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ASX Announcement

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AGREEMENT REACHED ON AUCTUS

Consolidated Tin Mines Limited (ASX:CSD) (**CSD** or the **Company**) is pleased to announce that it has entered into a binding term sheet with the Administrator of Auctus Minerals Pty Ltd and Auctus Resources Pty Ltd (**Auctus Resources**) which is intended to result in the acquisition of 100% of the shares in Auctus, via a Deed of Company Arrangement (**DOCA**) for a cash and debt free price of A\$26.5 million with an estimated upfront cash payment of \$18.8 million, net debt which is currently estimated to be \$3.7 million and deferred consideration of \$4 million payable 12 months post effectuation of the DOCA (the **Agreement**).

CSD previously announced that it had agreed to acquire Auctus (ASX announcement 10 February 2020) (**Acquisition**) but this transaction was unable to be completed due to circumstances that were set out in the ASX announcement made on 23 March 2020. Auctus Resources was placed into Voluntary Administration on 20 March 2020. CSD has now successfully participated in a revised sale process undertaken by the Administrator, that resulted in the current agreement being reached on 10 July 2020.

The current agreement which is being executed as a deed of company arrangement covers the same assets that were included in the original agreement and described in the ASX announcement made on 10 February 2020.

The Agreement contains several conditions precedent including approval by the creditors of Auctus Resources and Auctus Minerals Pty Ltd (**Auctus Creditors**) at the Second Creditors Meeting; approval by the Foreign Investment Review Board and approval by CSD shareholders. A summary of the binding term sheet is attached as Annexure 1.

Auctus holds 100% of the Chillagoe Base and Precious Metals Project (**Chillagoe Project**), which is located 200 kilometres west of Cairns in Queensland, Australia. The Chillagoe Project is currently on care and maintenance.

Consolidation with CSD's existing mines and processing facilities in the region delivers a well-diversified, high-grade, long-life polymetallic business.

A summary of the highlights of the proposed Acquisition was announced on 10th February 2020 and is again summarised below:

HIGHLIGHTS

- Chillagoe Project comprises a major portfolio of **proven, high-quality assets**:
 - **King Vol Underground Mine**: Currently on care and maintenance. Previously operating at approx. 360ktpa ore; processed at Mungana to produce zinc, copper and lead concentrates containing silver and gold by-products.
 - **Mungana Processing Plant**: total capacity of 600ktpa; excellent condition (constructed 2017); separate base metal concentrates (plus gold/silver).
 - **Mungana Underground Mine**: Currently on care and maintenance; fresh ore focus delivers clear development optionality including potential mining of the Mungana Deeps deposit.

– Multiple other advanced resource development opportunities plus large-scale exploration tenure of proven gold and base metals endowment.

- **Highly strategic acquisition** given proximity to CSD's existing polymetallic assets (approx. 140km to Mt Garnet); expecting **substantial operational synergies** (ore sourcing/blending optimisation with twin processing hub flexibility) and **economies of scale**.
- Extensive investment by previous owner delivers a **well-capitalised and heavily de-risked asset base** with a robust focus on safety and environmental stewardship.
- **Immediate, value-accretive growth** in CSD's metal production output and resource inventory.
- **Significant output expansion and life extension potential** from multiple development projects and clear **high-grade exploration upside**; accelerated drilling of high-priority targets planned.
- Combined CSD/Auctus asset base delivers a **significant independent base metals producer** with three operating mines (plus one significant restart opportunity), two processing plants, multiple development opportunities and an expansive regional tenement base with excellent prospectivity.
- Initial consolidation strategy to drive twin-plant optimisation, Mungana Underground Mine re-start, further ore source development and metal output growth, and aggressive exploration of key targets.
- CSD to undertake name change to Aurora Metals Limited;
- Board renewal process underway targeting addition of further technical and resources industry expertise.

Managing Director, Ralph De Lacey, said the Acquisition was consistent with CSD's strategic objectives:

"We are pleased to announce we have at last reached agreement on the acquisition of Auctus and the Chillagoe Project, which we believe is transformational for CSD and our shareholders. The transaction establishes CSD as a leading independent base metal producer.

The acquisition of the Chillagoe Project is aligned with, and part of the CSD's overarching growth strategy. It delivers a strategic portfolio of producing and development assets, with outstanding gold and base metals exploration prospectively – all in close proximity to CSD's' existing operational footprint. We expect to unlock clear economies of scale and substantial synergy benefits, including better matching ore production, grade and blending with milling capacity, from putting these two sets of assets back together.

Critically, we are buying a business that has been heavily invested in by its previous owner with over USD 200M invested in the project. This provides us with a well-capitalised operating base from which to leverage the multiple high-grade production and development opportunities that exist.

A key aspect of the Chillagoe area is the potential gold producing potential with significant gold mineralisation identified in the vicinity of historic Red Dome gold mine, the Mungana Mine and other areas. This gold producing potential will be a high priority for the Company in the short to medium term.

We look forward to delivering for shareholders on the substantial upside opportunities that the Auctus assets offer our existing business."

CSD + Chillagoe: Consolidation and Growth Strategy

The Combined Portfolio

The consolidated CSD/Auctus business is set to possess:

- Three operating mines (Mt Garnet, Dry River South, King Vol Underground Mine) and one significant near-term restart opportunity (Mungana Underground Mine).

- Two processing plants (Mt Garnet and Mungana) with combined polymetallic processing capacity in excess of 1.1 Mtpa (plus a 500ktpa supergene copper circuit).
- A range of advanced development projects with clear potential to grow ore feed sources to the two processing facilities, both of which currently possess excess capacity.
- A consolidated tenement package in a highly endowed and extremely prospective region with numerous walk-up drill targets available.
- Diversification into gold production.

Key Benefits of the Acquisition

The Chillagoe Project comprises a major portfolio of proven, high-quality, high-grade production (mining and processing) and development assets. It also includes large-scale exploration tenure of proven gold and base metals endowment and high prospectivity, coupled with a successful regional track record of replacing and growing resources.

Auctus and the Chillagoe Project represent a highly strategic acquisition given their proximity to CSD's existing polymetallic assets (approximately 140km to Mt Garnet).

Consolidated ownership is expected to deliver substantial operational synergies (ore sourcing flexibility via multiple mines and recovery optimisation/flexibility with twin processing hubs) and economies of scale (interchangeability with respect to many mill components and consumables, reduced corporate and support overheads per metal product unit, increased purchasing power).

Extensive investment by Auctus across recent years also delivers a well-capitalised and heavily de-risked asset base with a robust focus on safety and environmental stewardship.

The Acquisition is set to deliver immediate, value-accretive growth in CSD's metal production output and resource inventory. It also brings with it significant output expansion and life extension potential from multiple development opportunities and clear high-grade exploration upside.

Short-Term Growth Opportunities and Next Steps

CSD is now targeting the satisfaction of remaining conditions precedent and rapid progress to completion of the Acquisition.

Post completion of the Acquisition, short-term growth opportunities to be pursued within CSD's consolidated portfolio include:

- Driving short-term operational performance at the King Vol Underground Mine and Mungana Processing Plant.
- Accelerated evaluation of the restart potential at the Mungana Underground Mine. This will initially focus on mining remanent sulphide ore from upper levels with well understood metallurgy and metal recovery capability.
- Assessment of the potential for additional Chillagoe deposits (including Girofla, Montevideo, Red Cap) to be developed to supplement ore feed into the Mungana Processing Plant.
- Assessment of all potential gold production potential including potential gold heap leach or CIP opportunities.
- Comprehensive analysis of all exploration data with a view to identification and ranking of high-priority Chillagoe near-mine extensional and regional targets for accelerated drilling.

- Evaluation of the potential for ore feed source optimisation/blending between the Mungana Processing Plant and CSD's existing Mt Garnet Processing Facility (500ktpa polymetallic circuit and 500ktpa supergene copper circuit).
- Extraction of immediate cost reduction synergies with respect to corporate overhead and general support functions.

Acquisition of Auctus

Key Terms

The Acquisition values Auctus at approximately A\$26.5 million. The Acquisition price comprises an upfront cash payment of approximately A\$18.8 million, A\$3.7 million in estimated assumed net debt and a deferred payment, twelve months post settlement, of A\$4 million.

For the Acquisition to be completed:

- **Approval by Auctus Creditors at the Second Auctus Creditor Meeting.** The Administrator is expected to conduct the second creditors meeting within the next month, with approval expected to be obtained by the end of July 2020;
- **Shareholder approval in accordance with ASX Listing Rule 11.1.2.** The Company will dispatch a Notice of Meeting to shareholders as soon as possible post approval from Auctus Creditors. The Notice of Meeting will provide further details regarding Auctus, the Chillagoe Project and the Acquisition. The major shareholders and the Directors holding shares have signed a Statement of Intention to vote in favour of the resolution (see below); and
- **Foreign Investment Review Board Approval.** Following the Treasurer of the Commonwealth of Australia's announcement on 29 March 2020, the threshold amounts which apply in determining whether particular foreign investments made on or after 29 March 2020 are subject to Australia's foreign investment framework are now zero. CSD must make an application to FIRB for the acquisition within five business days of acceptance of the Deed of Company Arrangement by Auctus Creditors at the second meeting of creditors.

As an advance payment towards the upfront completion payment, CSD has paid a deposit of A\$2 million to the Administrator.

CSD must also pay up to A\$250,000 (excluding GST) per month (**Monthly Payments**) from 31 July 2020 onwards to fund the trading costs of Auctus Resources and Auctus Minerals Pty Ltd noting that the Chillagoe Project is currently on care and maintenance. This obligation continues until FIRB approval is obtained or the DOCA is terminated prior to effectuation of the DOCA (**Effectuation**) in accordance with its terms. This amount is in addition to the Cash Contribution and will not be subtracted from the purchase price.

The obligations of CSD under the Agreement are joint and several with CSD's major shareholder, Cyan Stone, meaning that Cyan Stone is obliged to ensure that the purchase price is paid under the DOCA.

CSD is targeting completion of the Acquisition as soon as possible following the Company obtaining FIRB and shareholder approval for the Acquisition.

A summary of the key terms and conditions of the Agreement (including conditions precedent) is included in Annexure A. Further detail regarding the Agreement will be set out in the Notice of Meeting.

Source of funding the acquisition

The Company intends to fund the remainder of the upfront payment of \$16.8m (\$18.8m less the \$2m deposit) through an equity raising. The payment is guaranteed by Cyan Stone Pty Ltd, the Company's largest shareholder.

Withdrawal of Notice of Demand from Auctus Minerals Nominee Pty Limited and settlement of any claims

Auctus Minerals Nominee Pty Limited had previously lodged a notice of demand for A\$4.325 million on 2 April 2020 relating to the original acquisition for Auctus Chillagoe Holdings Pty Ltd. CSD continues to deny that it is liable to make any payments in relation to the original acquisition. As a condition precedent to the Agreement with the Administrators, the parties to the original acquisition must enter into a settlement deed to release any claims between them. Once this settlement deed is entered into it will have the effect of Auctus Minerals Nominee Pty Limited withdrawing its letter of demand.

Sale of Tin Project

CSD has entered into a sale agreement for the sale of its tin project related tenements (**CSD Tin Project**) to Tableland Mining Group Pty Limited for \$4 million. A deposit of \$2 million has been received. The final \$2 million will be paid when Tableland Mining Group Pty Limited obtains FIRB approval.

Background on decision to sell Tin Project

The priority of the CSD Tin Project has reduced since 2016 upon settlement of Snow Peak Mining's assets when the direction of the Company changed to base metals (copper, zinc and lead). The CSD Tin Project tenements have been held in care and maintenance for the last four years. The CSD Tin Project will require significant investment to develop new processing facilities to extract tin.

The Company undertook extensive test work between 2008 and 2012 resulting in recovery of tin via fuming as the only successful recovery method. The tin fuming method requires significant capital cost and also high operating costs. The viability of the CSD tin fuming project was reliant on a tin metal price of over US\$22,000 per tonne to warrant the capital investment required.

The tin price peaked at US\$33,250 for a short time in April 2011, with much expert speculation that US\$30,000 would be maintained as the new tin price floor. Unfortunately, this speculation was incorrect, and the price quickly slipped below US\$20,000 by December 2011. Although the tin price has surged above US\$25,000 on several occasions since, it has averaged around US\$20,000. The current tin price is US\$17,126 (as at 8 July 2020).

The continuing low tin price and extensive holding cost on the tin tenements has resulted in the decision by the CSD Board to sell the CSD Tin Project and to focus on the base metals projects. This is particularly relevant in light of the company entering into the Agreement to buy the Chillagoe Project.

Update on Half Yearly Accounts and Voluntary Suspension

CSD advises that it is making progress towards finalising its outstanding half yearly accounts. Subject to finalising its accounts, which it expects to occur in August 2020, CSD will return to trading on the ASX.

This ASX release was authorised for and on behalf of the CSD Board by:

Ralph De Lacey, Managing Director

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Important Notices

Forward looking statements

The forward-looking statements in this announcement are based on the Company's current expectations about future events. However, they are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward-looking statements in this Announcement. Forward looking statements include those containing words such as 'anticipate', 'estimates', 'should', 'will', 'expects', 'plans' or similar expressions.

Background on CSD

CSD is a publicly listed company on the Australian Securities Exchange (ASX:CSD). CSD acquired the ex Kagara 'Central Region' assets, including the Mount Garnet Processing Facility, Mount Garnet Underground Mine, Surveyor Mine and the Einasleigh Project from Snow Peak Mining Pty Ltd in 2016. This transitioned CSD from a tin exploration company to a base metal miner and producer, producing approximately 150wmt per day of zinc, lead and copper concentrates with silver and gold co-products.

ANNEXURE A: Summary of Agreement

Purchase Price

CSD will make a total contribution of \$26.5 million and in addition assume certain employee entitlements of annual leave and long service leave for transferring employees. The contribution of \$26.5 million will comprise of:

- i. the payment of \$18.8 million ('Cash Contribution') into the Creditors' Trust (subject to adjustment as detailed below) (this \$18.8 million includes a \$2 million deposit which has already been paid);
- ii. the assumption of the Assumed Net Debt, currently estimated to be \$3.7 million; and
- iii. the payment of \$4 million into the Creditors' Trust 12 months after the date of Effectuation of the DOCA ('Deferred Payment'). CSD will provide first ranking security over the Chillagoe Station and the Auctus Resources' tenements and second ranking security over the processing plant as security for the Deferred Payment, subject to any required government approvals.

CSD will assume the following liabilities of Auctus Resources and Auctus Minerals Pty Ltd (collectively defined as 'Debt') which will not transfer to the Creditors' Trust) and will not be discharged or forgiven at Effectuation:

- i. State of Queensland royalty, currently estimated at \$2.7 million;

- ii. Estimated amount of \$1.0 million to Ausco Modular Pty Ltd which has a priority security ranking over specific camp assets;
- iii. Environmental Bond liability, currently estimated at \$5.8 million; and
- iv. Ergon Bond liability, currently estimated at \$0.8 million.

The Creditors' Trust refers to the trust established by the Administrator for creditors of Auctus Resources and Auctus Minerals Pty Ltd (collectively referred to in this summary as the **Auctus Companies**).

At Effectuation CSD will also receive title to the cash backing to the Environmental Bond and Ergon Bond, currently estimated to total \$6.6 million ('Cash').

The assumed net debt will be equal to the Debt less Cash as at Effectuation ('Assumed Net Debt'), currently estimated at \$3.7 million.

Creditor claims forming part of the Assumed Net Debt agree that they are not entitled to prove their claim in the Creditors' Trust. Creditor claims forming part of the Assumed Net Debt will otherwise be uncompromised and remain on the balance sheet of the Auctus Companies post-Effectuation of the DOCA.

Lock up letters

[The Administrator has procured irrevocable lock up letters from Nebari Natural Resources Credit Fund I, LP (Nebari) and AMAUT Finance LLC (AMAUT), being secured creditors of Auctus Resources, pursuant to which those parties agree to vote in favour of the DOCA proposal.]

Deposit

As stated above, CSD has paid a deposit of \$2 million to Korda Mentha acting as escrow agent which forms part of the Cash Contribution. The deposit will be released to the Administrator on the date the DOCA is approved by the Auctus Creditors at the second creditors meeting or if the second creditors meeting is not held on or before 31 July 2020 due solely to an action or inaction of CSD and/or Cyan Stone.

The deposit will be returned to CSD if the DOCA is not approved at the second creditors meeting or if the second creditors meeting is not held on or before 31 July 2020 (other than due solely to an action or inaction of CSD and/or Cyan Stone).

DOCA

The parties (CSD, Cyan Stone and the Auctus Companies) must use reasonable endeavours and negotiate in good faith, to execute a formal DOCA on or before the fifth business day after acceptance of the DOCA by creditors of the Auctus Companies at the second meetings of creditors. If the DOCA is not executed within the statutory timeframe of 15 business days following the second meetings of creditors, then, at the discretion of the Administrators, the Auctus Companies will be placed into liquidation or an alternative DOCA will be proposed to the creditors of the Auctus Companies.

Acquisition of Shares in Auctus Chillagoe Holdings Pty Ltd

Prior to Effectuation, the Administrators will use reasonable endeavours to obtain irrevocable consent from Auctus Minerals Nominee Pty Ltd as trustee for the Auctus Minerals Australian Unit Trust to the sale of the shares in Auctus Chillagoe Holdings Pty Ltd and Auctus Minerals to CSD on Effectuation.

Termination by Administrator

If:

- i. any of the conditions relating to the payment of the deposit by CSD; timing obligations of CSD relating to its notice of meeting and obtaining shareholder approval, FIRB approval or CSD's Monthly Payment obligations are not satisfied or waived;
- ii. the formal DOCA is not executed due solely to an action or inaction of CSD and/or Cyan Stone; or
- iii. the second meeting of creditors is not held on or before 31 July 2020 due in solely to an action or inaction of CSD and/or Cyan Stone; or
- iv. the Treasurer makes an order under the *Foreign Acquisitions and Takeovers Act 1975* prohibiting the Acquisition or the Treasurer gives a notice of no objection to the acquisitions but on conditions (other than the standard FIRB tax conditions) that CSD does not accept;

and provided the Administrators and the Deed Administrators have not breached their obligations, the Administrators or the Deed Administrators (as applicable) may immediately terminate the term sheet Terms Sheet or the DOCA and will be entitled to retain the Deposit and any Monthly Payments plus interest made by CSD.

Termination by either party

If:

- i. the DOCA is not approved at the second meetings of creditors; or
- ii. the second meeting of creditors is not held on or before 31 July 2020 due to an action of the Administrators not caused by CSD or Cyan Stone,

and provided that the relevant terminating party has not breached its obligations under the terms sheet, either the Administrators or CSD may immediately terminate the term sheet and instruct the Escrow Agent to immediately refund the Deposit to the bank account nominated by CSD.

Subject to the other provisions regarding termination, if Effectuation does not occur by 28 February 2021 or such later date as is agreed between CSD and the Deed Administrators and provided the relevant terminating party has not breached its obligations under the term sheet or the DOCA either CSD or the Deed Administrators may terminate the terms sheet or the DOCA and the Deed Administrators will be entitled to retain the Deposit and any Monthly Payments plus interest made by CSD.

Termination by CSD

If Effectuation does not occur due to:

- i. the non-satisfaction of the conditions precedent relating to approval of the DOCA at the second creditors meeting, the execution of a Creditors' Trust Deed and establishment of the Creditors' Trust, the transfer of the shares in Auctus Chillagoe Holdings Pty Ltd and Auctus Minerals Pty Ltd to CSD; or
- ii. if the Auctus Nominees Pty Ltd as trustee for the Auctus Minerals Australian Unit Trust does not comply with the obligations to enter into a settlement deed with CSD relating to its claims; or
- iii. if the Administrator does not comply with its obligations to provide the required audited accounts of Auctus Chillagoe Holdings Pty Ltd; or
- iv. the formal DOCA is not executed in accordance with the agreed time frames in the term sheet (other than due solely to an action or inaction of CSD and/or Cyan Stone),

CSD may immediately terminate the terms sheet or the DOCA (as the case may be) and the Administrators must refund the Deposit to the bank account nominated by CSD.

Conditions Precedent

The DOCA will effectuate immediately after all of the following conditions precedent have been satisfied or waived:

- the Auctus Companies' creditors approve the DOCA at the second meetings of creditors;
- the execution of a Creditors' Trust Deed and establishment of the Creditors' Trust;
- payment of the Cash Contribution by CSD to the Creditors' Trust;
- satisfaction of the obligations of CSD relating to the payment of the deposit by CSD and entering into an escrow deed with the escrow agent;
- execution and acceptance of the DOCA by creditors by the required deadlines
- satisfaction of the obligations of CSD relating to its notice of meeting and obtaining shareholder approval, FIRB approval and compliance with CSD's Monthly Payment obligations;
- the Deed Administrators procuring the transfer of all of the shares in Auctus Chillagoe Holdings Pty Ltd and Auctus Minerals Pty Ltd to CSD or its nominee in consideration for the obligations and payments made by CSD under the DOCA;
- CSD's nominated directors have been appointed; and
- Nebari and AMAUT consenting to release all claims against the Auctus Companies and to discharge their security against the Auctus Companies on Effectuation.

Effectuation

Among other things, on Effectuation, the Auctus Companies will be released from external administration and CSD will hold 100% of the issued share capital of Auctus Chillagoe Holdings Pty Ltd (which will continue to own its wholly-owned subsidiary Auctus Resources) and Auctus Minerals Pty Ltd.