

CONSOLIDATED ZINC LIMITED

ACN 118 554 359

NON-RENOUNCEABLE RIGHTS ISSUE OFFER DOCUMENT

A non-renounceable pro rata offer of New Shares at an issue price of \$0.03 each on the basis of 1 New Share for every 5 Shares held on the Record Date to raise up to approximately \$2,578,948.

This document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares being offered by this document.

THE OFFER IS CURRENTLY SCHEDULED TO CLOSE AT 5.00PM AEDT ON 16 December 2016

VALID APPLICATION FORMS MUST BE RECEIVED BEFORE THAT TIME.

Please read the instructions in this Rights Issue Offer Document and on the Entitlement and Acceptance Form regarding the acceptance of Shares under the Offer.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.

IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL FINANCIAL ADVISER BEFORE DECIDING TO ACCEPT OR DECLINE THE OFFER.

THE SHARES OFFERED BY THIS RIGHTS ISSUE OFFER DOCUMENT SHOULD BE CONSIDERED SPECULATIVE IN NATURE.

IMPORTANT INFORMATION

This Rights Issue Offer Document is dated 29 November 2016. No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Rights Issue Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

Eligibility

Applications for New Shares by Eligible Shareholders can only be made on the original Entitlement and Acceptance Form, as sent with this Rights Issue Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

Privacy

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the application and, if the application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities. If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

Overseas Shareholders

No Offer will be made to Shareholders resident outside Australia and New Zealand.

This Rights Issue Offer Document and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Rights Issue Offer Document. The distribution of this Rights Issue Offer Document in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Rights Issue Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

New Zealand

The Offer is being made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2013. This document is not a prospectus or investment statement under New

Zealand law and has not been registered or filed with, or approved by, any New Zealand regulatory authority under or in accordance with the New Zealand Securities Act 1978 or any other relevant law in New Zealand. This document may not contain all the information that an investment statement, or a prospectus under New Zealand law is required to contain.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

Notice to nominees and custodians

Nominees and custodians may not distribute any part of this Rights Issue Offer Document or any Entitlement and Acceptance Form in any country outside Australia or New Zealand, except in such other country as the Company may determine it is lawful and practical to make the Offer. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

This document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares being offered by this document.

This document has been prepared in accordance with section 708AA of the Corporations Act and applicable *ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84* which in general terms, permits certain companies to undertake entitlement offers without being required to use or provide to shareholders a prospectus or other disclosure document.

1. Details of Offer

1.1 Offer

The Company is making a non-renounceable pro-rata offer of Shares to Eligible Shareholders on the basis of 1 New Share for every 5 Shares held at the Record Date, each at an issue price of \$0.03 (**Offer**). The Offer is not underwritten.

As at the Record Date, the Company will have on issue 429,824,687 Shares. The Company expects that up to 85,964,937 New Shares will be issued under the Offer to raise approximately \$2,578,948 (before costs of the Offer).

The Company will accept Entitlement and Acceptance Forms until 5.00pm AEDT on the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the ASX Listing Rules.

Where the determination of the entitlement of Eligible Shareholders results in a fraction of a Share, such fraction will be rounded down to the nearest whole Share.

Your Entitlement is shown on the personalised Entitlement and Acceptance Form accompanying this Rights Issue Offer Document. You may accept the Offer only by applying for Shares on the Entitlement and Acceptance Form.

Acceptances must not exceed your entitlement as shown on the Entitlement and Acceptance Form, although you may accept for all or only part of your Entitlement. If your acceptance exceeds your Entitlement, acceptance will be deemed to be for your maximum Entitlement and any surplus application monies will be returned to you.

Eligible Shareholders who take up their Entitlement in full may also apply for additional Shares under the Shortfall Offer. Please refer to section 1.8 of this Information Booklet for more information.

Acceptance of a completed Entitlement and Acceptance Form by the Company creates a legally binding contract between the Applicant and the Company for the number of Shares accepted or deemed to be accepted by the Applicant. The Entitlement and Acceptance Form does not need to be signed by the Applicant to be legally binding. The Offer and contract formed on acceptance are governed by the laws of Western Australia.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

Shares offered by this Rights Issue Offer Document are expected to be issued, and security holder statements dispatched, on the date specified in the timetable in Section 1.2.

It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

1.2 Indicative Timetable

Lodgment of Appendix 3B and s708AA notice	29 November 2016
Notice to Shareholders	30 November 2016
Existing Shares quoted on an "ex" basis	1 December 2016
Record Date	2 December 2016
Rights Issue Offer Document and Entitlement and Acceptance Form sent to Eligible Shareholders	7 December 2016
Closing Date	16 December 2016
Securities quoted on a deferred settlement basis	19 December 2016
Company to notify ASX of under subscriptions (if any)	21 December 2016
Anticipated date for the issue of the Shares and sending of security holder statements	23 December 2016
Deferred settlement trading ends	23 December 2016
Normal (T+2) trading starts	28 December 2016
Settlement of on-market trades conducted on a deferred settlement basis and the first settlement of trades conducted on a T+2 basis	30 December 2016

Subject to the ASX Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer. Any extension of the Closing Date will have a consequential effect on the anticipated date for issue of the Shares.

1.3 Use of Funds

It is proposed that the current cash reserves of the Company and the proceeds raised from the Offer be allocated as follows:

	\$
Pre Offer cash available	1,500,000
Funds raised from the Offer	2,578,948
Total funds available	4,078,948
Resource Definition Drilling and Mine Sustaining Expenditure	2,400,000
Regional Exploration	1,000,000
Expenses of the Offer	30,000
General working capital	648,948
Total funds applied	4,078,948

1.4 No Rights trading

The pro-rata offer of Shares is non-renounceable, which means that Eligible Shareholders may not sell or transfer all or any part of their Entitlement to subscribe for Shares under the Offer. If you do not take up your Entitlement to New Shares under the Offer by the Closing Date, the Offer to you will lapse. The New Shares in your Entitlement that are not taken up by you will form part of the Shortfall.

1.5 ASX quotation

Application will be made to ASX for the Official Quotation of the Shares to be issued under the Offer. If permission is not granted by ASX for the Official Quotation of the Shares to be issued under the Offer, the Company will repay, as soon as practicable, without interest, all application monies received pursuant to the Offer.

1.6 Risk Factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are described in Section 3.

1.7 No underwriting

The Offer is not underwritten.

1.8 Shortfall Offer

If you take up your Entitlement in full, you may also apply for additional Shares out of the Shortfall (**Shortfall Shares**) in excess of your Entitlement pursuant to a top-up facility (**Shortfall Offer**) by completing the relevant part of the Entitlement and Acceptance Form relevant to the Shortfall Offer. Refer to Section 2.4 for instructions as to how to apply for Shortfall Shares.

Any New Shares under the Offer that are not taken up by Eligible Shareholders will form part of the Shortfall and will be allocated to other Eligible Shareholders or to investors who do not need disclosure under Part 6D.2 of the Corporations Act because of subsections 708(8) to 708(12).

Shortfall Shares will be issued at the issue price of \$0.03 per Shortfall Share, being the same price as New Shares under the Offer. The Shortfall Shares will have the same rights as the New Shares.

The Shortfall Offer is a separate offer under this Offer Document and will remain open for up to two months following the Closing Date. Under this Offer Document, the Company offers to issue the Shortfall Shares to Eligible Shareholder who apply for additional New Shares out of the Shortfall as well as to other investors who are not current shareholders and who do not need disclosure under Part 6D.2 of the Corporations Act because of subsections 708(8) to 708(12), including sophisticated and professional investors.

Shortfall Shares may, at the absolute discretion of the Directors, be allocated to Eligible Shareholders who apply for New Shares in the Entitlement and Acceptance Form or to other investors who apply for Shortfall Shares by completing the Shortfall Application Form upon invitation from the Company.

Eligible Shareholders or other investors who apply for Shortfall Shares may be allocated a lesser number of Shortfall Shares than applied for, or may be allocated no Shortfall Shares at all, in which case excess Application Monies will be refunded without interest. As the Offer is not underwritten, to the extent any Shares under the Offer remain unallocated, they will not be issued.

All decisions regarding the allocation of Shortfall Shares will be made by the Company and will be final and binding on all Eligible Shareholders.

1.9 Effect of the Offer on control of the Company

The potential effect the Offer will have on each Shareholder's percentage interest in the total issued capital of the Company is as follows:

- (a) If all Eligible Shareholders take up their Entitlement, each Eligible Shareholder's percentage in the total issued Shares of the Company will remain the same and will not be diluted; and
- (b) If some but not all Eligible Shareholders take up their entitlement, and some or all of the Shortfall is taken up under the Shortfall Offer, the percentage interest in the total issued Shares of each Eligible Shareholder who does not take up their Entitlement will be diluted and the percentage interest of the total issued Shares of each Eligible Shareholder who does take up their Entitlement will remain the same.

It is not expected that the issue of the New Shares under the Offer will have any material impact on the control of the Company. In particular, no Shareholder will acquire an interest in 20% or more of the issued capital of the Company as a result of the Offer.

1.10 Effect on capital structure of the Company

Below is a table showing the Company's current capital structure and the capital structure upon completion of the Offer, assuming none of the existing Options are exercised prior to the Record Date.

	Shares	Options	Performance Rights
Balance at the date of this Rights Issue Offer Document	429,824,687	160,609,502 ⁽¹⁾	3,333,333 ⁽²⁾
Balance following completion of the Offer	515,789,624 ⁽³⁾	160,609,502	3,333,333

(1) Options – key terms and conditions

Number	Terms and Conditions
500,000	Unlisted Options (\$0.20, 6 March 2017)
22,437,500	Unlisted Options (\$0.064, 6 March 2018)
4,000,000	Unlisted Options (\$0.06, 20 July 2018)
126,172,002	Unlisted Options (\$0.06, 31 Dec 2018)
7,500,000	Unlisted Options (\$0.06, 5 June 2020)

(2) Performance Rights – key terms and conditions

Number	Milestones and Vesting Conditions
1,666,667	Announce JORC resource >2Mt Zn+Pb 17% by 30 June 17
1,666,666	Achieve a 10 day VWAP of shares is equal to or greater than \$0.10 for at least 10 consecutive days by 30 June 18

(3) Assumes all New Shares are issued under the Offer. This number will reduce if the Offer is not fully subscribed.

1.11 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale price of the Shares on ASX during the three months immediately preceding the date of release of this Offer Document is as follows:

	\$	Date
Highest	\$0.041	16 September 2016
Lowest	\$0.027	14 November 2016
Last	\$0.033	28 November 2016

1.12 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for Shares under this Rights Issue Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. As a result, Shareholders should consult their professional tax adviser in connection with subscribing for Shares under this Rights Issue Offer Document.

1.13 Overseas Shareholders

No Offer will be made to Shareholders resident outside Australia and New Zealand. The Company has decided that it is unreasonable to make the Offer to Shareholders outside Australia and New Zealand having regard to the small number of Shareholders with addresses in other jurisdictions, the small number and value of the Shares they hold and the cost of complying with the legal requirements and the requirements of regulatory authorities in those other jurisdictions and the amount to be raised under the Offer.

This Rights Issue Offer Document and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Rights Issue Offer Document. The distribution of this Rights Issue Offer Document in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Rights Issue Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Shareholders resident in Australia and New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Offer does not breach regulations in the relevant overseas

jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

Notwithstanding the above, the Company may (in its absolute discretion) extend the Offer to certain shareholders who have registered addresses outside Australia and New Zealand in accordance with applicable law.

1.14 CHESS and issuer sponsorship

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. All trading on ASX in Shares will be settled through CHESS. ASX Settlement, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Rules.

The Company's Registry operates an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. Both these sub-registers constitute the Company's principal register of Shareholders.

Holders of Shares will not receive a certificate but will receive a statement of their holding of Shares.

If you are broker sponsored or other participant in CHESS, ASX Settlement will send you a CHESS statement. The CHESS statement will set out the number of Shares issued under this Rights Issue Offer Document, provide details of your holder identification number, and provide the participant identification number of the sponsor and the terms and conditions applicable to the Shares, including a notice to exercise the Shares.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by the Company's Registry and will contain the number of Shares issued to you under this Rights Issue Offer Document and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

1.15 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX and, as such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the securities markets conducted by the ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a

reasonable person would expect to have a material effect on the price of value of its securities.

This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for Shares under the Offer. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from its website www.consolidatedzinc.com.au or the ASX www.asx.com.au.

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. These reports are released to ASX and published on the Company's and the ASX websites.

This Offer Document (including the Entitlement & Acceptance Form) and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the nonexclusive jurisdiction of the courts of Western Australia.

1.16 Entitlement Offer Notice

The Company has lodged with ASX a notice in accordance with section 708AA of the Corporations Act which sets out, amongst other information, the effect of the Offer on the control of the Company. This notice may be reviewed on the websites of the Company and ASX.

1.17 Enquiries

Enquiries concerning the Entitlement and Acceptance Form can be made by contacting the company secretary by telephone on +61 (0)8 9322 3406

The addresses for the Registry are:

Mailing Address

Consolidated Zinc Limited
C/- Link Market Services Limited
GPO Box 3560
Sydney NSW 2001

Delivery Address

Consolidated Zinc Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138 *(Please do not use
this address for mailing purposes)*

General enquires in relation to the Company can be made to the company secretary by telephone on +61 (0)8 9322 3406 and by visiting the Company's website at www.consolidatedzinc.com.au.

2. Action Required

2.1 Acceptance of Shares under this Rights Issue Offer Document

Should you wish to accept all of your Entitlement to Shares, then applications for Shares under this Rights Issue Offer Document must be made on the Entitlement and Acceptance Form which accompanies this Rights Issue Offer Document or by completing a BPAY® payment, in accordance with the instructions referred to in this Rights Issue Offer Document and on the Entitlement and Acceptance Form. Please read the instructions carefully.

If you wish to pay by cheque please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque, in Australian dollars, for the Application Monies indicated on the Entitlement and Acceptance Form, crossed “Not Negotiable” and made payable to “Consolidated Zinc Limited” and lodged and received at any time after the issue of this Rights Issue Offer Document and no later than 5.00pm (AEDT) on the Closing Date at the Company’s share registry (by post) at:

By Post Consolidated Zinc Limited
 C/- Link Market Services Limited
 GPO Box 3560
 Sydney NSW 2001

If you wish to pay via BPAY® you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your Entitlement upon receipt of the BPAY® payment by the Company. Eligible Shareholders who elect to pay via BPAY® do not need to return their completed Entitlement and Acceptance Form. If you elect to pay via BPAY®, you should check the processing cut off-time for Bpay® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry in time. Please read the instructions carefully.

The Company will not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

2.2 If you wish to take up part of your Entitlement

Should you wish to only take up part of your Entitlement, then applications for Shares under this Rights Issue Offer Document must be made on the Entitlement and Acceptance Form which accompanies this Rights Issue Offer Document or by completing a BPAY® payment in respect of the portion of your Entitlement you wish to take up, in accordance with the instructions referred to in this Rights Issue Offer Document and on the Entitlement and Acceptance Form. Please read the instructions carefully.

If you wish to pay by cheque please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the number of Shares you wish to accept and the Application Monies (calculated at \$0.03 per Share accepted). Completed Entitlement and Acceptance Forms must be accompanied by a cheque in

Australian dollars, crossed “Not Negotiable” and made payable to “Consolidated Zinc Limited” and lodged and received at any time after the issue of this Rights Issue Offer Document and no later than 5.00pm (AEDT) on the Closing Date at the Company’s share registry (by post) at the address listed in Section 2.1.

If you wish to pay via BPAY® you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your Entitlement upon receipt of the BPAY® payment by the Company. Eligible Shareholders who elect to pay via BPAY® do not need to return their completed Entitlement and Acceptance Form. If you elect to pay via BPAY®, you should check the processing cut off-time for Bpay® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry in time. Please read the instructions carefully.

The Company will not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

2.3 If you do not wish to take up you Entitlement

If you do not wish to accept any of your Entitlement, you are not obliged to do anything and your Entitlement will automatically lapse. In that case, New Shares not accepted by the Closing Date will become Shortfall Shares and you will receive no benefit.

The number of Shares you hold and the rights attaching to those Shares will not be affected should you choose not to accept any part of your Entitlement, however your percentage holding in the capital of the Company will be diluted.

2.4 Shortfall

If you wish to apply for Shares in excess of your Entitlement by applying for Shortfall Shares you may do so by completing the relevant sections of the Entitlement and Acceptance Form which accompanies this Rights Issue Offer Document, in accordance with the instructions referred to in this Rights Issue Offer Document and on the Entitlement and Acceptance Form (see Section 1.8).

Eligible Shareholders who take up their Entitlement in full may apply for Shortfall Shares on the Entitlement and Acceptance Form enclosed with this Rights Issue Offer Document. Please read the instructions carefully.

Any Shares applied for in excess of your Entitlement will be made under the Shortfall Offer. The Company reserves the right to issue an Eligible Shareholder or other investor who applies for Shortfall Shares a lesser number of Shortfall Shares than applied for or no Shortfall Shares at all. All decisions regarding the allocation of Shortfall Shares made by the Directors will be final and binding on all applicants for Shortfall Shares under the Shortfall Offer.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed “Not Negotiable” and made payable to “Consolidated Zinc Limited” and lodged and received at any time after the issue of this Rights Issue Offer

Document and no later than 5.00pm (AEDT) on the Closing Date at the Company's share registry (by post) at the address listed in Section 2.1.

3. Risk Factors

This Section discusses some of the key risks associated with an investment in Shares. A number of risks and uncertainties, which are both specific to the Company and of a more general nature, may adversely affect the operating and financial performance or position of the Company, which in turn may affect the value of Shares and the value of an investment in the Company.

The risks and uncertainties described below are not an exhaustive list of the risks facing the Company or associated with an investment in the Company. Additional risks and uncertainties may also become important factors that adversely affect the Company's operating and financial performance or position.

Before investing in the Company, you should consider whether an investment in the Company is suitable for you. Potential investors should consider publicly available information on the Company (such as that available on the websites of the Company and ASX), carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

3.1 Specific Risks associated with the Company

(a) **Exploration and Development Risk**

Although there has been an extensive history of exploration and development in the area where the Company's Plomosas Project is located, there is no certainty that any mineral resource or reserve will be realised. Further, there is no guarantee that any scoping and feasibility studies will confirm the grade, size or distribution of existing exploration results. Until a deposit is actually mined and processed, the quantity of mineral resources and reserves, and grades, must be considered estimates only.

There is a risk that the proposed exploration activity on the Company's Plomosas Project will be unsuccessful and will not result in the discovery, mining or processing of a viable resource. Mineral exploration by its nature is a high risk activity and there can be no guarantee of success in relation to the project.

Whilst the Directors will make every effort to reduce this risk, the fact remains that the discovery and development of a commercially viable resource is the exception rather than the rule.

(b) **Operations in Mexico**

The Plomosas Project is located in northern Mexico and is held through Latin American Zinc S.A.P.I de C.V, the Mexican company that owns 100% of the Plomosas Project with Retec Guarú S.A. de C.V, the Company's Mexican partner.

There are risks associated with operating in Mexico, including various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, terrorism, hostage taking, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licences,

permits and contracts, illegal mining, changes in taxation policies, changes to mining or investment policies and legislation or a shift in political attitudes, restrictions on foreign exchange and repatriation and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

(c) **Legal System in Mexico**

The legal system operating in Mexico may be less developed than more established countries, which may result in political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute.

(d) **Refurbishment and Replacement of Mine Infrastructure**

The Company currently estimates that moderate capital will be required to refurbish the existing mine infrastructure on the Plomosas Project, including production and ventilation shafts, many kilometres of underground mine development and the existing processing facilities. There is no guarantee that the Company will be successful in refurbishing or replacing the existing mine infrastructure on the project or that the Company will have sufficient capital to do so. Using or operating such infrastructure and facilities will also expose the Company to operational risks described in more detail below.

Further, it may be possible for the existing processing facilities on the Plomosas Project to be refurbished to treat ore up to a rate of 200 tonnes per day for potential early production. However, the processing facilities will need to be largely replaced if or when production is increased to 500 or more tonnes per day, which would require significant capital from the Company.

The Company currently estimates that any capital and operating costs will be low on a global comparison and in line with other operations in the immediate region. However further work is required through scoping and feasibility studies to confirm and quantify these estimates and there is a risk that refurbishing, replacing or operating the existing infrastructure will not be viable in the future.

(e) **Budget Risk**

The Company's exploration, development and operational cost estimates in respect of the Plomosas Project are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions.

Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

3.2 Risks Specific to Companies operating in the Industry

(a) Environmental Risk

The minerals and mining industry has become subject to increasing environmental regulations and liability. The potential for liability is an ever present risk.

Further exploration work on the Plomosas Project will be carried out in a way that has minimal impact on the environment. It may be required for the Company to conduct baseline environmental studies prior to certain exploration or mining activities, so that environmental impact can be monitored and minimised wherever possible.

Moreover, there can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and results of operations.

(b) Operating Risk

The Company's operations on the Plomosas Project may be disrupted by a number of events that are beyond the control of the Company. These include but are not limited to:

- (i) failure to locate or identify mineral deposits;
- (ii) failure to achieve predicted grades in in exploration or mining;
- (iii) operational and technical difficulties, including underground mining conditions and geological, geotechnical and seismic factors;
- (iv) access issues, including land access and access to power and water; and
- (v) industrial, mechanical, equipment and environmental hazards and difficulties.

It cannot be guaranteed that the further exploration to be carried out will bring about any new commercial or profitable mining operations. If a decision is made to commence operations on the project, the risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability for the Company.

As is common with all mining operations, there is uncertainty and risk associated with the Company's operating parameters and costs. These can be difficult to predict and are often affected by factors outside the Company's control. If such risks actually occur, the Company's business, financial condition and/or results of operations may be materially and adversely affected.

(c) Commodity Price Volatility and Foreign Exchange Risk

In the event that the Company achieves exploration success leading to production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price risks.

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for zinc and related minerals, forward selling by producers, and production cost levels in major metal-producing regions.

Commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, the commodity as well as general global economic conditions. These factors may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Furthermore, international prices of various commodities are denominated in United States Dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States Dollar and the Australian Dollar as determined in international markets.

(d) **Permits and other Regulatory Consents**

The Company's mining and exploration activities are dependent upon the grant and subsequent the maintenance of relevant licences, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. The maintaining of the consents, obtaining renewals, or getting licences granted, typically depends on the Company's success in obtaining required approvals for its proposed activities and that its licences, leases, permits or consents will be kept in good order and renewed as and when required.

There is no assurance that such grants and renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed.

3.3 General Risks

(a) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and technology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(b) **Economic and government risks**

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the resources industry including, but not limited to, the following:

- (i) general economic conditions in jurisdictions in which the Company operates;
- (ii) changes in government policies, taxation and other laws in jurisdictions in which the Company operates;
- (iii) the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the online classified advertising sector;
- (iv) movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company operates; and
- (v) natural disasters, social upheaval or war in jurisdictions in which the Company operates.

(c) **Litigation**

The Company is exposed to the risk of actual or threatened litigation or legal disputes in the form of customer claims, intellectual property claims, personal injury claims, employee claims and other litigation and disputes. If any claim was successfully pursued it may adversely impact the financial performance, financial position, cash flow and share price of the Company.

(d) **Taxation**

Any current rates of taxes imposed on the Company is likely to affect returns to Shareholders. An interpretation of taxation laws by the relevant tax authority that is contrary to the Company's view of those laws may increase the amount of tax to be paid. In addition, an investment in Shares involves tax considerations which may differ for each Shareholder. Investors are encouraged to obtain professional tax advice in connection with any investment in the Company.

3.4 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Rights Issue Offer Document. Therefore, the Shares to be issued pursuant to this Rights Issue Offer Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for Shares pursuant to this Rights Issue Offer Document.

4. Additional Information

4.1 Directors' interests in Company securities

The Directors or their nominees currently hold Shares and Options.

Set out in the table below are details of the Directors' relevant interests in Shares and Options of the Company at the date of this Rights Issue Offer Document and their proposed participation in the Offer.

	Stephen Copulos	William Dix	Andrew Richards	Luis Rogelio Martinez Valles
No. of Shares held ⁽¹⁾	83,367,332	1,625,000	1,680,000	12,500,000
Current % holding	19.86%	0.38%	0.39%	2.91%
No. of Options held ⁽²⁾	15,613,889	5,000,000	2,500,000	-
No. of Performance Rights held ⁽³⁾	1,000,000	1,333,334	1,000,000	-
Entitlement to Shares under the Offer ⁽⁴⁾	17,073,466	325,000	336,000	_(5)_
Maximum number of Shares following the Offer ⁽⁵⁾	102,440,798	1,950,000	2,016,000	12,500,000
Maximum percentage of Shares following the Offer ⁽⁶⁾	19.86%	0.38%	0.39%	2.42%

(1) Held directly or indirectly by the Director or a related party of the Director.

(2) Options – Key Terms and Conditions

Number	Terms & Conditions
15,613,889	Unlisted Options (\$0.06, 31 Dec 2018)
7,500,000	Unlisted Options (\$0.06, 5 June 2020)

(3) Performance Rights

Number	Milestones and Vesting Conditions
1,666,667	Announce JORC resource >2Mt Zn+Pb 17% by 30 June 17
1,666,666	Achieve a 10 day VWAP of shares is equal to or greater than \$0.10 for at least 10 consecutive days by 30 June 18

- (4) Assuming Directors do not exercise their Options and no Performance Rights convert.
- (5) Mr Martinez Valles is not an Eligible Shareholder under the Offer, as he is resident in Mexico.
- (6) Assuming the Directors and their related parties take up their full Entitlements under the Offer, and the Directors do not exercise their Options and no Performance Rights convert.

At the time of lodging the Rights Issue Offer Document the Directors and their related parties have indicated that they will take up their full Entitlement under the Offer. Mr Martinez Valles is not an Eligible Shareholder under the Offer, as he is resident in Mexico.

5. Glossary of terms

\$ means Australian dollars.

AEDT means Australian Eastern Daylight Time.

Applicant means a person who submits an Entitlement and Acceptance Form.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

ASX Settlement means ASX Settlement Pty Ltd ACN 008 504 532.

Business Day has the same meaning as in the Listing Rules.

CHESS means ASX Clearing House Electronic Subregister System.

Closing Date means the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

Company or **CZL** means Consolidated Zinc Limited ACN 118 554 359.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors mean the directors of the Company as at the date of this Rights Issue Offer Document.

Eligible Shareholder means a person registered as the holder of Shares on the Record Date whose registered address is in Australia or New Zealand.

Entitlement means an Eligible Shareholder's entitlement to Shares under the Offer as determined on the Record Date.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Rights Issue Offer Document.

Issuer Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder

being admitted as an institutional participant in CHESS.

Listing Rules means the Listing Rules of ASX.

New Share means a Share proposed to be issued pursuant to this Offer.

Offer is as defined in Section 1.1

Official List means the official list of ASX.

Official Quotation means quotation of New Shares on the Official List.

Opening Date means the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

Option means an unlisted option to acquire a Share.

Record Date means 5:00pm (AEDT) on the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

Registry means the Company's share registry, Link Market Services.

Rights means the right to an Entitlement.

Rights Issue Offer Document means this document.

Section means a section of this Rights Issue Offer Document.

Share means an ordinary fully paid share in the capital of the Company.

Shareholder means a holder of Shares.

Shortfall or **Shortfall Shares** means those New Shares for which valid Applications have not been received by the Closing Date.

Shortfall Offer is as defined in Section 1.8.