

13 January 2020

TERMINATION OF MINING CONTRACTOR UPDATE – LEGAL DISPUTE

Consolidated Zinc Limited (ASX: CZL or “the Company”) announced on 3 December 2019 it had terminated the mining contractor, Caminos y Construcciones Ganti S.A. de C.V. (“Ganti”), at its Plomosas Project which is 100% owned by the Company’s Mexican subsidiary Minera Latin American Zinc S.A.P.I de C.V. (“MLAZ”).

The Company’s decision to terminate the mining contract with Ganti, was a result of an annual review of the contractor’s performance and productivity, and a review of their progress claims which identified significant overcharging and their underperformance at the Plomosas mine.

MLAZ has disputed the cost claims submitted by Ganti, which in MLAZ’s opinion are not in accordance with the mining contract.

Rather than follow the contractual conflict resolution scheme, Ganti submitted legal proceedings in the Federal District Court of Mexico (“the Court”) against MLAZ. Ganti’s submission to the Court claims final costs outstanding of Mexican Peso 23,632,639 (inclusive of 16% VAT) (approximately US\$1,255,719).

MLAZ’s audits and review have identified a substantially lower sum than this.

This legal proceeding enables Ganti to appoint a finance professional, whose role would be to conduct a monthly review of the MLAZ financial reports, to identify surplus cashflow to be paid and held by the Court to guarantee payment of the disputed amounts. This was authorised by the Court, in as much as Ganti was required to place a bond with the Court to guarantee any eventual damages that could be caused to MLAZ as a result of the legal claim and bond requirement.

Under Mexican Law, MLAZ has the right to place a bond with the Court for the claimed amount, which can either be satisfied in cash paid to the Court or by guarantee (“the Bond”) in order to prevent Ganti from exercising its right to appoint a finance professional to conduct a monthly review of the MLAZ financial reports. MLAZ has been advised by its Mexican lawyers there is no deadline determined to place the Bond with the Court.

Notwithstanding the above, MLAZ has the right to appeal the right of Ganti to appoint a finance professional and the review of MLAZ’s monthly financial reports. MLAZ believes this claim to be frivolous and unsubstantiated and intend to vigorously defend this position. MLAZ is in discussions with a Mexican based entity, MGX Meouchi, a bond agent who provides guarantee facilities of this nature for legal disputes to meet the Bond requirements.

This Court decision came as a surprise as Ganti and MLAZ were working to finalise all outstanding matters in accordance with the contract. MLAZ was not informed of any application to the Court or of the Court’s decision until the 200+ page order had been issued and delivered to MLAZ.

The Mexican legal system is based on French Napoleonic law, which differs significantly from English based legal systems. Legal disputes of this nature can take more than one year to resolve and there can be no reliable timeframe for resolution of the Bond or the disputed final amounts due under the mining contract unless agreement is reached sooner.

Whilst MLAZ continues to seek to negotiate in good faith with Ganti, it will vigorously defend the Ganti claim.

The Plomosas mine operations continue to operate with owner mining being undertaken and this ruling currently does not impact the mining operations or production.

The Company will continue to keep shareholders fully informed as this this legal matter progresses.

This announcement was authorised for issue to the ASX by the Directors of the Company.

13 January 2020

For further information please contact:

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ABOUT CONSOLIDATED ZINC

Consolidated Zinc Limited (ASX: CZL) owns 100% of the historic Plomosas Mine, located 120km from Chihuahua City, Chihuahua State, Mexico. 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.