

30 November 2016

Dear Optionholder

Notice to Optionholders of Non-Renounceable Entitlement Offer

We write to you as the registered holder of Consolidated Zinc Limited (**Company**) options as at today's date.

Entitlement Offer

As advised in the ASX announcement dated 29 November 2016, the Company is undertaking a non-renounceable pro-rata offer on the basis of 1 fully paid ordinary share in the Company (**New Share**) for every 5 fully paid ordinary shares in the Company (**Share**) held by Eligible Shareholders (defined below) at an issue price of \$0.03 per New Share (**Entitlement Offer**) to raise up to approximately \$2.58 million (before costs).

The Entitlement Offer will be made by way of an offer document pursuant to section 708AA of the Corporations Act (**Offer Document**). Approval of the Company's shareholders is not required for the Entitlement Offer.

The Entitlement Offer is non-renounceable which means that the entitlements to participate in the offer are not transferable and therefore cannot be traded on the ASX or any other exchange or transferred privately. The Entitlement Offer is not underwritten.

Eligible Shareholders

Eligible Shareholders are those persons who:

- (a) are registered as a holder of Shares as at 5.00pm (AEDT) on 2 December 2016 (**Record Date**); and
- (b) have a registered address in Australia or New Zealand (together, **Eligible Countries**).

This Entitlement Offer is not being extended to any shareholder whose registered address is outside the Eligible Countries. Shareholders not satisfying the above criteria will not be eligible to participate in the Entitlement Offer.

Effect of the Offer

Below is a table showing the Company's current capital structure and the capital structure on completion of the Entitlement Offer (assuming all New Shares are issued under the Entitlement Offer and no convertible securities are converted or exercised into Shares prior to the Record Date).

	Shares	Options	Performance Rights
Current Balance	429,824,687	160,609,502 ⁽¹⁾	3,333,333 ⁽²⁾
Balance on Completion of Entitlement Offer	515,789,624	160,609,502	3,333,333

Notes:

(1) Unlisted options with various exercise prices and expiry dates.

(2) Performance rights subject to various milestones and vesting conditions.

Use of proceeds

The proceeds of the Entitlement Offer will be used for resource definition drilling and mine sustaining expenditure, regional exploration, general working capital and to pay the costs of the Entitlement Offer. Further details in relation to the use of the proceeds of the Entitlement Offer are set out in the Offer Document.

Indicative Timetable

The indicative timetable for the Entitlement Offer is as follows:

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

This timetable is indicative only and may be subject to change. The Company reserves the right to amend this indicative timetable at any time (including to extend the Closing Date which will have a consequential effect on the anticipated date for the issue of New Shares) subject to the Corporations Act and the Listing Rules.

Shortfall Offer

If the Entitlement Offer is not fully subscribed, the Company reserves the right, subject to any restrictions imposed by the Corporations Act and the Listing Rules, to issue New Shares not otherwise taken up under the Entitlement Offer (**Shortfall Shares**) at their sole discretion (**Shortfall Offer**).

Under the Shortfall Offer, the Company offers to issue Shortfall Shares to Eligible Shareholders who take up their full entitlement and who apply for additional New Shares out of the Shortfall Shares, as well as to other professional and sophisticated investors who are not currently shareholders of the Company. If you become an Eligible Shareholder and you wish to participate in the Shortfall Offer you should follow the directions in the Entitlement and Acceptance Form and section 2 of the Offer Document.

The Shortfall Offer will be a separate offer made pursuant to the Offer Document and may remain open for up to two months after the Closing Date. The issue price of the Shortfall Shares will be \$0.03 each, being the same price as the New Shares being offered under the Entitlement Offer.

Your Participation

Your options do not carry a right to participate in the Entitlement Offer. If you wish to participate in the Entitlement Offer in respect of shares that would be issued to you on the exercise of any of your options, you will need to exercise those options, pay the exercise price and be registered as an Eligible Shareholder by the Record Date.

A notice of exercise of your options and payment of the exercise price of your options should be lodged with the Company's share registry with sufficient time to ensure that you are registered as an Eligible Shareholder by the Record Date.

This letter is to inform you of the Entitlement Offer. If you do not wish to participate in the Entitlement Offer in respect of your options, you do not need to take any action.

Further Details

A copy of the Offer Document and Entitlement and Acceptance Form will be sent to Eligible Shareholders on 7 December 2016. The Offer Document will outline the Entitlement Offer in detail.

You are encouraged to read the Offer Document in full before making a decision in respect to the Entitlements Offer. If you wish to participate in the Entitlement Offer you should follow the directions regarding exercise of your options above and the directions in the Entitlement and Acceptance Form and section 2 of the Offer Document. The directors of the Company recommend that if you are in doubt as to the value of the Entitlement Offer then you should contact your financial advisor.

For further information in relation to the Entitlement Offer:

- (a) see the Offer Document lodged with ASX on 29 November 2016 and available at www.asx.com.au; or
- (b) contact the Company Secretary on +61 (0)8 9322 3406 during business hours.

On behalf of the Board, we thank you for your continued support.

Yours sincerely



Stephen Copulos
Chairman
Consolidated Zinc Limited