

Land Use Agreement Update

Consolidated Zinc Limited (ASX: CZL; “Consolidated Zinc” or “the Company”) wishes to provide an update regarding a Land Use Agreement (the “Agreement”) in place for its 90%-owned Plomosas Zinc Mine in Mexico.

The Company advises that a local rancher with which CZL has a Land Use Agreement commenced legal proceedings against the Company’s Mexican subsidiary that owns the Plomosas Mine, Minera Latin American Zinc S.A.P.I. de C.V. (“MLAZ”) and Retec Guarú SA de CV (“Retec”) to terminate the Agreement. The rancher has claimed MLAZ failed to provide notification of assignment the Agreement transferring from Retec to MLAZ and for failure to pay the land use rental charges.

Key terms of the Agreement are as follows:

- Retec entered into the Agreement with the local rancher for access to the land for which MLAZ has mineral exploitation rights;
- Retec is free to assign the Agreement, but is required to notify the local rancher. The rancher has no right to object to or prevent the assignment;
- The Agreement can only be terminated by the local rancher if an event of default notice has being issued and a 60-day cure period being completed and the breach remaining outstanding at the end of the 60-day cure period;
- Payment of land use rental charges must be made in accordance with the Agreement.

Legal advice received by MLAZ and the Company determined there was no basis for the proceedings. Retec and then MLAZ have complied with the terms of the Agreement, including the payment of all rental charges, before and after the assignment, and no default notice has been issued by the rancher.

MLAZ has successfully defended the local rancher’s claims in the Civil Courts of Chihuahua, Mexico, twice. However, the rancher then appealed to the Federal Court of Mexico, where a single judge ruled in his favour. The Company’s lawyers can find no basis for this judgement.

The Company will appeal the decision to the full bench of the Federal Court of Mexico, a process which is expected to take 4-6 months. MLAZ is also seeking a second legal opinion and will advise shareholders if it does not concur that there is a very high probability that the appeal will be successful.

For and on behalf of the Board.

Brad Marwood
Managing Director

ABOUT CONSOLIDATED ZINC

Consolidated Zinc Limited (ASX: CZL) owns 90% 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.