

Consolidated Zinc Limited

Ramping up high grade production at Plomosas

Consolidated Zinc Limited (ASX: CZL) is the operator and 90% owner of the Plomosas zinc mine in Chihuahua, Mexico. Mining commenced at Plomosas in September 2018 and achieved commercial zinc production in December 2018. CZL plans to ramp production up to 6,000tpm by mid-2019 and has treatment and offtake contracts in place with Mexico's largest miner, Grupo Mexico. Plomosas is in a rich but historically underexplored zinc region and the company plans to focus on strengthening its regional position through both exploration and acquisition opportunities. In December 2018, CZL defined a JORC Resource of 1.17Mt @12.5% Zn, 3.6% Pb, 22.2g/t Ag, of which 20% is indicated and 80% is inferred. The company achieved positive cashflow in 1H CY19. CZL last raised capital in June 2018 through a \$1.3m convertible note. Its previous equity raise, a rights issue with options attached, was in November-December 2017 and raised \$2.062m.

The Project

CZL's 90%-owned high-grade Plomosas Zinc Project covers more than 3,000 hectares in the northern Mexican state of Chihuahua, approximately 350km from the Texas border. Plomosas is in an area with an extensive history of development in base metal operations. CZL commenced zinc production at Plomosas in September 2018 and achieved commercial production in December 2018. The company is now progressing plans to expand production from 4,000t per month to 6,000tpm by the end of CY2019. During Q2 CY2019, Plomosas mined 15,881 tonnes of ore at 14.8% zinc and 6.7% lead and completed 579.7m of development. Additionally, the mine had record production of 7,088 tonnes of ore at 14.5% zinc and 6.0% lead in May 2019. The company commissioned the Aldama concentrator on May 16, 2019, commencing at a capacity of 100tpd and works to upgrade the capacity to 200tpd continue in parallel with ore processing. A total of 7,258 tonnes of Tres Amigos ore were processed at Santa Eulalia at 11.1% zinc, 1.9% lead and 22.6g/t silver, coupled with 3,015 tonnes of SOX ore processed at Aldama at 18.2% zinc, 11.4% lead and 64.2g/t silver.

Global zinc demand outlook

Global zinc production has been increasing in recent years to ~13.4Mt, but currently falls short of satisfying global demand of ~14.5Mt. Global demand is expected to see a 1% CAGR through to 2023. Key driving forces behind this growth are the increased demand from developing countries and the rising demand for galvanized steel, in construction, automobile, and other industrial applications. CZL currently has a Processing and Offtake Agreement with Grupo Mexico at a discount to zinc and lead concentrate benchmarks.

Pathway to expansion

Consolidated Zinc has a clear vision to expand current mining operations at the Plomosas mine with 11 Mining leases fully permitted to mine, the tailings storage facility awaits final approval from the government's environmental authority. CZL has explored only 100m of the 7km currently held under the mining leases. Through successful exploration of only 600 metres along strike from the Tres Amigos and Orebody 32 CZL may define over 500,000t of Zinc, a basis for a 500Ktpa concentrator that will generate US\$50M EBITDA annually. Significant new discoveries accessible from underground have been found, at Las Espadas East and Carola South, in undrilled, high grade areas, allowing for future growth and development of the Plomosas Mine.

Share details

ASX Code	CZL
Share Price	\$0.013
Market Capitalisation	\$12.99M
Number of shares	1.18B
Options on issue	107M
Performance rights	19.7M
Net debt at 30 June	US\$2.2M

Share price performance (12 months)



Upside Case

- Strong uptrend in zinc, lead and silver prices
- Successful increase in processing volumes of the Aldama concentrator from 100t/d to 200t/d
- Expected level of mineral resources are realised, mined and processed

Downside Case

- Significant changes in resource prices from external economic conditions, limiting profitability
- Underwhelming performance of primary income generating asset, the Plomosas project
- Appeal against court decision in favour of local rancher's decision to terminate the land use agreement fails

Catalysts

- Continued success in the mining and processing at the Plomosas site
- Outcome of exploration program

Comparative companies (Australia & NZ)

AZS, GMR, ICG

Company contacts

Brad Marwood (MD/CEO) +618 9322 3406
info@consolidatedzinc.com.au

RaaS contacts

Finola Burke +61 414 354 712
finola.burke@raasgroup.com

Andrew Williams +61 417 880 680
andrew.williams@raasgroup.com

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

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- how we transact with you
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- complaint processes

Contact Details, BR and RaaS

BR Head Office: Level 14, 344 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

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