

3 May 2017

Dear Shareholder

Notice to Shareholders of Fully Underwritten Renounceable Rights Issue

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

Offer

As advised in the ASX announcement dated 1 May 2017, the Company is undertaking a fully underwritten renounceable pro-rata offer on the basis of 2 fully paid ordinary shares in the Company (**New Shares**) for every 5 fully paid ordinary shares in the Company (**Shares**) held by Eligible Shareholders (defined below) at an issue price of \$0.016 per New Share (**Offer**) to raise up to approximately \$2.95 million (before costs).

The 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 Offer.

The Offer is renounceable which means there will be trading of rights on ASX and you may dispose of your entitlement to subscribe for Shares under the Offer (**Entitlement**) to another party other than on the ASX.

The Offer is fully underwritten by Patersons Securities Limited and is sub-underwritten by various sub-underwriters including the Copulos Group.

Eligible Shareholders

Eligible Shareholders are those persons who:

- (a) are registered as a holder of Shares as at 5.00pm (AEDT) on 5 May 2017 (**Record Date**); and
- (b) have a registered address in Australia or New Zealand (together, **Eligible Countries**).

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

The Company has appointed a nominee to sell the Entitlements to which Ineligible Shareholders are entitled (see the Offer Document for further details).

Effect of the Offer

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

	Shares	Options	Performance Rights
Current Balance	461,261,388	160,609,502 ⁽¹⁾	8,333,333 ⁽²⁾
Balance on Completion of Offer	645,315,943	160,109,502	8,333,333

Notes:

(1) Unlisted options with various exercise prices and expiry dates (see the Offer Document for further details).

(2) Performance rights subject to various milestones and vesting conditions (see the Offer Document for further details).

Use of proceeds

The proceeds of the Offer will be used for scoping study and permitting expenses, ongoing resource definition drilling and exploration, general working capital and to pay the costs of the Offer. Further details in relation to the use of the proceeds of the Offer are set out in Section 1.3 of the Offer Document.

Indicative Timetable

The indicative timetable for the Offer is as follows:

Lodgment of Appendix 3B and s708AA notice	1 May 2017
Notice to Shareholders	3 May 2017
Existing Shares quoted on an "ex" basis	4 May 2017
Record Date	5 May 2017
Rights Issue Offer Document and Entitlement and Acceptance Form sent to Eligible Shareholders	10 May 2017
Rights trading ends	12 May 2017
Closing Date	19 May 2017
Company to notify ASX of under subscriptions (if any)	24 May 2017
Anticipated date for the issue of the Shares and sending of security holder statements	26 May 2017
Deferred settlement trading ends	26 May 2017
Normal (T+2) trading starts	29 May 2017
Settlement of on-market trades conducted on a deferred settlement basis and the first settlement of trades conducted on a T+2 basis	31 May 2017

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.

Rights Trading

The entitlements to New Shares under the Offer are renounceable. Accordingly, there will be trading of Entitlements on ASX and you may dispose of your Entitlement to another party other than on ASX. If you do not dispose of your Entitlement during the rights trading period (ending on 12 May 2017) or take up your Entitlement by the Closing Date the Offer to you will lapse. The New Shares in your Entitlement that are not taken up by you, or any person that you dispose of your Entitlement to, will form part of the Shortfall Shares (defined below). If you are an Eligible Shareholder and you wish to sell or transfer all or part of your Entitlement to another person you should follow the directions in the Entitlement and Acceptance Form and section 2 of the Offer Document.

Shortfall Offer

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall and will revert to the Underwriter unless it is allocated to other Eligible Shareholders as follows.

If you take up your Entitlement in full, you may also apply for additional New 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. You should also follow the directions in section 2 of the Offer Document.

Shortfall Shares will only be available where there is a Shortfall between Entitlement and Acceptance Form applications received from Eligible Shareholders and the number of New Shares proposed to be issued under the Offer. The issue price of the Shortfall Shares will be \$0.016 each, being the same price as New Shares under the Offer.

In the event the agreement with the Underwriter is terminated and there is a Shortfall, the Directors reserve the right to place the Shortfall Shares at their discretion.

Underwriting

The Offer is fully underwritten by Patersons Securities Limited (**Underwriter**). The Underwriter will be paid an underwriting fee equal to 6% of the total amount of the Offer less 5% of the amount sub-underwritten or subscribed for by Directors or Company-introduced investors. The Underwriter will also be paid a lead manager fee of \$30,000 for its services in managing the Offer.

The Underwriter has entered into sub-underwriting agreements with various sub-underwriters, including the Copulos Group, pursuant to which the sub-underwriters have agreed to subscribe for the entire Offer. All fees to be paid to the sub-underwriters will be paid by the Underwriter. The Copulos Group (various entities controlled by Director, Stephen Copulos) is currently a substantial Shareholder of the Company. The Copulos Group has entered into an agreement with the Underwriter to sub-underwrite 22,602,350 New Shares under the Offer (or approximately \$361,638 worth of New Shares). The Copulos Group will receive a fee of approximately \$10,849 for this sub-underwriting commitment.

Further details on the underwriting and sub-underwriting of the Offer are set out in the Offer Document.

Your Participation

If you wish to participate in the Offer you should follow the directions in the Entitlement and Acceptance Form and section 2 of the Offer Document.

This letter is to inform you of the Offer. You are not required to do anything in respect to this letter.

Further Details

A copy of the Offer Document and Entitlement and Acceptance Form will be sent to Eligible Shareholders on 10 May 2017. The Offer Document will outline the Offer in detail.

You are encouraged to read the Offer Document in full before making a decision in respect to the Offer. The Directors of the Company recommend that if you are in doubt as to the value of the Offer then you should contact your financial advisor.

For further information in relation to the Offer:

- (a) see the Offer Document lodged with ASX on 1 May 2017 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