

24 April 2013



## Capital Initiatives

Cobar Consolidated Resources Limited (ASX:CCU) is releasing today a number of documents in relation to funding initiatives as well as its quarterly reporting requirements.

The documents are;

1. Shareholder letter – entitlement offer announcement
2. Investor presentation
3. Entitlement offer cleansing notice
4. Appendix 3B
5. March 2013 quarterly activities report
6. Appendix 5B cashflow report

The shareholder letter – offer announcement is attached herewith. Other documents will follow in succession.

The voluntary suspension in the Company's shares can now be lifted.

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Dear Shareholder,



## Capital Initiatives

### Highlights

- **\$12.2 million underwritten renounceable 2 for 5 entitlement offer at \$0.13 per share**
- **Restructure of Cobar's hedge book to raise \$5.1m**
- **Extension to Project Loan Facility**

Cobar Consolidated Resources Limited (ASX:CCU) announced today a number of funding initiatives to support its working capital position and scheduled repayments of its banking facilities while it continues to ramp up silver production at the Wonawinta Silver Mine.

In the March Quarter Activities Report released today, the Company reported on the level of stockpiled, oversize ore which it has been unable to process through the leaching and elution circuit. Soon after the Company commenced operations it recognised that a significant level of high-grade oversize material was being rejected to the stockpile. This problem was exacerbated during the first quarter of 2013 when treatment of ore from the Boundary pit commenced. The amount of oversize ore and its impact on silver production has been greater than expected which has resulted in reduced silver revenues.

The company determined that a ball mill would be required to treat the stockpile of oversize ore, which contains approximately 400,000oz of silver, and to eliminate the oversize issue in future production. In October 2012 a ball mill was purchased. It was then refurbished, transported to site and is currently being installed. The ball mill is expected to be operating by July 2013.

As a result of the shortfall in silver production and consequent reduction in expected revenue, and to enable the Company to continue its operations in the normal course, the Company needs to raise additional capital and restructure its loan facilities.

The Company's Chairman, Mr John Dreyer, said, "The Wonawinta Silver Mine continues in ramp-up phase but silver production has been constrained by a persistent level of oversize ore which cannot be processed in the current mill. This issue is expected to be rectified when the ball mill is installed by July and we expect to resume an upward production trend after then with consequent increases in sales revenue. The capital initiatives we have announced today are intended to provide sufficient working capital and funding for scheduled repayments of all of Cobar's banking facilities. The Company is also considering various restructuring alternatives to further strengthen its financial position including but not limited to reducing discretionary spending and changing the mine plan to reduce costs."

### Organisational Changes

The Company also announced today that Mr Ian Lawrence would step down as Cobar's Managing Director on 23 May 2013. Mr Dreyer paid tribute to Mr Lawrence's long serving contribution to the Company, from its formation and listing in 2006, through to its rapid transition from developer to producer in 2012. "Without Ian's drive and enthusiasm there would be no Wonawinta Silver Mine", said Mr Dreyer.

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An announcement will be made in due course regarding his successor who will have the appropriate skills to lead the Company through its next phase of development and growth. The Board has appointed Mr Paul Bibby as Chief Operating Officer in the interim period to assist the Company in the transition to a new Managing Director. Mr Bibby is a metallurgist and was previously CEO of Range River Gold and OceanaGold. In addition, he has held operating and development roles at Nyrstar, Zinifex and Rio Tinto.

### **Entitlement Offer**

Cobar has entered into an Underwriting Agreement with its 19% shareholder Magna Resources Corporation Pte Ltd (Magna) to underwrite a renounceable entitlement offer of \$12.2 million to eligible shareholders on a **2 for 5** basis as follows:

- An Offer Price of \$0.13 per share, representing a 43.6% discount to the 5 day volume weighted average price (VWAP) of Cobar to 18 April 2013, the last day of trading prior to the date of this letter.
- Eligible shareholders will be invited to apply for over-subscriptions for shares in addition to their entitlement.
- Eligible shareholders who do not wish to take up some or all of their entitlement may sell or otherwise transfer all or part of their entitlement. Trading in rights which shareholders do not wish to take-up will commence on 30 April 2013.
- No underwriting fee is payable to Magna.
- The Underwriting Agreement contains standard termination rights for a capital raising of this nature, however importantly does not contain any underwriter termination rights related to a fall in any market index, the Company's share price or the silver price.
- The underwriting is subject to Magna's receipt of Foreign Investment Review Board (FIRB) approval before completion of the Entitlement Offer, which has been applied for.
- Magna will have the right to appoint a nominee to the Board of Cobar following completion of the Entitlement Offer.
- The Entitlement Offer will be made pursuant to an Entitlement Offer Booklet, and if you are eligible and wish to participate in the Entitlement Offer, you will need to complete your personalised Entitlement and Acceptance Form that will accompany it. A copy of the Entitlement Offer Booklet is intended to be lodged with ASX on 10 May 2013 and will be sent to eligible shareholders.
- The record date for the Entitlement Offer is 7.00pm (Melbourne time) on 6 May 2013.
- The Entitlement Offer is expected to close on 28 May 2013 at 5:00pm (Melbourne time).

Mr Dreyer said, "I strongly encourage shareholders to take-up their entitlements under the Entitlement Offer. Any entitlements that are not taken-up will pass through to Magna as underwriter. For illustrative purposes, Magna's interest in Cobar would increase to up to 42% (from 19% currently) should no entitlements be taken-up by Cobar shareholders other than Magna."

## Project Finance Facility

The Company also announced today two initiatives related to its project finance facility as follows:

- A restructure of the hedge book which has realised \$5.1m. Cobar has entered into new forward sales contracts for an equivalent amount of 900,000oz at an average silver price of A\$23.75 per ounce. Cobar continues to hold hedging for approximately 500,000oz at an average silver price of A\$29 per ounce; and
- Deferral of scheduled term loan repayments for the project finance facility, with the next repayment now due in December 2013. The maturities of the Company's working capital facility and cost overrun facility remain unchanged.

## Further Information about the Entitlement Offer

Pursuant to the ASX Listing Rules, the Company provides you with the following information in connection with the Entitlement Offer.

1. The Shares will rank equally in all respects from the date of allotment with the existing class of quoted shares.
2. Cobar is today applying for quotation of the shares issued pursuant to the Entitlement Offer on the official list of ASX.
3. It is anticipated the shares will be issued on 5 June 2013.
4. The total number and class of all shares quoted on ASX after completion of the Entitlement Offer are as follows:

Class	Number
Existing ordinary shares	235,230,570
Entitlement Offer	94,092,228
<b>TOTAL</b>	<b>329,322,798</b>

5. All shares issued pursuant to the Entitlement Offer will have the same entitlements as existing shares.
6. No shareholder approval for the Entitlement Offer is required.
7. The shares in the Entitlement Offer will be offered on the basis of 2 Shares for every 5 Shares held by the shareholder at 7.00pm (Melbourne time) on Monday, 6 May 2013.
8. The offer under the Entitlement Offer relates to fully paid ordinary shares.
9. Only shareholders with registered addresses in Australia, New Zealand, Singapore or other country where the Company may determine it is lawful and practical to make the Entitlement Offer to, will be sent the Entitlement Offer Booklet. In compliance with Listing Rule 7.7.1, the Company has decided that it is unreasonable to make the offer to shareholders with registered addresses outside of a limited number of jurisdictions (non-eligible shareholders) having regard to each of the following:
  - the number of those security holders registered;
  - the number and value of the securities that would have been offered to those security holders; and
  - the cost of complying with the legal requirements and requirements of regulatory authorities in some overseas jurisdictions.

However, the company will appoint a nominee who will endeavour to sell on-market the rights to acquire the shares that would otherwise have been offered to non-eligible shareholders had they been eligible to participate in the Entitlement Offer. The nominee will account to the non-eligible shareholders for the proceeds from the sale of any of those rights, net of expenses.

10. The expected date for share issue, dispatch of certificates and entry of the securities into your security holdings is 5 June 2013.

Shareholders should refer to the Entitlement Offer Booklet (expected to be despatched to shareholders on 10 May 2013 with personalised shareholder Entitlement and Acceptance Forms) for further details on the terms of the Entitlement Offer. This will include a copy of the Investor Presentation released to ASX today, which is also available on the Company's website [www.ccrlimited.com.au](http://www.ccrlimited.com.au).

If you have any queries regarding your entitlement or participating in the upcoming Entitlement Offer, please contact the Company on (03) 9869 8200.

Yours sincerely

John Dreyer  
Chairman