

CZL Update May 2016

PLOMOSAS UNDERGROUND ZINC MINE, MEXICO

High grade zinc mine with silver, lead credits, targeting JORC resource and near term production with significant exploration potential



CONSOLIDATED ZINC LTD

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CAUTIONARY STATEMENT:

The potential quantity and quality of the exploration targets identified in this announcement are conceptual in nature, and there has been insufficient exploration to date to define a mineral resource in accordance with the Australian Code for Reporting of Mineral Resources and Ore Reserves published by the Joint Ore Reserve Committee 2012 ("JORC Code 2012"). Furthermore, it is uncertain if further exploration at its exploration targets will result in the determination of a mineral resource.

The potential quantity and grade of an exploration target is conceptual in nature, there has been insufficient exploration to determine a mineral resource and there is no certainty that further exploration work will result in the determination of mineral resources or that the exploration target itself will be realised.

COMPETENT PERSONS' STATEMENT:

The information in this report that relates to exploration results, data collection and geological interpretation is based on information compiled by Mr Andrew Richards BSc (Hons), Dip Ed, MAusIMM, MAIG, MSEG, GAICD who is a Member of the Australasian Institute of Mining and metallurgy (AusIMM) and Institute of Geoscientists (AIG). Mr Richards has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves' (JORC Code). Mr Richards consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Company



Capital Structure (ASX:CZL)

Shares on issue (approx)	255,993,847
Total options on issue	57,329,310
including listed options	23,350,152
Available Funds as at April 7	\$2,500,000 [^]
Share Price	\$0.045
Approx Market Cap (undil)	\$11.2 million
EV	\$7.3 million

Major Shareholders

Copulos Group	22.9%*
Mexican Vendors	9.8%
Retzos Group	9.7%*
Farjoy Pty Ltd	6.4%*

Board and Management

- **Stephen Copulos** – Non Executive Chairman
- **Will Dix** – Managing Director
- **Andrew Richards** – Executive Director
- **Luis Rogelio Martinez Valles** – Non Exec Director
- **Andrew Beigel** – Company Secretary
- **Steve Boda** – Exploration Manager

[^]CZL entered into a A\$2.2M draw down facility with Funan Group, an experienced trading Group based in Singapore to fast track the resource drilling at Tres Amigos and follow up resource estimation work.

The Project

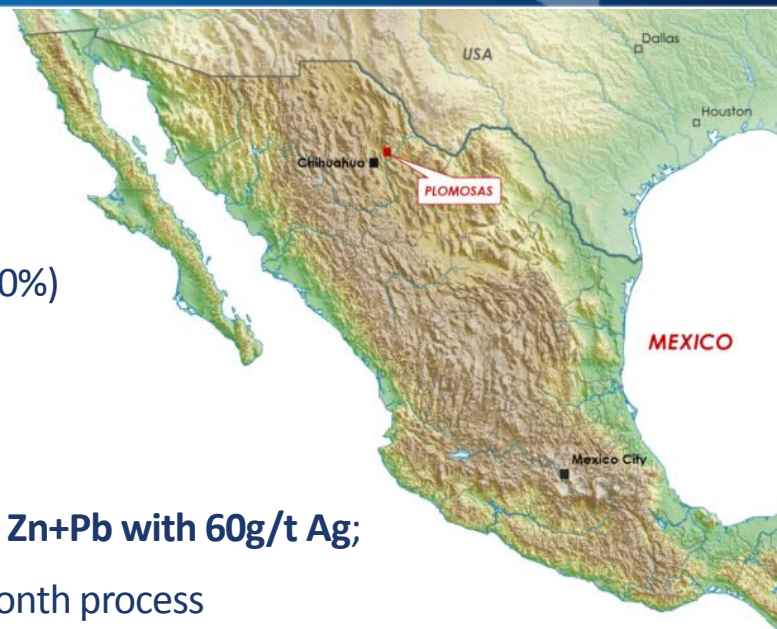


CZL owns 51% of the high grade Plomosas Zn-Pb-Ag mine in Mexico

With the rights to acquire up to 80% interest (and ultimately 100%) for additional \$750,000 cash and \$1,700,000 shares.

Plomosas – Key Project Attractions

- Multiple, very high grade Zn-Pb-Ag deposits grading **18-25% Zn+Pb with 60g/t Ag**;
- Granted Mining Leases (to 2042) – partly permitted – 4-6 month process
- Significant additional exploration upside with immediate drill targets and 7Km strike;
- A near term production asset with UG access to mineralisation already established;
- Excellent infrastructure;
- Historically clean mineralogy and high metallurgical recoveries;
- Low cost and low capex mining and processing options (TBC).



Location

Plomosas Location

- 2 hour flight from Dallas/Houston;
- 110 Km from Chihuahua City (95Km on state highway);
- 7 Km from established grid power

Chihuahua Province

- World class mining province;
- Experienced work force;
- The country's largest zinc producing state.

Mexico

- Favourable regulatory environment allows 100% ownership for foreign companies;
- Ranked #5 in world for mining investment (2015);
- Ranked #6 for zinc production (2014).



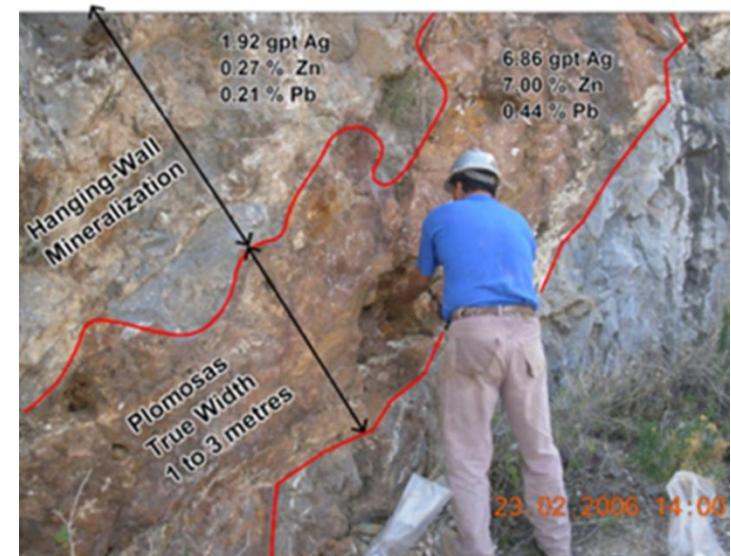
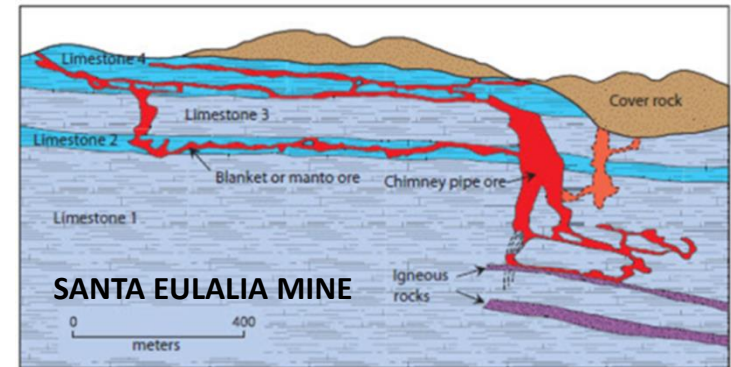
Simple Geology



- Shale-limestone units deposited at the margins of the major Chihuahua sedimentary basin.
- Deposits formed by mineralised fluids migrating through district scale structures and replacing carbonate units in the shale-limestone sequence, affinities to MVT-style.
- Mineralisation is confined to identifiable stratigraphic horizons as:
 1. *Low angle, stratiform sheets of mineralisation at several limestone-rich horizons in the sequence (**mantos**), or*
 2. *High angle, crosscutting mineralised bodies in linking structures (**chimneys**).*
 3. *Replacive-style endo-skarns related to shearing within carbonate hosts.*

Massive orebodies are found in groups with individual dimensions comprising:

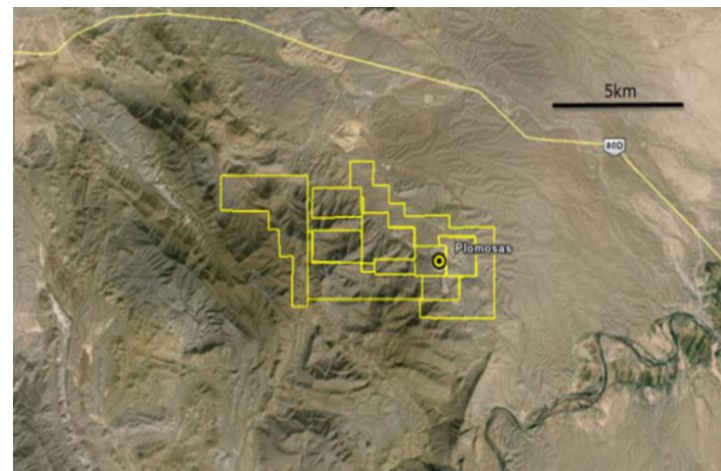
- Strike lengths from tens to several hundred metres, and
- Thicknesses from 0.5m to 15m (average ~3 - 4m)



Mining history 1945-1974



- ASARCO Grupo Mexico operated until 1974. Mined 2.5Mt ore at 24% Zn+Pb and 80 g/t Ag;
- **Up to 20,000t ore per vertical metre;**
- Martinez family owned since 1978
- Intermittent **remnant** mining since 1978 focused only on mineralisation above level 5 (131 mbs). Never dewatered;
- 3 shafts and multiple declines established and capable of extracting up to 1,000tpd (SRK report)
- **Historical concentrate information indicates very clean product and good recovery**
 - No deleterious elements (cadmium, mercury, arsenic etc)
 - Highly sought after as a blending concentrate.
 - Established off-take agreement expires June.



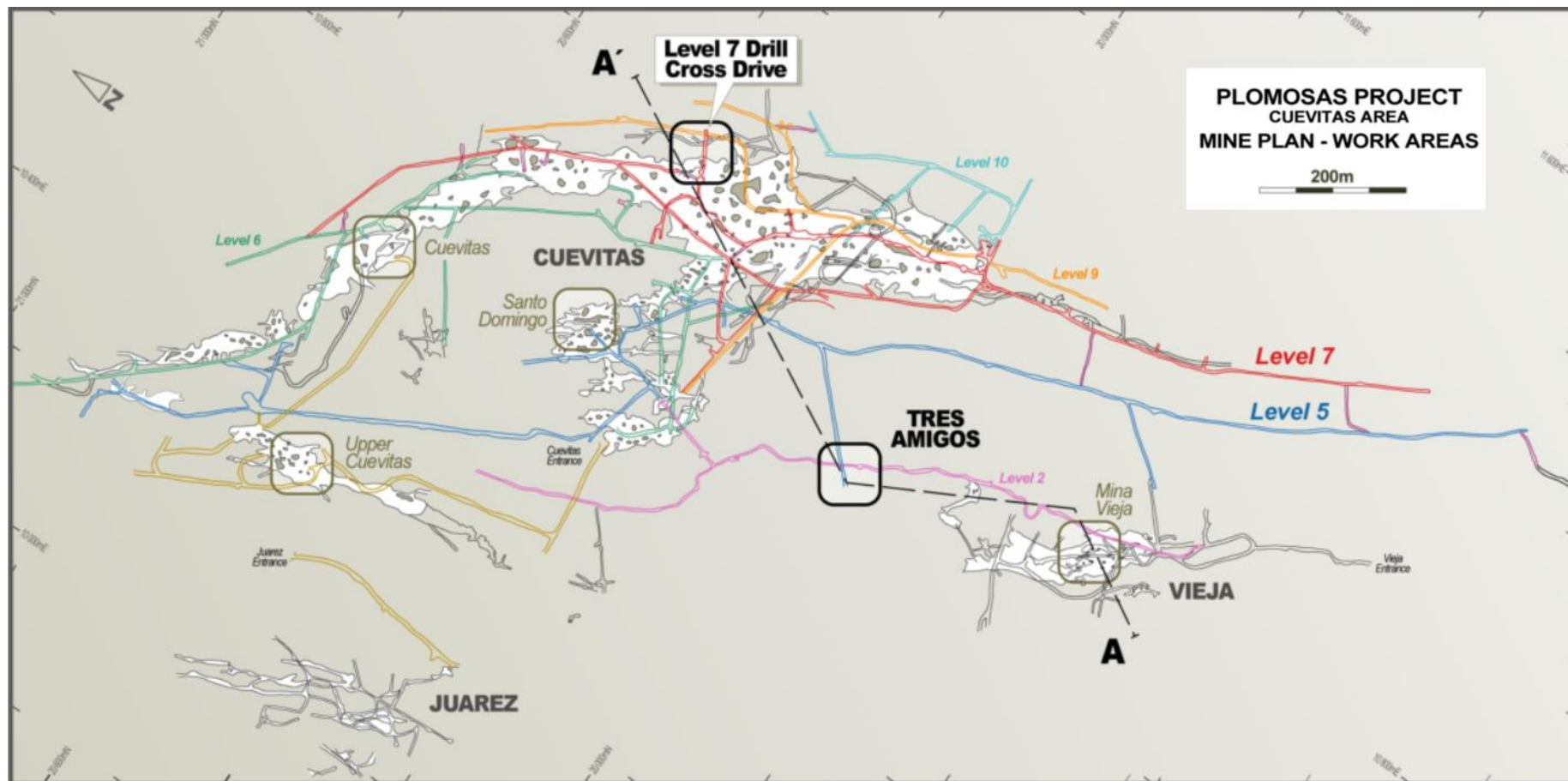
CZL Work to Date



- **Completion of whole of mine dewatering;**
- Ongoing geological mapping, sampling and surveying – Building on 3D model;
- Identified new mineralisation in footwall – Tres Amigos (TA);
- Drilling TA from underground phase 1 complete – high grades, variable thickness;
- Surface drilling ongoing to determine dip and strike extensions;
- Rehab complete in Level 7, developing additional drives for drilling positions;
- **Confirmed mineralisation below Level 7 – significant de-risking step;**
- Initial metallurgical sampling complete;
- Drilling on-going.



Exploration Areas



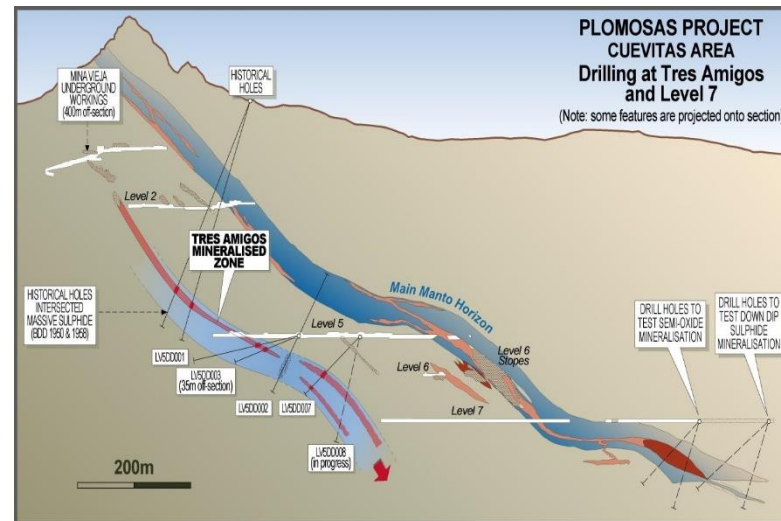
- Underground Sampling areas showing the widespread nature of the high grade mineralisation;
- Importantly no exploration drilling has been carried out below Level 7 and sub-levels;
- Drilling at depth from Level 7 underway.

Exploration Targets

Zinc-Lead-Silver targets

Prospective mineralised horizon up to 40m thick dips at low to moderate angles (Main Manto Horizon).

- Mineralised sequence within horizon averages over 3m ;
- Plomosas concessions contain over 6km strike of the mineralised horizon(s). Under-explored and requires drill testing;
- Expect additional mineralisation down dip and as repetitions along strike, or higher/lower in sequence.



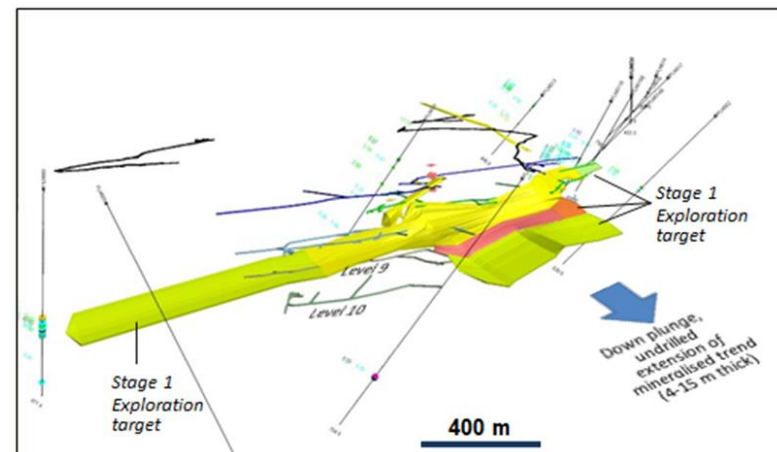
INITIAL EXPLORATION TARGET*

2.8–3.2 Mt at 15%-25% Zn+Pb and 60-80gt Ag.

Down dip and along strike of existing mine workings

***Does not include TA mineralisation identified to date.**

The exploration target is conceptual in nature and there is no certainty that it will be realised. Further drilling is required to determine a mineral resource.

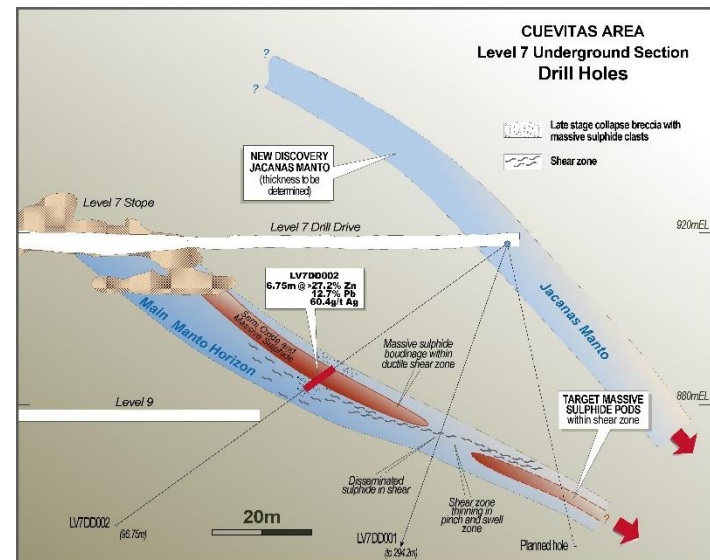
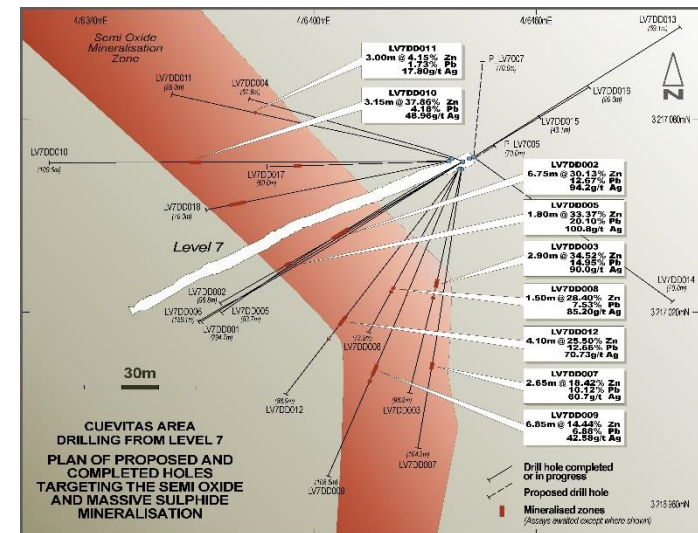


Level 7 Drilling

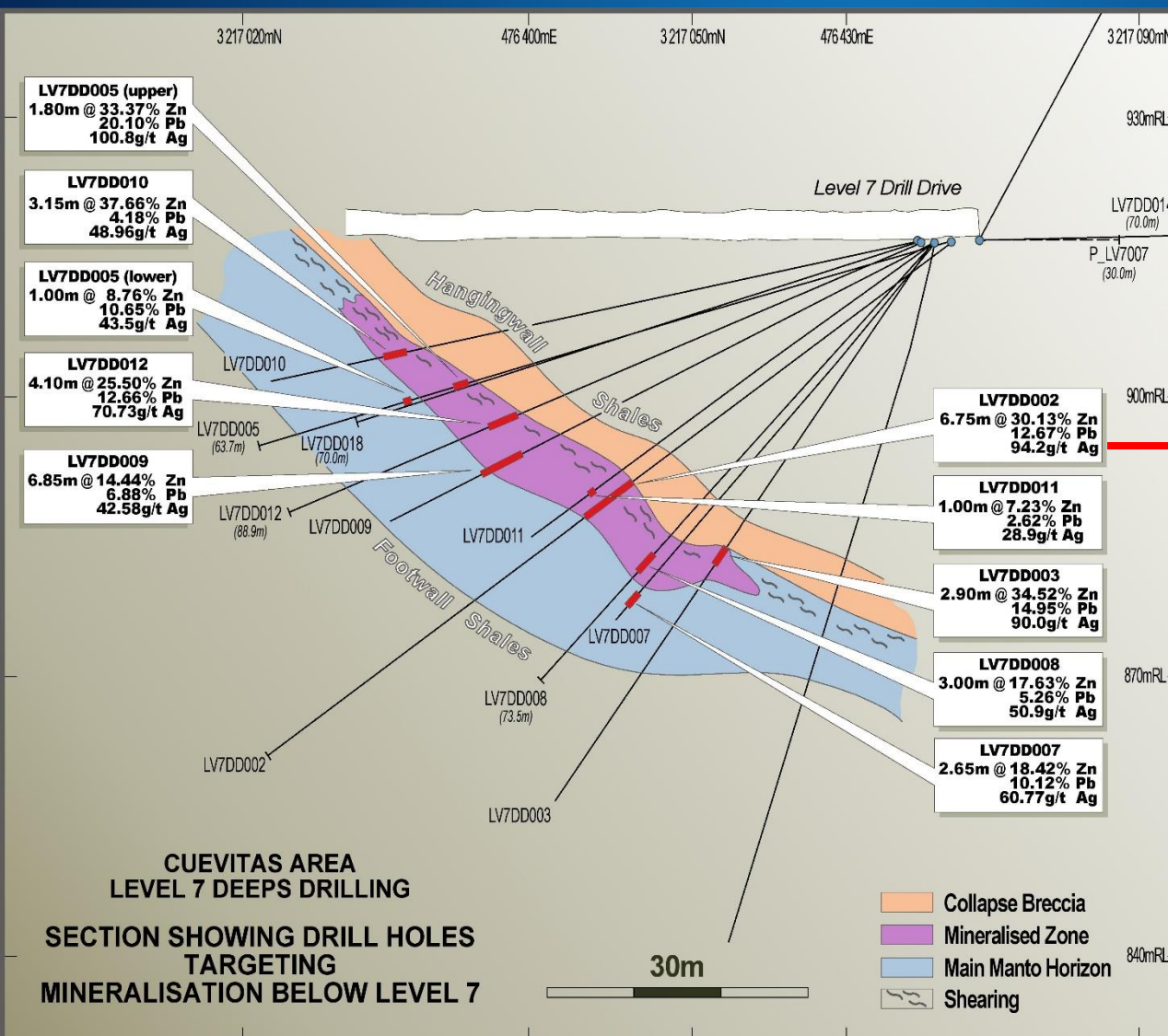
Semi-Oxide and Sulphide Zone

Mapping and exploration work shows that mineralisation extends down dip from the upper levels down to Level 7 and sub-level Level 9 with no termination visible

- Some semi-oxide mineralisation exists due to late-stage brittle fracturing confined to a zone. Majority sulphides;
- New geological model suggests **orezone is boudinaged** within a larger persistent shear zone, hosted within the manto;
- Current mineralised zone is +400m in length, plunging to the south-east;
- Historic assay values returned ave grades of 14 % Zn. Recent sampling returned ave of 32.8% Zn.
- Completed drilling orezone from hangingwall access drive 1
- Access drive 2 is complete and drilling will start May 3
- 3rd access drive planned and clean-up/rehab underway

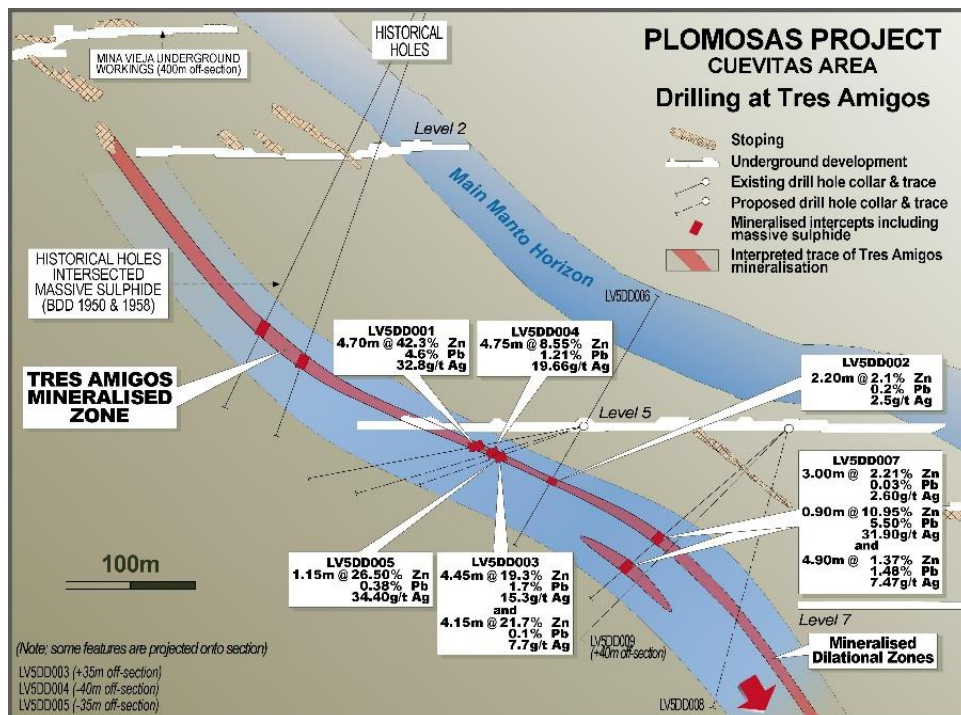


Level 7 Drilling



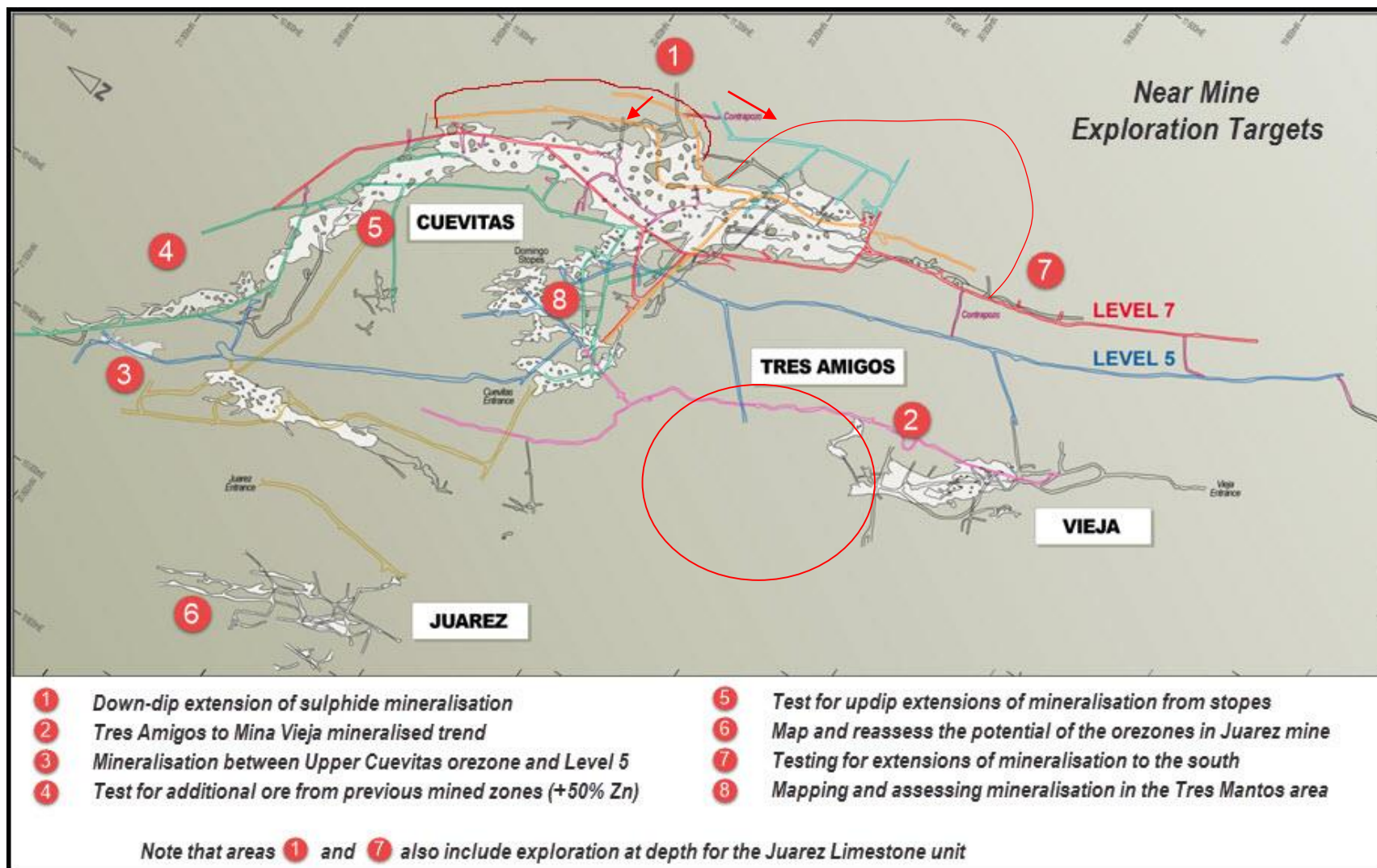
Tres Amigos Drilling

- New footwall zone discovery
- Hosted in sheared Juarez Limestone contains significant pyrite, higher temp style.
- Metallurgically different to Main Manto mineralisation
- Potential for strike extensions towards Mina Veija, ~400m to the south



- LV5DD001** 4.70m @ 42.3% Zn, 4.6% Pb, 32.8 g/t Ag (TW~3.3m)
- LV5DD003** 4.45m @ 19.3% Zn, 1.7% Pb, 15.3 g/t Ag (TW~2.7m)
 4.15m @ 21.7% Zn, 0.1% Pb, 7.7 g/t Ag (TW~2.5m)
 (35m off section and along strike of LV5DD001)
- LV5DD004** 4.75m @ 8.55%Zn, 1.21% Pb, 19.66g/t Ag (TW ~4.0m)
- LV5DD005** 1.15m @ 26.5% Zn, 0.4% Pb, 34. g/t Ag (TW~1.15m)
- LV5DD007** 0.90m @ 10.9% Zn, 5.5% Pb, 32.0 g/t Ag (TW~0.90m)

Exploration Programs



Pilot Plant – Provides Optionality



Pilot plant on site built by Trafigura in 2006 and last operated in 2011

- Nameplate 120 tpd;
- **Upgradeable to 200 tpd (75,000 tpa) – SRK due diligence report;**
- Opportunity for early production from Tres Amigos;
- Potential to fund exploration from level 7 from near term cash flow;
- All subject to further drilling, resource and scoping study work 1st Q 2016.



Timeline for an early Start-up



- Initial drilling campaigns commenced in footwall horizon (**August 2015**);
- Expand drill programs into Level 7 to assess semi-oxide and sulphide deeps mineralisation (**November 2015 and continuing**);
- Stage 1 JORC resource (Tres Amigos) (**July 2016**);
- Scoping Study to run partly in parallel (**3rd Q 2016**);
- Aiming to complete a significant drilling program at depth during the **second half 2016** which would expand on an initial resource.

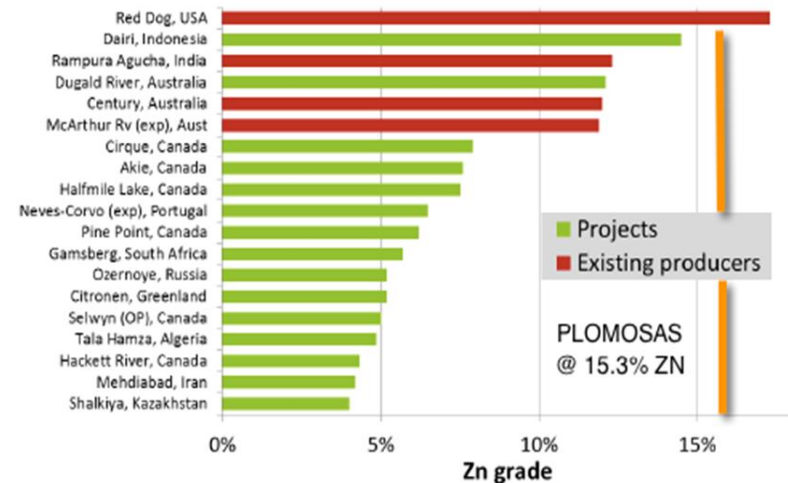
2016										2017		
Milestone	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Stage 1 Tres Amigos Exploration and Resource Drillout												
Resource Study and JORC												
Mine Planning and Mine Design												
Metallurgical Testwork												
Permitting - construction, extraction, process, explosives												
Scoping Study												
Development Decision												
Funding and Offtake												
Construction of plant and underground infrastructure												
First underground mining and stockpiling of plant feed												
first concentrate production												
First concentrate sales												

How does Plomosas compare?



Zinc grade is higher than most deposits and competes with major, world class producers.

Silver content offers significant credits to reduce operating costs.



Profitable size and grade:

The Plomosas style and size of Zn-Pb-Ag deposit has been highly profitable around the world including the:

- Chihuahua region (eg Naica, Santa Eulelia), and
- Lennard Shelf, WA.

Lennard Shelf Resources (December 2000)					
Deposit	Tonnes	Zn %	Pb %	Zn+Pb%	Ag
Cadjebut	5,215,000	11.2	3.2	14.4	<10g/t
Cadjebut Splay Fault	390,000	1.4	14.4	15.8	<10g/t
Goongewa	2,571,000	8.5	2.8	11.3	40g/t
Kapok/Kapok E	4,636,000	9.4	8.6	18.0	10-15g/t
Kapok West	1,220,000	4.3	9.0	13.3	10-15g/t
Kutarta	2,340,000	7.2	0.5	7.7	40g/t
CADJEBUT TREND	16,372,000	8.9	5.0	13.9	
Pillara	18,786,000	7.8	2.6	10.4	15-20g/t
Napier Range	590,000	8.5	8.0	16.5	75g/t
Fossil Downs	1,460,000	10.1	1.6	11.7	30g/t
TOTAL	37,208,000	8.4	3.7	12.1	

Peer comparisons



Plomosas Global Peer Project

Project Name	Company	Mt	Zn grade (%)	Contained Zn (tonnes)
Citronen	Ironbark Zinc	29.9	6.6	1,971,600
Prairie Creek	Canadian Zinc Corp	13.7	11.0	1,501,309
Olympias	Eldorado	19.1	6.1	1,152,769
Aripuana	Anglo American	21.8	4.1	882,500
Newfoundland	Canadian Zinc Corp	9.4	5.0	474,382
Kutcho	Capstone	12.4	3.2	392,301
Marg	Minquest	11.7	3.2	379,282
Plomosas (Stage 1) *	Consolidated Zinc	3.0	12.0	360,000
Huaron	Pan American Silver	12.0	2.7	325,440
Morococha	Pan American Silver	8.0	3.4	269,650
Stratoni	Eldorado	1.6	10.0	161,903
Thalanga	Red River Resources	2.3	7.0	159,575

*Exploration target for Plomosas Zinc project (Stage 1)

Plomosas Peer Valuation

Company	Code	Project	Country	Equity	Mt	%Zn	Cont Zn (kt)	Mkt Cap (\$M)	EV (\$M)
Atherton Resources	ATE	Kong Vol	Australia	100%	3	12	360	55.9	61.4
Energia Metals	EMX	Gorno	Italy	100%	3.87	7.7*	297	29.8	23.3
Red River Resources	RVR	Thalanga	Australia	100%	2.3	6.9	159	27.1	19.6
Consolidated Zinc	CZL	Plomosas	Mexico	51%	2.9-3.2^	15-25*	290- 544	10.5	9.2

* (Zn+Pb)% ^Exploration target

Source: DJC*/thecloudminer.com

Summary



Plomosas provides Consolidated Zinc investors with:

- Well established high grade zinc mine in low risk country with strong mining culture;
- High grade thick mineralisation below the current mine development – ongoing aggressive drilling program;
- New discovery in the footwall (Tres Amigos);
- Exploration potential along strike over 7Km untested;
- Ability to drill out mineral resources in short term;
- Exposure to a rising tide of zinc confidence;
- Potential short term cash flow.





» FOR FURTHER INFORMATION PLEASE CONTACT:

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Appendix – Additional Information



Additional Info - UG sampling

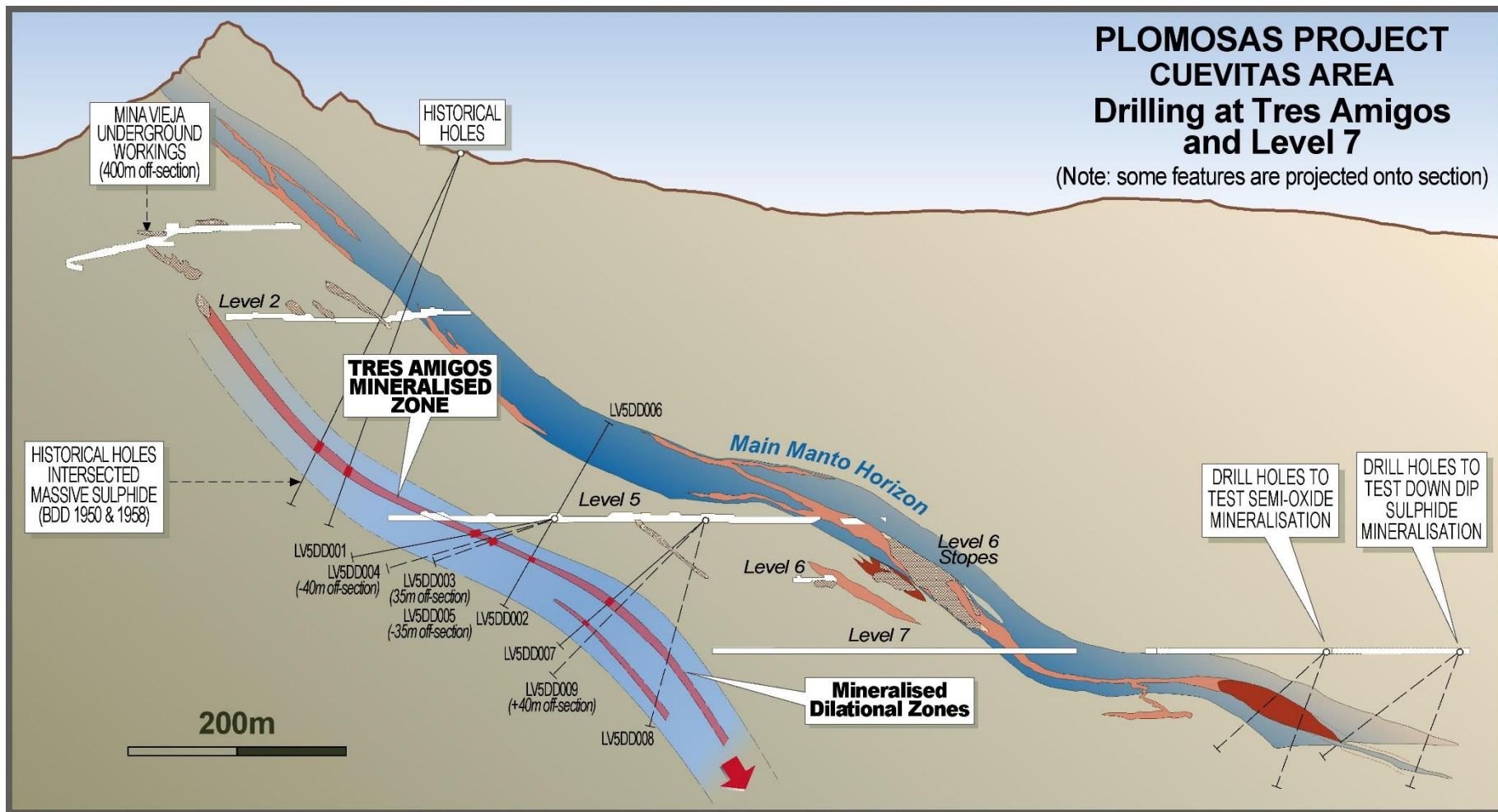


Sample	Elev.	Type	Zn %	Pb %	Ag g/t
CV022	988.090	Channel	39.58	12.55	63.5
CV023	992.368	Channel	42.32	4.39	56.9
CV025	998.334	Channel	43.59	13.05	52.6
VJ003	1124.365	Channel	43.82	4.80	41.0
VJ015	1105.509	Channel	31.22	2.25	38.4
CV021	1003.780	Channel	26.50	8.22	34.3
CV026	989.020	Channel	24.20	9.66	32.1
TRS1	1000.171	Grab	24.20	0.80	13.3
VJ019	1106.179	Channel	23.10	3.52	30.7
VJ006	1121.258	Channel	22.70	8.39	31.3
CV015	1115.010	Channel	22.40	10.55	25.3
28VJ004	1125.661	Channel	22.40	7.75	32.0
CV016	1113.049	Channel	21.90	9.02	26.1
CV008	1111.427	Channel	20.70	7.76	14.6
CV009	1113.340	Channel	19.35	11.75	29.7
CV024	995.496	Channel	19.25	7.19	41.3
CV001	1114.060	Channel	18.05	9.33	24.5
LVL5ST	990.430	Grab	16.00	12.20	28.0

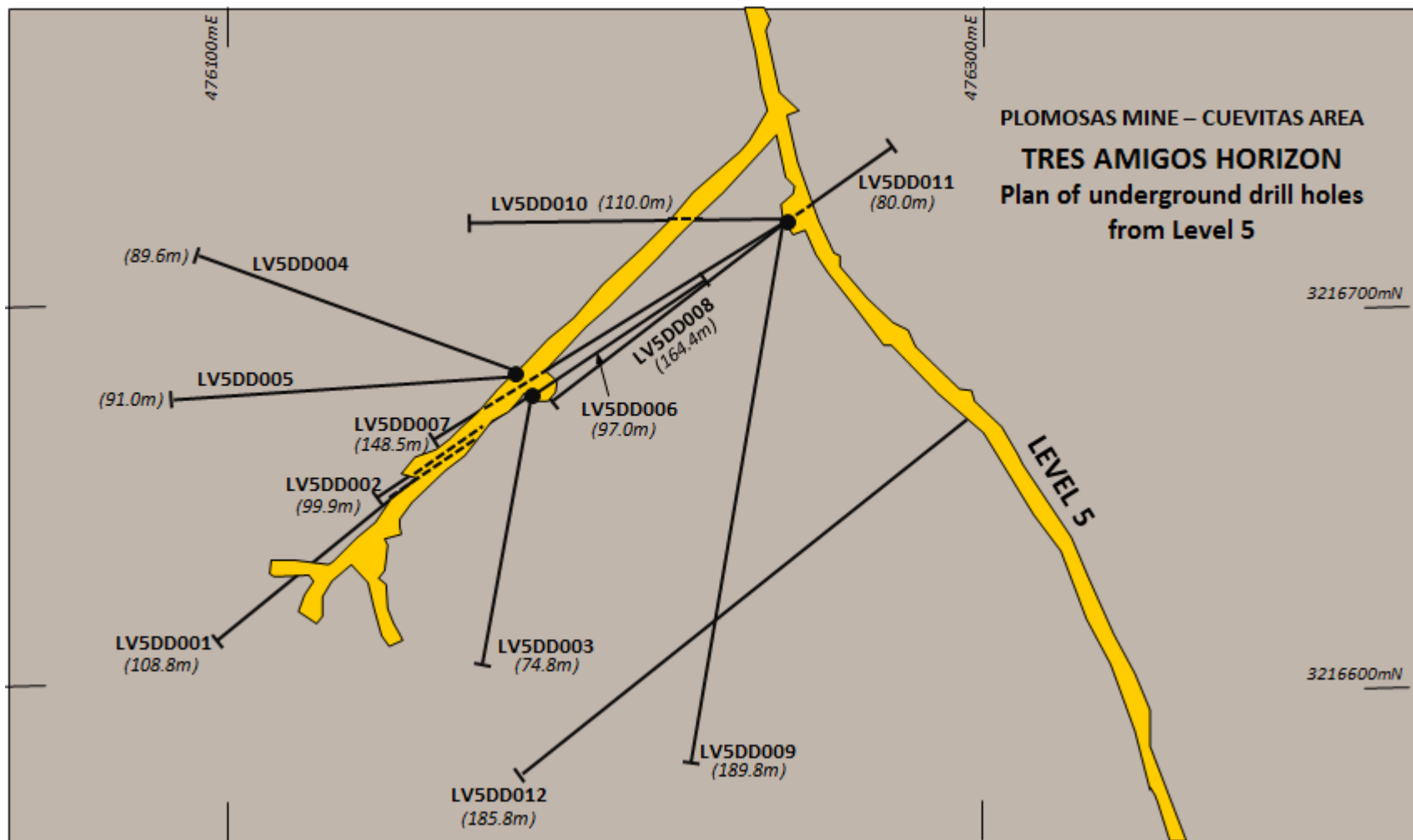
- Previously unexplored mineralised zones identified (highlighted in orange);
- Sampling confirms widespread high grade through the mine.



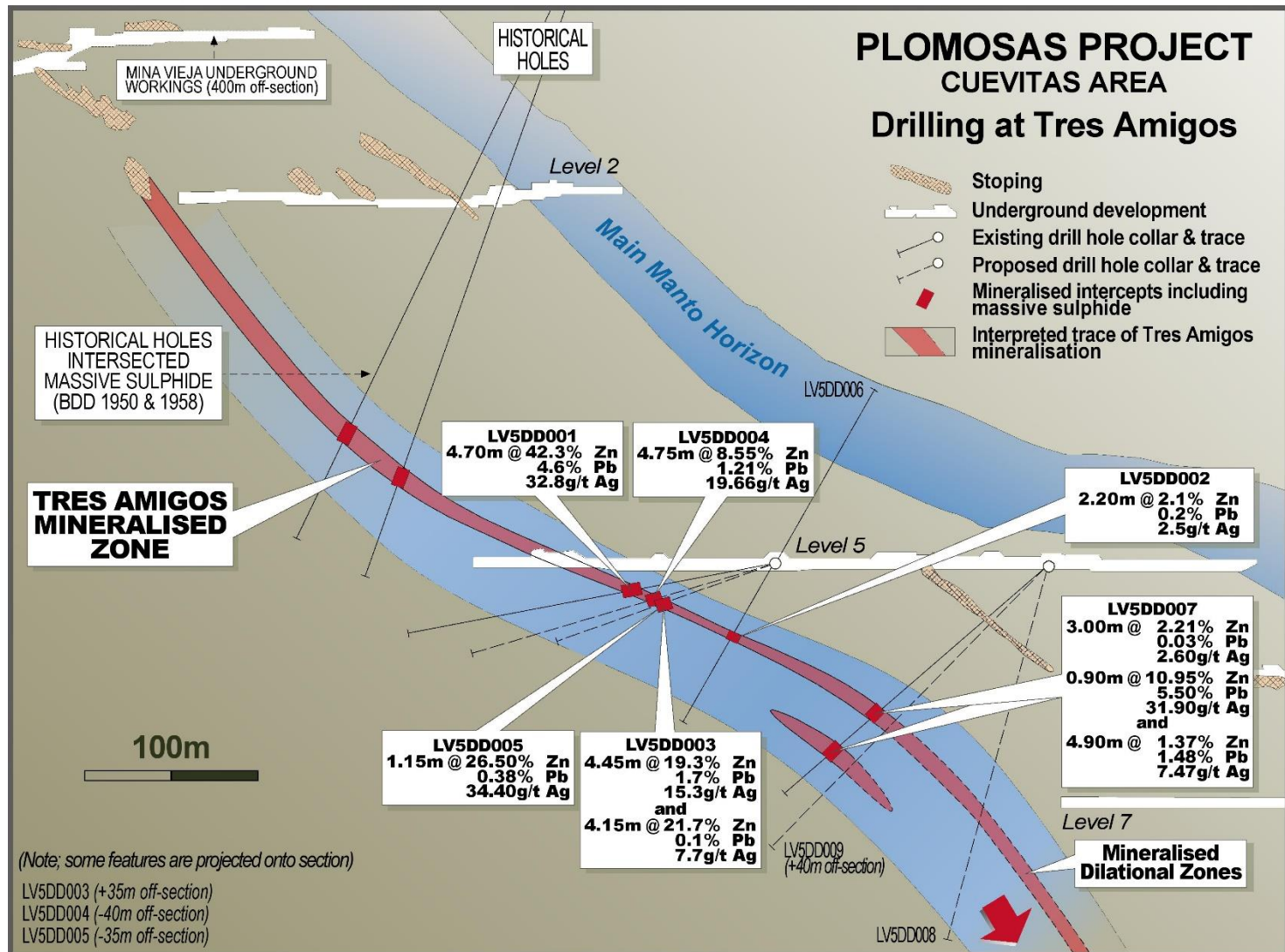
Additional Info



Additional Info



Additional Info



Plomosas – Mining Features



Mine infrastructure	Excellent condition, some u/g rehab required and additions for short term production (shaft refurb, equipment upgrade).
Production rate (e)	Current infrastructure can handle 1,000 tpd from multiple headings.
Mining method	Cut and fill method or up hole stoping expected to maximise ore recovery.
Operating costs	Comparison & estimates suggest opex will be low (tbc by FS).
Upside potential/Mine life	Prospectivity for additional high grade resources have been re-affirmed - minimum 10 year mine life targeted.
Immediate targets	Ongoing exploration and resource definition programs in the Tres Amigos zone and at depth in sulphide and semi oxide zones.



Plomosas – Processing features



Processing plant	Current plant is pilot scale – can be upgraded to 200tpd but a larger full scale operation requires a new concentrator.
Plant upgrade	Low capex to upgrade current plant – US\$900.
Concentrate	Historically very clean – Zn-Pb-Fe-Ag with very minor other elements. High recoveries and desirable blending properties.
Process water	Groundwater neutral and benign (pH 6.74).
Permitting upgrade	Full permitting expected to take around 6 months from submission.



Directors and Management



CHAIRMAN

Mr Stephen Copulos

Over 30 years experience in business and investments and over 16 years experience as a company Director of both listed and unlisted entities. He is the major shareholder of Consolidated Zinc Limited and Chairman of Crusader Resources (ASX:CAS) and Black Rock Mining Ltd (ASX:BKT).

MANAGING DIRECTOR

Mr Will Dix

A geologist with over 23 years international experience including as a Company Director in listed and unlisted companies. A proven track record of bringing projects from exploration to production and in funding junior resource companies.

EXECUTIVE DIRECTOR

Mr Andrew Richards

Over 30 years experience as a geologist including senior management roles and project finance. Andrew has extensive international experience and has been on the boards of several unlisted and listed companies on the ASX and AIM.

NON-EXECUTIVE DIRECTOR

Mr Luis Rogelio Martinez Valles

Mr Martinez is a mining entrepreneur with 40 years' experience in industrial minerals, base and precious metals. He holds an Industrial Engineer qualification from Chihuahuas Tech, with a Masters in Business Administration from Nuevo León University, and a Member of the Mining Association of Chihuahua.

COMPANY SECRETARY

Mr Andrew Beigel

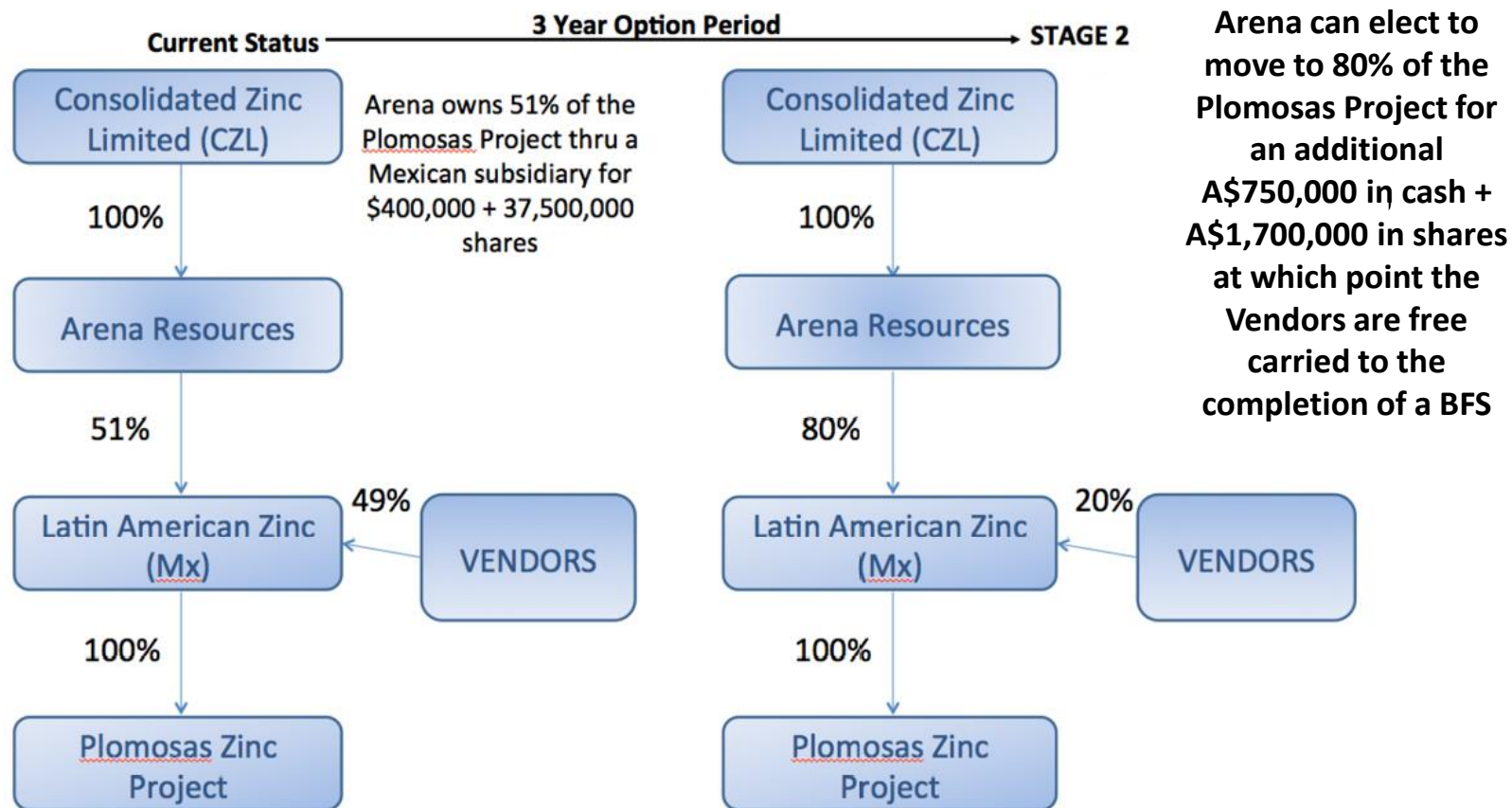
Mr Beigel has more than fifteen years' corporate experience across a range of industries and has held executive positions with other ASX listed companies in the resources sector. He holds a Bachelor of Commerce from Murdoch University and is a member of CPA Australia.

EXPLORATION MANAGER

Mr Steve Boda

Mr Boda has 25 years experience in exploration and occupied senior management roles with mining and exploration in Australia, China, SE Asia and Zambia. He has a track record in using structural geology to target economic mineralisation across a variety of commodities and estimation of JORC resources.

Acquisition terms



Arena can elect to move to 80% of the Plomosas Project for an additional A\$750,000 in cash + A\$1,700,000 in shares at which point the Vendors are free carried to the completion of a BFS

Upon completion of a BFS, the vendors contribute or dilute or

- 1) MX 10% can be purchased by CZL for 10% of valuation of asset (at CZL election)
- 2) Arena 10% is a put/call for 10% of the EV of CZL (MC - \$\$\$ in bank)