

16 September 2020

\$2.04 MILLION FULLY UNDERWRITTEN PRO-RATA NON-RENOUNCEABLE ENTITLEMENT OFFER TO REFURBISH AND COMMENCE PRODUCTION FROM WHOLLY OWNED PLOMOSAS CONCENTRATOR

Highlights

- Fully underwritten pro rata non-renounceable entitlement offer on the basis of three (3) New Shares for every eleven (11) Shares held by Eligible Shareholders on the Record Date at A\$0.003 per New Share to raise approximately A\$2.038 million.
- Participants in the Offer will receive one (1) free attaching quoted option (ASX: CZLOB) for every (3) New Shares subscribed for and issued, exercisable at A\$0.006 on or before 1 June 2023.
- Major shareholder, Copulos Group has committed to apply for its full entitlement (approximately 31%) under the Offer – a strong show of support from the Company’s largest shareholder.
- The funds raised will enable the Company to refurbish the company’s wholly owned concentrator located on-site at the Plomosas Mine and commence zinc and lead concentrate production from its own processing facilities.
- The commencement of zinc and lead concentrate production from the Company’s concentrator will be from a flowsheet designed for Plomosas ore and with greater plant availability than third party tolling concentrators.

Consolidated Zinc Limited ("**Company**") (ASX:CZL) is pleased to announce that it intends to undertake a fully underwritten non-renounceable pro rata entitlement offer on the basis of three (3) new fully paid ordinary shares ("**New Shares**") for every eleven (11) Shares held on 24 September 2020 ("**Record Date**") at an issue price of A\$0.003 per New Share to raise \$2,038,291 (before costs), together with one (1) free attaching quoted option (ASX:CZLOB) for every three (3) New Shares subscribed for and issued, exercisable at A\$0.006 on or before 1 June 2023 ("**New Options**") ("**Offer**"). The Company expects to lodge a prospectus for the purpose of the Offer ("**Offer Document**") with ASIC on or about Friday, 18 September 2020.

Brad Marwood, Managing Director of the Company said:

"This is a watershed moment for Consolidated Zinc, following the approval to commence a tailings storage facility at Plomosas in August 2020. The Company looks forward to refurbishing the existing concentrator at Plomosas which has always been the preferred development pathway for the Company, and which will be refurbished to a flowsheet that is designed for the Plomosas ore."

The Company expects that the consolidation of operations on-site at Plomosas will allow for the following benefits:

- *improved preventative and planned maintenance, improving overall availability;*
- *grind size to maximise recoveries;*
- *optimised reagent blending and dosing to maximise recoveries; and*

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- abundant fresh water at Plomosas, allowing the concentrator to utilise fresh process water to maximise recoveries.

The Company looks forward to updating shareholders on progress.”

The Lead Manager and Underwriter to the Offer is Lazarus Corporate Finance Pty Ltd ("Lazarus").

As well as Directors taking up their rights, the Company's largest shareholder, the Copulos Group, which has a voting power of approximately 31%, has committed to apply for its full entitlement under the Offer. The Directors consider this a strong show of support from the Company's largest shareholder.

The Company intends to use the funds raised from the Offer as follows:

Item	Amount
Expenses of the Offer	\$200,000
Plomosas concentrator refurbishment	\$1,838,291
Total	\$2,038,291

Note: The above table is a statement of the Board's current intention as at the date of this announcement and the Board reserves the right to alter the way the funds are applied.

The timetable for the Offer is as follows:

Pro-rata Offer announced to ASX	16 September 2020
Offer Document lodged with ASIC	18 September 2020
New Shares and New Options quoted on an "ex" basis (date from which Shares commence trading without the entitlement to participate in the Offer).	23 September 2020
Record Date (date for identifying Shareholders entitled to participate in the Offer).	24 September 2020
Offer Document with Entitlement Form sent to Eligible Shareholders and Opening Date of the Offer	29 September 2020
Closing Date of the Offer (last date for lodgement of Entitlement & Acceptance Forms and Application Money)	13 October 2020
Quotation of New Shares and New Options commences on a deferred settlement basis	14 October 2020
Issue of New Shares and New Options	21 October 2020
Quotation of New Shares and New Options issued under the Offer	22 October 2020

Note: Subject to the Listing Rules, the above dates may be changed without notice.

The Offer will be made to the Company's shareholders with a registered address in Australia or New Zealand on the Record Date ("**Eligible Shareholders**").

Assuming that no options or other convertible securities are exercised or converted before the Record Date, the effect of the Offer on the Company's capital structure is shown in the following table:

Shares	Amount
Existing Shares	2,491,244,944
New Shares issued under the Offer	679,430,439
Total Shares on issue after completion of the Offer	3,170,675,383
Options	Amount
Existing Options	900,095,513
New Options issued under the Offer	226,476,813
New Options issued to Lazarus (or its nominees)	15,000,000
Total Options on issue after completion of the Offer	1,141,572,326

Shareholders may view all the Company's ASX announcements, including those relating to the Offer, on the ASX's website at www.asx.com.au or alternatively on the Company's website at www.consolidatedzinc.com.au.

It is anticipated that the Offer Document will be mailed to Eligible Shareholders on or before 29 September 2020.

Application will be made to ASX for official quotation of the New Shares and New Options. Quotation of the New Options is subject to meeting the ASX criteria. No shareholder approval is required for the Offer.

Overseas Shareholders

The Offer is only made to Eligible Shareholders (i.e. shareholders with a registered address in Australia or New Zealand at the Record Date). Therefore, if you are a shareholder with a registered address other than Australia or New Zealand, no offer will be made to you. In making this decision, the Directors have taken into account the small number of overseas shareholders and the costs and administrative complexity of complying with applicable regulations in jurisdictions outside Australia and New Zealand.

Capital Raising Fees

As consideration for acting as Lead Manager and Underwriter to the Offer, Lazarus will be paid a management fee of 2% and an underwriting fee of 4% on the aggregate amount underwritten, \$10,000 per month for three months and will be issued 15,000,000 New Options.

This announcement was authorised for issue to the ASX by the Directors of the Company.

For further information please contact:

Brad Marwood
Managing Director
08 9322 3406

PRO-RATA FULLY UNDERWRITTEN NON-RENOUNCEABLE ENTITLEMENT OFFER – SUMMARY OF UNDERWRITING AGREEMENT TERMINATION EVENTS

The Underwriter may terminate the Underwriting Agreement if:

- (a) **(Company default)**: the Company fails to perform an obligation under the Underwriting Agreement;
- (b) **(Indices fall)**: the S&P ASX 300 Index closes on any Business Day from the date of the Underwriting Agreement at a level that is 10% or more below the level of the Index at the close of trading on the Business Day before the date of the Underwriting Agreement.
- (c) **(Zinc Price fall)**: the price of zinc (London Metals Exchange 3 months as quoted on Bloomberg under Bloomberg ticker 'LMZSDS03:COM') closes on any Business Day from the date of this Agreement at a level that is 10% or more below the level at the close of trading on the Business Day before the date of this Agreement.
- (d) **(Offer Document)**: the Company does not lodge the Offer Document with ASIC on the lodgement date or the Offer Document or the Offer is withdrawn by the Company;
- (e) **(Supplementary Offer Document)**:
 - (i) Lazarus, having elected not to exercise its right to terminate its obligations under this Agreement as a result of an occurrence as described in clause 10.2(p)(v), forms the view on reasonable grounds that a Supplementary Offer Document should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a Supplementary Offer Document in such form and content and within such time as Lazarus may reasonably require; or
 - (ii) the Company lodges a Supplementary Offer Document without the prior written agreement of Lazarus;
- (f) **(Non-compliance with disclosure requirements)**: it transpires that the Offer Materials do not contain all the information required by the Corporations Act or pursuant to *ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84*;
- (g) **(Misleading Offer Materials)**: it transpires that there is a statement in the Offer Document that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Offer Document (having regard to the provisions of sections 711, 713 and 716 of the Corporations Act) or if any statement in the Offer Document becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Offer Document is or becomes misleading or deceptive or likely to mislead or deceive;
- (h) **(Error in Due Diligence Results)**: it transpires that any of the due diligence results or any part of the verification material was materially false, misleading or deceptive or that there was a material omission from them;
- (i) **(Proceedings)** ASIC or any other person conducts any enquiry, investigation or proceedings, or takes any regulatory action or seeks any remedy, in connection with the Offer or the Offer Materials, or publicly foreshadows that it may do so;
- (j) **(Unable to issue Securities)** the Company is prevented from allotting and issuing the Shares and New Options within the time required by the timetable, Listing Rules, applicable laws, an order of a court of competent jurisdiction or a government authority;
- (k) **(Future Matters)** Any statement or estimate in the offer materials which relates to a future matter is or becomes incapable of being met or, in the reasonable opinion of the Underwriter, unlikely to be met in the projected timeframe;

- (l) **(No Quotation Approval)**: the Company fails to lodge an Appendix 2A and/or Appendix 3B in relation to the Underwritten Securities with ASX by the time required by the Corporations Act, the Listing Rules or any other regulation;
- (m) **(ASIC application)**: an order is made under Section 1324B or any other provision of the Corporations Act in relation to the Offer Document, the Shortfall Notice Deadline Date has arrived, and that application has not been dismissed or withdrawn;
- (n) **(Takeovers Panel)**: the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, which in the reasonable opinion of Lazarus has a Material Adverse Effect;
- (o) **(Authorisation)**: any authorisation which is material to anything referred to in the Offer Document is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to Lazarus (acting reasonably);
- (p) **(Indictable offence)**: a director of the Company is charged with an indictable offence; or
- (q) **(Termination events)**: any of the following events occurs:
 - (i) **(Hostilities)**: there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, the Democratic People's Republic of Korea, or the Peoples Republic of China or any member of the European Union;
 - (ii) **(Default)**: default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
 - (iii) **(Incorrect or untrue representation)**: any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect in a material respect;
 - (iv) **(Contravention of constitution or Act)**: a contravention by the Company of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
 - (v) **(Adverse change)**: an event occurs which gives rise to a material adverse effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company;
 - (vi) **(Significant change)**: a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
 - (vii) **(Public statements)**: without the prior approval of Lazarus a public statement is made by the Company in relation to the Offer or the Offer Document, other than a statement the Company is required to make in order to ensure its disclosure obligations under the Listing Rules and the Corporations Act;
 - (viii) **(Misleading information)**: any information supplied at any time by the Company or any person on its behalf to Lazarus in respect of any aspect of the Offer or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive;
 - (ix) **(Official Quotation qualified)**: the official quotation is qualified or conditional;
 - (x) **(Change in Act or policy)**: there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;

- (xi) **(Prescribed Occurrence)**: a Prescribed Occurrence occurs, other than as disclosed in the Offer Document;
- (xii) **(Suspension of debt payments)**: the Company suspends payment of its debts generally;
- (xiii) **(Event of Insolvency)**: an event of insolvency occurs in respect of the Company or any its subsidiaries;
- (xiv) **(Judgment against the Company)**: a judgment in an amount exceeding \$500,000 is obtained against the Company and is not set aside or satisfied within 14 days;
- (xv) **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are after the date of this Agreement commenced against any Relevant Company, except as disclosed in the Offer Document;
- (xvi) **(Board and senior management composition)**: there is a change in the composition of the Board or a change in the senior management of the Company before the date of issue of the Underwritten Securities without the prior written consent of Lazarus (such consent not to be unreasonably withheld);
- (xvii) **(Change in shareholdings)**: there is a material change in the major or controlling shareholdings of a Relevant Company (other than as a result of the Offer, a matter disclosed in the Offer Document) or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company;
- (xviii) **(Timetable)**: there is a delay in any specified date in the timetable which is greater than 2 Business Days;
- (xix) **(Force Majeure)**: a Force Majeure affecting the Company's business or any obligation under this agreement lasting in excess of 7 days occurs;
- (xx) **(Certain resolutions passed)**: a Relevant Company passes or takes any steps to pass a resolution under Section 254N, Section 257A or Section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of Lazarus;
- (xxi) **(Capital structure)**: any Relevant Company alters its capital structure in any manner not contemplated by the Offer Document;
- (xxii) **(Breach of Contracts)**: any of the Contracts are terminated or substantially modified; or
- (xxiii) **(Market conditions)**: a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

The events listed in (p) above do not entitle the Underwriter to exercise its rights of termination unless, in the reasonable opinion of the Underwriter reached in good faith, it has or is likely to have, or those events together have, or could reasonably be expected to have, a material adverse effect or could give rise to a liability of the Underwriter under the Corporations Act.

The Underwriting Agreement contains a number of conditions that must be satisfied by the Company before the Underwriter obligation to underwrite the Entitlement Offer commences that are considered standard for an agreement of this type, such as procurement of sub-underwriters to the Entitlement Offer and the timely lodgement of documents by the Company in accordance with the timetable.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.