

3 May 2017

Dear Shareholder

**Notice to Ineligible 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 whose address is registered outside of the Eligible Countries (defined below).

**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 will not be eligible to participate in the Offer.

**Ineligible Shareholders**

The Company has determined that it would be unreasonable to extend participation in the Offer to shareholders who do not have a registered address in the Eligible Countries on the Record Date (**Ineligible Shareholders**) having regard to:

- (a) the number of Ineligible Shareholders;
- (b) the number and value of the New Shares that would otherwise be offered to Ineligible Shareholders; and
- (c) the costs of complying with overseas legal and regulatory requirements.

The Company has appointed a nominee to sell the Entitlements to which Ineligible Shareholders are entitled. The nominee must sell such Entitlements and will have the absolute and sole discretion to determine the timing and price at which these Entitlements are sold and the manner of any such sale. In consideration for its services the nominee will be paid a fee of the greater of \$1,000 (exclusive of GST) or 1.5% brokerage on the Entitlements that it sells.

Notwithstanding that the nominee may sell these Entitlements, Ineligible Shareholders may, nevertheless, receive no net proceeds if the costs of the sale are greater than the sale proceeds. See Section 1.13 of the Offer Document for further details. Neither the Company nor the nominee will be subject to any liability for failure to sell the Entitlements or to sell them at a particular price.

### 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 <sup>(1)</sup>	8,333,333 <sup>(2)</sup>
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.

### **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.

### **Further details**

This letter is to inform you that you are not an Eligible Shareholder for the purposes of the Offer and consequently you will not be able to subscribe for New Shares under the Offer, trade your Entitlement on ASX or dispose of your Entitlement to another party or participate in the Shortfall Offer made in the Offer Document. This letter is not an offer to offer New Shares to you, nor an invitation to apply for New Shares. You are not required to do anything in respect to this letter.

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](http://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 as a shareholder of the Company.

Yours sincerely



Stephen Copulos  
**Chairman**  
**Consolidated Zinc Limited**