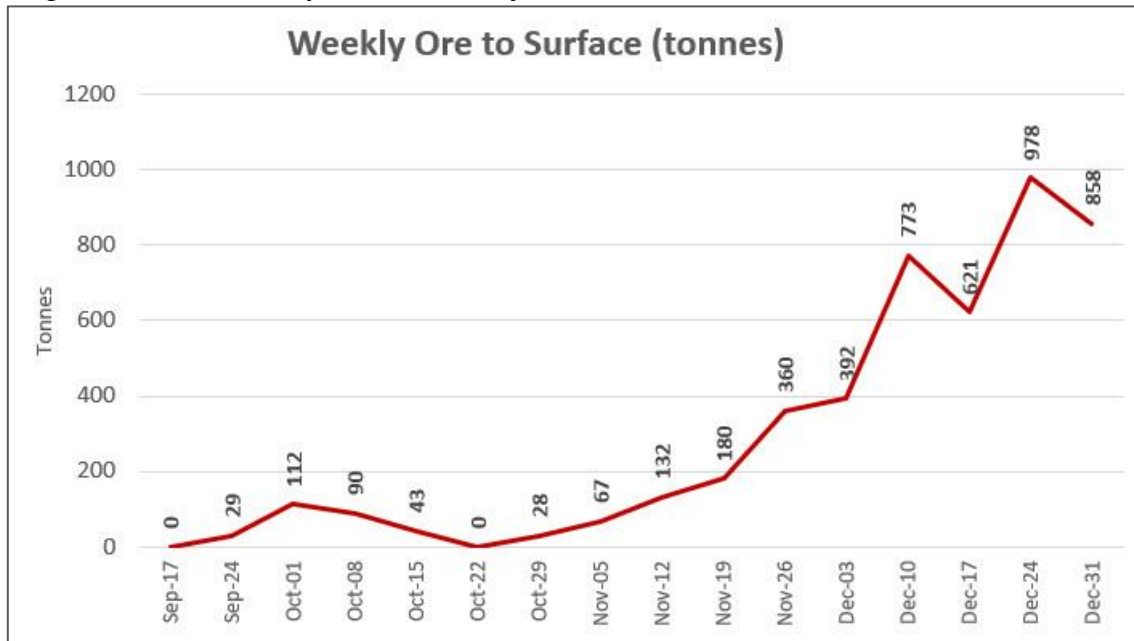


Ore Mining

Stope mining was undertaken from the SW, North and 1000 Stopes on or above Level 5 and the Level 6.

During the quarter, the mining contractor built up its team with sufficient miners to sustain production and development as planned.

**Figure 2: Plomosas weekly ore hauled to surface**



Production increased as development progressed and improved working practices were established during the quarter. The month of December shows the substantial increase in production and delivery despite the Plomosas Mine being operated with minimal staff during Christmas and the period leading up to the New Year.

**Figure 2. Ore haulage to surface utilising 10t and 12t haul trucks.**



*Production and performance have doubled as the operators become familiar with the operational requirements.*

**Processing**

The first batch of 3,000t was delivered to Santa Eulalia concentrators by 24 December 2018 and an invoice was issued in accordance with the toll treatment agreement. The average recovery of the first batch was 89% for zinc and 86% for lead with a concentrate grade averaging 51% zinc overall. First revenues are expected in early January with regular ongoing payments thereafter.

## Operating Costs

Operating costs of the Plomosas operation were capitalised as commissioning costs up to 30 November 2018, as were the associated revenues sourced from ore mined during the commissioning period.

The operation was deemed to have commenced commercial production from 1 December 2018 and the company will report unit operating costs for the March 2019 quarter.

## Detailed Costing Study

The Detailed Costing Study (DCS) was completed assuming a refurbishment of the pilot plant at Plomosas Mine and based on mining the updated Mineral Resource (Indicated and Inferred Resources) as announced to the market on 30 April 2018.

During the first quarter of 2019, the Company intends to recast the Study in terms of the JORC (2012) Code, to present production schedules, revenues and costings solely based on the Indicated Resources so as to deliver a bankable feasibility study.

As announced on 27 December 2018, the completion and delivery of a bankable feasibility study to the Mexican Partners will give rise to a right of the Mexican Partners to sell its 10% interest in the company owning the Plomosas Project, or failing this the Mexican Partners must contribute or dilute.

## Environmental Permits for Operations

All environmental permits have been secured for the current operations.

It is the intention of MLAZ to finalise tailings dam design and environmental planning for an operation comprising a plant at site of a size that will deliver revenues similar to that obtained from toll treatment. This work will be completed by the middle of the year and reported during the third quarter 2019.

## Corporate

### Completion of 90% acquisition of Plomosas

The Company is pleased to advise that it now owns 90% of the Plomosas Mine through an increased shareholding in Minera Latin American Zinc SAPI CV (MLAZ).

The consideration given to the Mexican Partners for the acquisition of the additional 39% interest in MLAZ is in accordance with the MLAZ Shareholders Agreement being:

- Cash payment of A\$750,000; and
- Issue of shares in CZL to the value of A\$1,700,000 at a share price of 2.34 cents per share.

The payment and share issue to complete this transaction, along with associated payments to the vendors of Arena, were approved by CZL shareholders on 11 December 2018.

With CZL's acquisition of 90% of MLAZ now completed, the Mexican Partners will retain a 10% interest in MLAZ. In accordance with the Shareholders Agreement between Arena and the Mexican Partners (and as announced on 2 January 2018), after completion of both the 90% acquisition of MLAZ and the delivery of a Bankable Feasibility Study (BFS) to the Mexican Partners, the interest of the Mexican Partners ceases to be free carried.

In respect of the Mexican Partners' 10% interest in MLAZ, upon their receipt of the BFS, the Shareholders Agreement provides:

29 January 2019

1. A right (or option) in favour of the Mexican Partners to sell the 10% interest subject to a pre-emptive right in favour of Arena with the sale price determined by taking 10% of the average valuation of the Plomosas Project from up to 4 independent parties. The consideration shall be in shares or cash as the parties may agree. Failing agreement, the consideration will be 50% cash and 50% shares in CZL. In this circumstance, the issue of the shares and the completion of the sale of the 10% interest in MLAZ is subject to CZL shareholder approval.
2. If the Mexican Partners do not exercise their right to sell the 10% interest or completion of this sale does not occur, then the Mexican Partners must contribute pro-rata to expenditure or dilute.

#### Cash

The closing cash at the end of the quarter was A\$262,068. In addition, trade receivables due for payment from Grupo Mexico were US\$489,770 and the value of ore delivered not invoiced of US\$101,318.

#### Convertible Notes

The principal value of convertible notes on issue at the end of the quarter was A\$2,735,156 (30 September 2018: A\$3,527,500), with A\$792,344 of convertible notes converted into equity during the quarter.

#### Unsecured borrowings

The Company entered into a short-term facility of A\$500,000 from Chairman Stephen Copulos and Executive Director Andrew Richards (“the Facility”). The Facility is unsecured, at an interest rate of 10% per annum and is repayable in two equal instalments due on or before 28 February 2019 and 31 March 2019. The Facility is provided for general working capital.

The Company also entered into an un-secured short-term facility of A\$469,845, to repay the equity refundable recorded as a liability in the 30 June 2018 Annual Report. The loan will be repaid in 5 instalments commencing at the end of February 2019, concluding at 30 June 2019.

#### Executive Appointments

During the quarter, Mr Anthony Italiano was appointed as Chief Financial Officer and Company Secretary.

Mr Italiano has over 15 years’ experience in the mining sector, primarily in Australia, Africa and North America. He brings a wealth of experience in corporate governance, operations, financing, commodity marketing and trading and brings to the Company specific expertise of transitioning an explorer to operator.

#### **For and on behalf of Consolidated Zinc Limited**



**Brad Marwood**  
**Chief Executive Officer**

#### **ABOUT CONSOLIDATED ZINC**

Consolidated Zinc Limited (ASX: CZL) owns 90% of the historic Plomosas Mine, located 120km from Chihuahua City, Chihuahua State. Chihuahua State has a strong mining sector with other large base and precious metal projects in operation within the state. Historical mining at Plomosas between 1945 and 1974 extracted over 2 million tonnes of ore grading 22% Zn+Pb and over 80g/t Ag. Only small-scale mining continued to the present day and the mineralised zones remain open at depth and along strike.

The company has recommenced mining at Plomosas and is committed to exploit the potential of the high grade Zinc, Lead and Silver Mineral Resource through the identification, exploration and exploitation of new zones of mineralisation within and adjacent to the known mineralisation with a view to identify new mineral resources that are exploitable.



**Caution Regarding Forward Looking Statements and Forward-Looking Information:**

*This report contains forward looking statements and forward looking information, which are based on assumptions and judgments of management regarding future events and results. Such forward-looking statements and forward-looking information involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual market prices of zinc and lead, the actual results of current exploration, the availability of debt and equity financing, the volatility in global financial markets, the actual results of future mining, processing and development activities, receipt of regulatory approvals as and when required and changes in project parameters as plans continue to be evaluated.*

*Except as required by law or regulation (including the ASX Listing Rules), Consolidated Zinc undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.*

**Production Targets:**

*Production targets referred to in this report are underpinned by estimated Mineral Resources which have been prepared by competent persons in accordance with the requirements of the JORC Code. The production targets in this report are sourced from both Indicated and Inferred Mineral Resources and it should be noted that there is a low geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target will be realised.*

*There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. The stated production target is based on the Company's current expectations of future results or events and should not be solely relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met.*

**Competent Person Statement:**

*The information in this report that relates to Mineral Resources is based on, and fairly represents information and supporting documentation prepared by Mr Andrew Richards, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy and Member of the Australian Institute of Geoscientists. Mr Richards is a Director of the Company. Mr Richards has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Richards has approved the Statement as a whole and consents to its inclusion in this report in the form and context in which it appears.*

*The information in this report that relates to the Mineral Resources were first reported by the Company in compliance with JORC 2012 in market release dated 30 April 2018.*

*The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcements referred to above and further confirms that all material assumptions and technical parameters underpinning the ore reserve and mineral resource estimates contained in those market releases continue to apply and have not materially changed.*