

3 February 2020

GANTI LEGAL CLAIM UPDATE

- **Submission of MLAZ defence to Ganti claim was completed 22 January 2020**
 - **MLAZ is counterclaiming for damages of MX\$89.15M.**
 - **MLAZ elected to allow Ganti to place a financial professional in the operations office while appealing the Court Order.**
 - **On 31 January Ganti representatives seized financial records and physical inventory belonging to MLAZ, exceeding their rights under the Court Order**
 - **MLAZ will apply to the Courts next week to resolve this situation**
 - **CZL continues to act within Mexican law and seeks a negotiated settlement of the Ganti Claim.**
-

Consolidated Zinc Limited (ASX: CZL or “the Company”) announced on 3 December 2019 it had terminated the mining contract at its Plomosas Project, held by Caminos y Construcciones Ganti S.A. de C.V. (“Ganti”).

The Company’s 100% owned Mexican subsidiary that owns the Plomosas Project, Minera Latin American Zinc S.A.P.I de C.V. (“MLAZ”) has disputed the cost claims submitted by Ganti which, based on the reconciliation of a full year of mining activities, are not in accordance with the mining contract.

MLAZ and Ganti are in dispute over the final cost of the mining works claimed. Rather than follow the contractual conflict resolution scheme as laid out in the contract, Ganti submitted legal proceedings in the Federal District Court of Mexico (“the Court”) against MLAZ, without the Company being advised or able to make representation to the Court. Ganti’s submission to the Court claimed its final outstanding costs to be Mexican Peso \$23,632,639 (inclusive of 16% VAT).

MLAZ lodged their defence to the Ganti claim and presented counterclaims totalling Mexican Peso 89.15 million (Peso 72.35 million for loss of income and Peso 16.8 million in relation to physical damage) including:

- Sabotage of MLAZ equipment and the additional costs incurred to start owner operator mining;
- Failure to meet their environmental requirements requiring MLAZ to make good the degradation;
- Sabotage of the Plomosas mine and consequential costs incurred to recommence mining; and
- Failure to meet their obligations under the contract including mining rates, equipment and plant supply, and paying their employees, resulting in significant loss of profits.

As announced on 13 January, MLAZ was presented with the option of paying a bond to the Court or allowing the appointment of a finance professional to review MLAZ’s financial performance and identify excess cashflow which could be transferred to the Court to satisfy the bond. CZL’s board investigated the costs and availability of financing to provide the bond and, after considering the legal implications, decide to accept the appointment of a financial professional.

On Friday 31 January, Ganti representatives arrived at the MLAZ office and at the third party owned Aldama plant, seizing control of financial records and physical inventory. CZL’s Board has been advised that these actions significantly exceed the actions allowable under the order Ganti received from the Court.

MLAZ will seek orders from the Court for Ganti to cease their intimidation and excessive actions, and to pursue a negotiated settlement. The application to the Court will be made on Tuesday 4 February (Monday is a public holiday in Mexico). CZL’s directors remain confident that the Federal Court of Chihuahua will uphold MLAZ’s contractual and other legal rights.

Any developments in this matter will be announced to the market.

3 February 2020

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

For further information please contact:

Brad Marwood
Managing Director
08 9322 3406

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.