

28 April 2017

## **Quarterly Activities Report for Period Ended 31 March 2017**

**Major drilling program commences at Kildare Zinc Project and exclusive option secured to acquire the 650,000tpa Galmoy lead-zinc processing plant**

### Highlights

#### KILDARE MVT ZINC PROJECT, IRELAND (ZMI: 100%)

- Consolidation of the vast database of historical soil geochemistry and drilling information into a single database completed, allowing the Company to finalise drill targets.
- Phase 2 drilling program commenced with ~3,000m of diamond drilling planned to expand known mineralisation and test a number of newly identified exploration targets.
- Drilling will also test the extent of mineralisation at the McGregor prospect to aid resource calculation.

#### CORPORATE

- 18-month exclusive option secured to acquire the 650,000tpa Galmoy lead-zinc processing plant as a potential key infrastructure item for the Kildare Project development.
- The plant was originally commissioned at the Galmoy Project, located 70km from ZMI's Kildare Project – Galmoy and Kildare are located on the same mineralised trend, with the Galmoy ore sharing several synergies with what is observed at Kildare.
- Due diligence period for Galmoy plant acquisition is aligned with ZMI's aggressive exploration and regional development strategy. Due diligence commenced during the quarter.
- Farm-out of non-core Leonora Gold Project to Roman Kings Pty Ltd completed following satisfaction of all Conditions Precedent.

#### Overview

The March Quarter marked the beginning of an active and important period for European-focused zinc explorer Zinc of Ireland NL (ASX: ZMI – “ZMI” or “the Company”), with the commencement of the Phase 2 exploration program at its flagship 100%-owned Kildare MVT Zinc Project in Ireland.

The diamond drilling program represents a key step forward at Kildare, leveraging off the vast amount of historical soil geochemistry and drilling information which has now been consolidated into one authoritative database.

This authoritative database, which now comprises more than 650 historical drill-holes as well as the information gained from ZMI's maiden drilling program completed last year, provides an opportunity to adopt an holistic approach to exploration of this project for the first time in its history.

The drilling program is designed both to progress advanced prospects such as McGregor, where there is an opportunity to delineate a JORC resource in the near term, and to test completely new greenfields targets that offer outstanding discovery potential.

Also during the Quarter, the Company achieved a key infrastructure milestone for the Kildare Project after securing an exclusive 18-month option to acquire the 650,000tpa Galmoy Lead-Zinc Processing Plant.



Figure 1: ZMI's projects (stars) and major zinc mines in Ireland

### **Kildare MVT Zinc Project, Ireland (ZMI: 100%)**

Following the successful completion of the Company's maiden drilling program late last year, the Phase 2 diamond drilling commenced at the **Kildare MVT Zinc Project** in Ireland in mid-March.

The program, which is being undertaken by an Irish-based experienced surface and underground drilling contractor Priority Drilling, will comprise approximately 3,000m of diamond drilling.

The drilling has been designed to test multiple targets, including extensions of mineralisation at previously drilled prospects and a number of newly identified high-priority exploration targets. The number of holes will depend on the mineralisation encountered in the target horizons.

An in-fill hole will also be drilled at McGregor to test the eastern extent of the mineralisation to assist with the potential calculation of a maiden JORC (2012) compliant Mineral Resource.

The rig will then move on to test a number of newly identified green fields exploration targets, where the Company believes there is significant potential to make new discoveries.

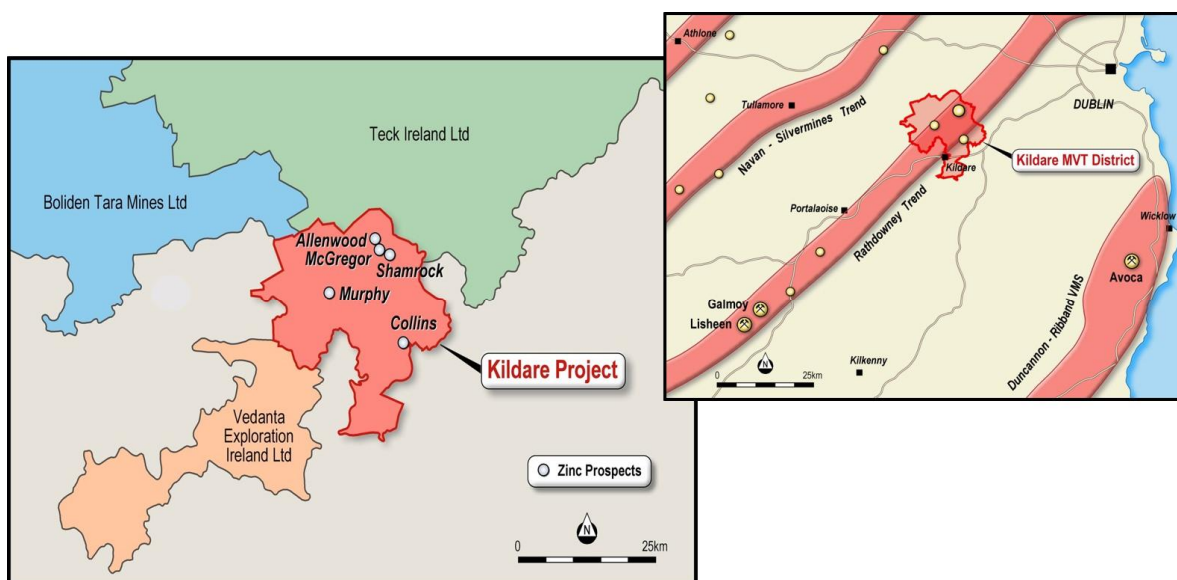


Figure 2: Regional setting of the Kildare Project

The Kildare District is host to numerous Mississippi Valley Type (MVT) zinc-rich breccias, with the favourable “Waulsortian Limestone” host rock forming a bed across the district.

ZMI’s maiden drilling program was undertaken at the Shamrock and McGregor Prospects in late 2016, with the results confirming and extending historical mineralisation. The drilling also confirmed the presence of significant thick zones of zinc mineralisation at four distinct stratigraphic horizons.

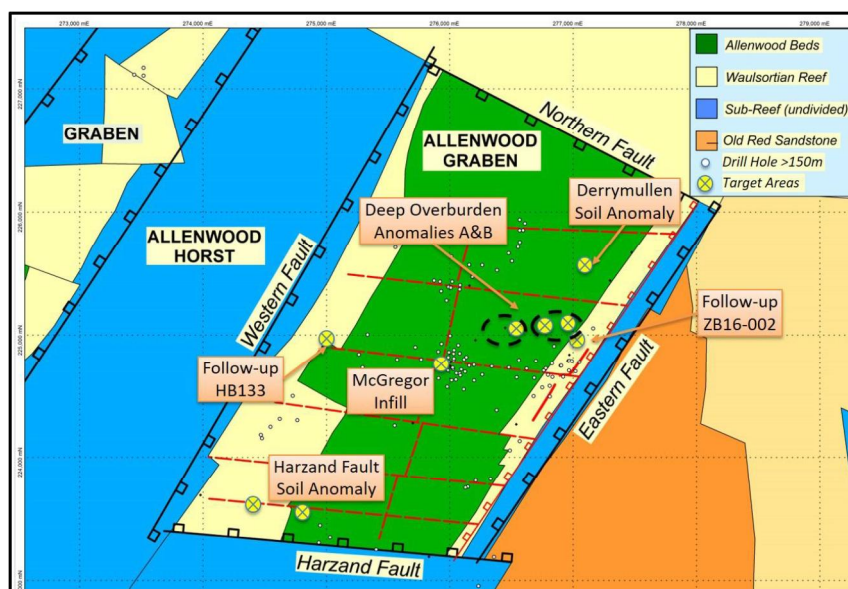


Figure 3: Location of targets to be tested in the current drilling program.

A detailed overview of the targets to be tested in the current programme was provided in the Drilling Update Presentation lodged on 20 February 2017.

The key prospects to be tested as part of the drilling program are:

- The McGregor prospect was discovered in the early 1970s following successful soil and deep overburden sampling programs. Extensive drilling since then has defined a thick, high-grade sheet of mineralisation along the Base of Reef horizon, as well as in the overlying Allenwood Beds and underlying Sub-Reef. An in-fill hole is required to test the eastern extent of the mineralisation prior to the calculation of a resource;
- The Base of Reef horizon beneath two deep overburden anomalies between the McGregor and Shamrock prospects (Figure 3); and
- ZMI's structural interpretation of the Allenwood Graben has been combined with historical soil anomalies at Derrymullen and Harzand for two exciting blue sky targets (Figure 3).

### **Option over Galmoy Lead-Zinc Processing Plant**

During the Quarter, the Company achieved a key infrastructure milestone for the Kildare Project after securing an exclusive 18-month option to acquire the 650,000tpa Galmoy Lead-Zinc Processing Plant.

The Plant is comprised of milling (SAG mill and two ball mills), flotation (sequential Lead and Zinc flotation circuits), product handling and other associated infrastructure which was originally commissioned at the Galmoy zinc mine in Ireland.

The Galmoy zinc mine is located approximately 70km south-west of ZMI's Kildare Project on the Rathdowney mineralised trend which also hosts the Lisheen mine and represents the centrepiece of ZMI's asset portfolio (see Figure 2). The Galmoy ore comprised breccia bodies at the base of the Waulsortian Reef and therefore shares several synergies with what is observed at Kildare.

In 2011, the Plant was sold and relocated from Ireland to Darwin, Australia, where it remains in storage ready for removal.

The grant of the Option is consistent with ZMI's aggressive exploration and regional development strategy at Kildare.

The key terms of the binding heads of agreement ("HoA") whereby ZMI is granted the Option by a subsidiary of Northwest Nonferrous Mining Australia Pty Ltd (a Chinese state-owned enterprise) are that:

- a) ZMI is granted an exclusive option period of 12 months for \$100,000 which may be extended by 6 months for an additional payment of \$50,000 ("Option Period") during which ZMI may conduct due diligence (including undertaking engineering and logistical studies on the Plant) and exercise the Option for the consideration in (b) below;

- b) The consideration to be paid upon exercise of the Option is
  - i. \$6 million in cash; and
  - ii. \$2 million worth of ZMI shares based on the 20 day VWAP (at the time of the Option being exercised) or \$2 million in cash (at the sole election of ZMI);upon exercise of the Option (amounts exclusive of GST).
- c) ZMI shall be entitled to possession on an as-is-where-is basis and ex warehouse.

The HoA also contains standard mutual representations and warranties, “no shop, no talk” clauses, and other standard provisions for an agreement of this nature.

### **Corporate**

Pursuant to the announcement of 21 November 2016 regarding a binding Terms Sheet with Roman Kings Pty Ltd (Roman Kings) in respect of its non-core Leonora Gold Project, the Company was advised during the Quarter that the Conditions Precedent have been satisfied, including completion of a fund-raising.

ZMI will be issued shares in Roman Kings to the value of no less than \$100,000 at the price of the Roman Kings’ fundraising, and Roman Kings are required to spend \$350,000 within 18 months to earn 51% of the Project (Stage 1).

Roman Kings are also required to undertake all works necessary to calculate a Mineral Resource in Stage 1.

Following Stage 1, ZMI will have the option to retain its 49% interest and contribute to the development of the Project or to require Roman Kings to purchase a further 24% (reducing ZMI’s interest in the Project to 25%) for \$250,000 in cash or shares, with ZMI being able to elect to receive no less than \$125,000 in cash (Stage 2).

ZMI will also receive \$5 per ounce of gold contained in a Mineral Resource exceeding 20,000 ounces at more than 1.0g/t gold.

It is a condition subsequent that Roman Kings must be admitted to the ASX (or similar stock exchange) within 18 months or any interest earned by Roman Kings in the Project will revert to ZMI.

### ***Next Steps***

The diamond drilling program currently underway at the Kildare Project will serve to significantly enhance the Company’s understanding of the structure and controls of the zinc mineralisation within the project area.

These results, together with the vast amount of historical exploration data which has now been consolidated into a single database, will underpin the delineation of a maiden JORC Resource for the key McGregor prospect and help shape future exploration programs across the Kildare Project area.

In addition, due diligence work will be completed on the suitability of the Galmoy plant to form a key infrastructure component for the future development of the Kildare Project in keeping with ZMI's aggressive exploration and regional development strategy.

Yours faithfully,



**Patrick Corr**

Non-Executive Chairman  
Zinc of Ireland NL

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**Competent Person Statement**

*The information in this document that relates to exploration results is based on information compiled by Mr Benjamin Sharp BSc MAIG, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Sharp is a director and shareholder of Zinc of Ireland NL. Mr Sharp has sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which has been 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 (JORC Code). Mr Sharp consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

**Disclaimer**

*Certain statements contained in this announcement, including information as to the future financial or operating performance of ZMI and its projects, are forward-looking statements that:*

- *may include, among other things, statements regarding targets, estimates and assumptions in respect of mineral reserves and mineral resources and anticipated grades and recovery rates, production and prices, recovery costs and results, capital expenditures, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions;*
- *are necessarily based upon a number of estimates and assumptions that, while considered reasonable by ZMI, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies; and,*
- *involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements.*



## TENEMENT DETAILS

| PL Number | Owner                               | Status      | County    |
|-----------|-------------------------------------|-------------|-----------|
| 3846      | Raptor Resources Ltd. (100%)        | Held        | Kildare   |
| 3866      | Raptor Resources Ltd. (100%)        | Held        | Kildare   |
| 4069      | Raptor Resources Ltd. (100%)        | Held        | Kildare   |
| 4070      | Raptor Resources Ltd. (100%)        | Held        | Kildare   |
| 4072      | Raptor Resources Ltd. (100%)        | Held        | Kildare   |
| 4073      | Raptor Resources Ltd. (100%)        | Held        | Kildare   |
| 2440      | Beal Na Blath Resources Ltd. (100%) | Held        | Cork      |
| 3202      | Beal Na Blath Resources Ltd. (100%) | Held        | Cork      |
| 2724      | Beal Na Blath Resources Ltd. (100%) | Held        | Galway    |
| 3251      | Beal Na Blath Resources Ltd. (100%) | Held        | Galway    |
| 3459      | Beal Na Blath Resources Ltd. (100%) | Held        | Galway    |
| 3880      | Beal Na Blath Resources Ltd. (100%) | Held        | Galway    |
| 1450      | Beal Na Blath Resources Ltd. (100%) | Held        | Meath     |
| 2836      | Beal Na Blath Resources Ltd. (100%) | Held        | Meath     |
| 2193      | Beal Na Blath Resources Ltd. (100%) | Held        | Monaghan  |
| 3027      | Beal Na Blath Resources Ltd. (100%) | Held        | Monaghan  |
| 3871      | Beal Na Blath Resources Ltd. (100%) | Held        | Monaghan  |
| 2105      | Beal Na Blath Resources Ltd. (100%) | Held        | Roscommon |
| 3163      | Beal Na Blath Resources Ltd. (100%) | Held        | Roscommon |
| 1690      | Beal Na Blath Resources Ltd. (100%) | Held        | Sligo     |
| 3969      | Beal Na Blath Resources Ltd. (100%) | Held        | Sligo     |
| 3397      | Beal Na Blath Resources Ltd. (100%) | Held        | Monaghan  |
| 3870      | Beal Na Blath Resources Ltd. (100%) | Held        | Monaghan  |
| 4248      | Beal Na Blath Resources Ltd. (100%) | Held        | Monaghan  |
| 4251      | Beal Na Blath Resources Ltd. (100%) | Held        | Monaghan  |
| 3526      | Beal Na Blath Resources Ltd. (100%) | Held        | Monaghan  |
| 4247      | Beal Na Blath Resources Ltd. (100%) | Application | Monaghan  |
| 4249      | Beal Na Blath Resources Ltd. (100%) | Application | Monaghan  |
| 4250      | Beal Na Blath Resources Ltd. (100%) | Application | Monaghan  |
| 3414      | Beal Na Blath Resources Ltd. (100%) | Application | Monaghan  |

**Note:** Raptor Resources Ltd and Beal Na Blath Resources Ltd are wholly owned subsidiaries of ZMI

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

ZINC OF IRELAND NL

### ABN

23 124 140 889

### Quarter ended ("current quarter")

31 March 2017

| Consolidated statement of cash flows                      | Current quarter<br>\$A'000 | Year to date<br>(9 months)<br>\$A'000 |
|---|----------------------------|---------------------------------------|
| <b>1. Cash flows from operating activities</b>            |                            |                                       |
| 1.1 Receipts from customers                               |                            |                                       |
| 1.2 Payments for  |                            |                                       |
| (a) exploration & evaluation                              | (111)                      | (670)                                 |
| (b) development   | -                          | -                                     |
| (c) production  | -                          | -                                     |
| (d) staff costs   | (97)                       | (221)                                 |
| (e) administration and corporate costs                    | (81)                       | (629)                                 |
| 1.3 Dividends received (see note 3)                       | -                          | -                                     |
| 1.4 Interest received                                     | 1                          | 6                                     |
| 1.5 Interest and other costs of finance paid              | -                          | -                                     |
| 1.6 Income taxes paid                                     | -                          | -                                     |
| 1.7 Research and development refunds                      | -                          | -                                     |
| 1.8 Other (provide details if material)                   | -                          | -                                     |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(288)</b>               | <b>(1,514)</b>                        |

|  |       |       |
|--|-------|-------|
| <b>2. Cash flows from investing activities</b> |       |       |
| 2.1 Payments to acquire:                       |       |       |
| (a) property, plant and equipment              | (110) | (110) |
| (b) tenements (see item 10)                    | -     | -     |
| (c) investments                                | -     | -     |
| (d) other non-current assets                   | -     | -     |



| Consolidated statement of cash flows |   | Current quarter | Year to date<br>(9 months) |
|--------------------------------------|---|-----------------|----------------------------|
|                                      |   | \$A'000         | \$A'000                    |
| 2.2                                  | Proceeds from the disposal of:                        |                 |                            |
|                                      | (a) property, plant and equipment                     | -               | -                          |
|                                      | (b) tenements (see item 10)                           | -               | -                          |
|                                      | (c) investments                                       | -               | -                          |
|                                      | (d) other non-current assets                          | -               | -                          |
| 2.3                                  | Cash flows from loans to other entities               | -               | -                          |
| 2.4                                  | Dividends received (see note 3)                       | -               | -                          |
| 2.5                                  | Other (provide details if material)                   | -               | -                          |
| <b>2.6</b>                           | <b>Net cash from / (used in) investing activities</b> | <b>(110)</b>    | <b>(110)</b>               |

|             |   |          |              |
|-------------|---|----------|--------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>                                 |          |              |
| 3.1         | Proceeds from issues of shares  | -        | 3,700        |
| 3.2         | Proceeds from issue of convertible notes                                    | -        | -            |
| 3.3         | Proceeds from exercise of share options                                     | -        | -            |
| 3.4         | Transaction costs related to issues of shares, convertible notes or options | -        | (224)        |
| 3.5         | Proceeds from borrowings  | -        | -            |
| 3.6         | Repayment of borrowings   | -        | -            |
| 3.7         | Transaction costs related to loans and borrowings                           | -        | -            |
| 3.8         | Dividends paid  | -        | -            |
| 3.9         | Other (provide details if material)   | -        | -            |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                       | <b>-</b> | <b>3,476</b> |

|            |  |              |              |
|------------|--|--------------|--------------|
| <b>4.</b>  | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |              |              |
| 4.1        | Cash and cash equivalents at beginning of period                             | 2,284        | 72           |
| 4.2        | Net cash from / (used in) operating activities (item 1.9 above)              | (288)        | (1,514)      |
| 4.3        | Net cash from / (used in) investing activities (item 2.6 above)              | (110)        | (110)        |
| 4.4        | Net cash from / (used in) financing activities (item 3.10 above)             | -            | 3,476        |
| 4.5        | Effect of movement in exchange rates on cash held                            | 9            | (29)         |
| <b>4.6</b> | <b>Cash and cash equivalents at end of period</b>                            | <b>1,895</b> | <b>1,895</b> |

| 5. <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|----------------------------|-----------------------------|
| 5.1      Bank balances   | 5                          | 284                         |
| 5.2      Call deposits   | 1,890                      | 2,000                       |
| 5.3      Bank overdrafts   | -                          | -                           |
| 5.4      Other (provide details)   | -                          | -                           |
| <b>5.5      Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>  | <b>1,895</b>               | <b>2,284</b>                |

**6.      Payments to directors of the entity and their associates**

- 6.1      Aggregate amount of payments to these parties included in item 1.2
- 6.2      Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3      Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

| Current quarter<br>\$A'000 |
|----------------------------|
| 97                         |
| -                          |

Directors' fees and wages – all payments are on normal commercial terms

**7.      Payments to related entities of the entity and their associates**

- 7.1      Aggregate amount of payments to these parties included in item 1.2
- 7.2      Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3      Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

| Current quarter<br>\$A'000 |
|----------------------------|
| -                          |
| -                          |

N/A

| 8. <b>Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>   | <b>Total facility amount<br/>at quarter end<br/>\$A'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$A'000</b> |
|--|---|--|
| 8.1 Loan facilities  | -   | -  |
| 8.2 Credit standby arrangements  | -   | -  |
| 8.3 Other (please specify)   | -   | -  |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. |   |  |

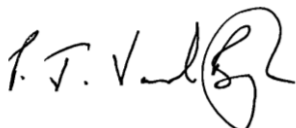
|     |
|-----|
| N/A |
|-----|

| 9. <b>Estimated cash outflows for next quarter</b> | <b>\$A'000</b> |
|--|----------------|
| 9.1 Exploration and evaluation                     | 500            |
| 9.2 Development                                    | -              |
| 9.3 Production                                     | -              |
| 9.4 Staff costs                                    | 98             |
| 9.5 Administration and corporate costs             | 50             |
| 9.6 Other (provide details if material)            | -              |
| <b>9.7 Total estimated cash outflows</b>           | <b>648</b>     |

| 10. <b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>                            | <b>Tenement reference and location</b>  | <b>Nature of interest</b>   | <b>Interest at beginning of quarter</b> | <b>Interest at end of quarter</b> |
|--|---|---|---|-----------------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | -   | -   | -                                       | -                                 |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased           | PL Area: 3397<br>PL Area: 4248<br>PL Area: 3870<br>PL Area: 4251<br>PL Area: 3526 | 100% interest held in all licenses.<br>Acquired through application in the name of Beal Na Blath Resources Ltd, a wholly owned subsidiary of ZMI. | All 0%                                  | All 100%                          |

### **Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: \_\_\_\_\_  
**Managing Director**

Date: 28 April 2017

Print name: **Peter van der Borgh**

### **Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.