

(All dollar amounts are in U.S. dollars unless otherwise indicated. This release should be read in conjunction with the Company's audited Financial Statements for the quarter ended June 30, 2016 and the Management's Discussion and Analysis report found on the Company's website or on SEDAR).

TORONTO, July 26, 2016 /CNW/ - LeadFX Inc. (the "Company" or "LeadFX") (TSX: LFX) today reported results for the three and six months ended June 30, 2016. In the second quarter, we realized a net loss of \$2.5 million or \$0.06 per share compared to a net loss of \$6.8 million or \$0.64 per share for the second quarter of 2015. The net loss realized in the second quarter of 2016 is 63% lower when compared to the same period in 2015 as a result of continued cost management and a consumable inventory write-down of \$2.3 million in the second quarter of 2015 owing to lower realized re-sale prices achieved.

## SECOND QUARTER HIGHLIGHTS

### Operational

- The Paroo Station mine has been on care and maintenance since January 2015. A minimum complement of care and maintenance staff is at the mine site full-time to maintain the site in a restart ready state.
- Preliminary planning has commenced in relation to the requirements for a potential restart of operations at the Paroo Station mine. Ultimately, a decision to restart the Paroo Station mine will be dependent on several factors including securing the necessary financing. We are in advanced negotiations with an interested party to provide restart financing subject to various conditions being met.

### Financial

- Gross loss of \$1.1 million and a net loss of \$2.5 million for the second quarter.
- Cash used in operations of \$1.4 million for the second quarter.
- The maturity date and forbearance period of the Bridging Facility was extended to June 30, 2017. On July 15, 2016, the Bridging Facility was assigned by Enirgi Group Corporation ("Enirgi Group") to Sentient Global Resources Fund IV, L.P. ("Sentient") and on July 19, 2016, the outstanding principal and accrued interest under the Bridging Facility was converted from Canadian dollars to United States dollars.
- LeadFX successfully negotiated a \$2.5 million unsecured promissory grid note dated April 22, 2016 issued by LeadFX to Sentient (the "Promissory Note"). No interest is payable on the principal amount of the Promissory Note, which must be repaid on June 30, 2017.
- The Paroo Station mine is on full care and maintenance and as a result, additional financing will be required to meet our strategic growth plans, ongoing costs and loan commitments. We are currently in discussions with a number of interested parties regarding potential general financing options for the Company.

### Outlook

Preliminary planning has commenced in relation to the requirements for a potential restart of operations at the Paroo Station mine. A decision to restart the Paroo Station mine will be dependent on a sustained improvement in LME lead prices supported by positive market fundamentals, favourable foreign exchange rates and treatment charges as well as securing the necessary financing to restart operations. Given the Company's current debt obligations and an estimated mine life of approximately four years based on current Mineral Reserves, management continues to focus not only on funding requirements but on an overall strategic review of the Paroo Station mine and its operations in light of the foregoing factors. A small restart team has been retained to allow a rapid restart of operations if the decision to proceed is taken.

We continue to investigate opportunities to save on treatment charges, transportation costs and other costs in order to allow us to identify the appropriate set of economic conditions that would support a restart of operations at the Paroo Station mine. The reduction in prices for iron ore, oil and gas has led to a significant reduction in mining and development activity within the State of Western Australia ("the State") which has in turn lowered demand for skilled labour and mining contractor services reducing the cost of operating a mine in the State. We continue to monitor economic activity within the State and are assessing the impact of lower costs on the Paroo Station mine and whether the right conditions exist that would lead us to restart the Paroo Station mine in light of the current LME (as defined below) lead prices, subject to the availability of financing.

In June 2016, the Company made final submissions to regulators in Western Australia with respect to changing certain operating conditions. The changes are aimed to help ensure continuity of mining operations at the Paroo Station mine following a restart. In particular, the Company is seeking (i) increased access to the remaining ore on the Magellan Hill deposit, (ii) an extension of the period of time permitted to export product from the Port of Fremantle, and (iii) a modification of the transport route financial assurance bond to levels in-line with the likely worse-case scenario cost. These applications remain under consideration by the Western Australian regulators.

## FINANCIAL AND OPERATING HIGHLIGHTS

Summary financial and operating highlights:

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
(in thousands of United States dollars, except per share amounts) \$		\$	\$	\$
<b>Financial Highlights</b>				
Revenue <sup>(1)</sup>	-	750	-	27,163
Gross loss	(1,119)	(3,271)	(2,123)	(4,945)
Net loss and comprehensive loss	(2,534)	(6,804)	(6,608)	(9,196)
Basic and diluted loss per share	(0.06)	(0.64)	(0.17)	(0.86)
Cash flow (used in) provided by operating activities	(1,355)	(1,254)	(2,197)	387
			June 30, 2016	December 31, 2015
Total assets			71,616	71,736

(1) During the first quarter of 2015, the Paroo Station mine transitioned to care and maintenance due to depressed London Metal Exchange ("LME") lead prices and increased treatment charges. Mining operations ceased in January and milling operations ceased in early February. Final shipments of lead concentrate left the Fremantle port in March 2015. Final adjustments to provisionally priced sales in March 2015 resulted in an additional \$0.8 million of revenue in the second quarter of 2015.

### Price of Lead

During the second quarter of 2016 the LME Cash Settlement Lead Price averaged \$1,719 per tonne compared to \$1,942 per tonne in the same period in 2015. During the first quarter of 2016, the LME Cash Settlement Lead Price averaged \$1,744 per tonne compared to \$1,806 per tonne in the same period in 2015. The LME lead price continues to be impacted by a soft demand for lead in China, excess supply in the United States and weaker market fundamentals affecting commodities in general.

## LIQUIDITY AND FINANCIAL CONDITION

### Statement of Cash Flows

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
(in thousands of United States dollars)				
Cash flows from operating activities	(1,355)	(1,254)	(2,197)	387
Cash flows from investing activities	7	3,866	7	3,379
Cash flows from financing activities	2,483	(3,860)	2,460	(4,579)
Effect of exchange rate changes on cash and cash equivalents	35	(27)	43	(238)
Net change in cash and cash equivalents	1,170	(1,275)	313	(1,051)

### Operating activities

Cash used in operating activities in the current period were broadly consistent (increasing \$0.1 million or 8%) compared to the second quarter of 2015. Cash flows in both periods were negative as a result of costs incurred while the Paroo Station mine is on

care and maintenance.

Cash used in operating activities for the six months ended June 30, 2016 was \$2.2 million while maintaining the Paroo Station mine in care and maintenance throughout the period compared to cash generated from operations of \$0.4 million in the six months ended June 30, 2015 as a result milling high grade inventory on hand and collecting outstanding receivables before being transitioned into care and maintenance.

#### Investing activities

There have been no investing activities during the three and six months ended June 30, 2016 apart from interest received on restricted cash pertaining to bank guarantees for gas supply contracts. Investing activities in the same period in 2015 primarily relate to additions to property, plant and equipment.

#### Financing activities

Financing activities for the three and six months ended June 30, 2016 relate to the receipt of \$2.5 million from the Promissory Note offset by finance lease payments.

#### Capital Resources, Liquidity and Working Capital Requirements

As at June 30, 2016, the Company had a working capital deficit of \$15.2 million which includes \$7.8 million (C\$10.2 million) owing to Enirgi Group (since assigned to Sentient) under the Bridging Facility which has a maturity date of June 30, 2017 and \$2.3 million owing to Sentient under the Promissory Note which has a maturity date of June 30, 2017. Neither the Paroo Station mine, the Chief properties nor the North 67 properties are operational or generating revenue.

The Company's ability to continue as a going concern is dependent on a number of factors including but not limited to the Company's ability to either (i) refinance the Bridging Facility, (ii) raise additional funds to meet its debts and obligations as they fall due, or (iii) undertake further transactions which may realize the value of the Company and its assets. The Company will need to undertake at least one of these aforementioned actions in order to service its working capital deficiency, meet its commitments to lenders, meet the costs of care and maintenance, meet the costs of any potential future restart of the Paroo Station mine and meet the costs of bringing the Company's mineral projects into production. The amount of any funding requirement will be contingent on several factors including, but not limited to, the nature of any refinancing of the Bridging Facility, the nature of any additional transactions undertaken by the Company, the outcome of further negotiations with the Company's lenders, the costs and duration of care and maintenance, the timing and cost of any potential future restart of operations at the Paroo Station mine and the cost of bringing the Company's mineral projects into production.

There is no guarantee or assurance that the Company will be able to (i) refinance the Bridging Facility, (ii) be able to secure sufficient financing to fund its commitments to its lenders, the costs of ongoing care and maintenance, the costs of any potential future restart of operations or the costs of bringing its mineral projects into production or (iii) complete any further transactions. If the Company is unable to obtain sufficient funds or repay debts from either one or more of these actions, it could affect its ability to continue as a going concern. A decision to restart the Paroo Station mine will be contingent on several factors including, but not limited to, a sustained recovery in the LME lead price, a reduction in treatment charges and a favorable USD:AUD foreign exchange rate. A decision to commence development of the Company's mineral projects will be contingent on several factors including, but not limited to, commodity prices, the projected cost to develop these projects and obtaining funding to finance these costs.

These material uncertainties create significant doubt as to the Company's ability to continue as a going concern. As at June 30, 2016 the second quarter 2016 financial statements do not reflect any adjustments to carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary should the going concern assumption be inappropriate.

#### Shares issued and outstanding

As of the date hereof, there were approximately 38.3 million common shares of LeadFX issued and outstanding. In addition, options exercisable for a maximum aggregate of approximately 0.1 million common shares were outstanding.

Enirgi Group, its subsidiaries and joint ventures are each a "related party" to LeadFX by virtue of Enirgi Group and LeadFX being owned by the same parent. As at June 30, 2016, The Sentient Group of Global Resource Funds held 85.1% of the issued and outstanding shares of LeadFX. Previously, Enirgi Group, a wholly owned subsidiary of Sentient, owned 85.1% of the issued and outstanding shares of LeadFX. On March 24, 2016, shares of LeadFX held by Enirgi Group were transferred to The Sentient Group of Global Resource Funds.

LeadFX's audited financial statements and MD&A for the three and six months ended June 30, 2016 will be filed today and will be available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.leadfxinc.com](http://www.leadfxinc.com).

## About LeadFX

LeadFX is a Canadian-based mining company focused on the development of lead-silver projects located in stable jurisdictions. Our current portfolio includes a restart-ready lead operation in Western Australia and a development project in Utah, USA. The Company is developing opportunities at its new properties in North America to underpin future cash flow and growth. LeadFX trades under the symbol "LFX" on the Toronto Stock Exchange.

## Forward-Looking Statements

Certain statements contained in this news release are forward-looking information within the meaning of applicable securities laws. All statements included herein (other than statements of historical facts) which address activities, events or developments that management anticipates will or may occur in the future are forward-looking statements, including statements as to the following: the timing and length of care and maintenance at the Paroo Station mine and future sales, future targets and estimates for production and sales, the receipt of required additional financing to restart and operate the Paroo Station mine, statements relating to the business and future activities of, and developments related to LeadFX and its subsidiaries, including the development of water, lead, silver, industrial minerals and aggregates assets, future business acquisitions, future lead production, the Company's ability to meet its working capital needs and debt repayments in the near term, the circumstances or timing and costs surrounding a restart of the Paroo Station mine, forbearance by Sentient pursuant to the Bridging Facility, projections with respect to cash flows and working capital, the cost and timing for completion of capital projects necessary for any future operations, the Company's ability to comply with the transportation and operating conditions for the Paroo Station mine, capital expenditures, operating costs, cash costs, Mineral Resources, Mineral Reserves, life of mine, recovery rates, grades and prices, business strategies and measures to implement such strategies, competitive strengths, estimated goals and plans for LeadFX's future business operations, commodity prices outlook and other such matters. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "contemplate", "target", "believe", "plan", "estimate", "expect", and "intend" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. These statements are based upon certain reasonable factors, assumptions and analyses made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. However, whether actual results and developments will conform with management's expectations is subject to a number of risks and uncertainties, including factors underlying management's assumptions, such as, expected concentrate sales when in operations, the costs and other capital expenditures required to maintain operations and transportation, the timing, need and ability to raise any additional financing and the risks relating to ramping up mining and milling throughput and operations, funding requirements, operations being placed on care and maintenance, the restart of mining and milling operations, matters relating to regulatory compliance and approvals, shareholder dilution, matters relating to public opinion, presence of a majority shareholder and management services agreements with Enirgi Group, matters related to the Esperance settlement and shipments through the Port of Fremantle, regulatory proceedings and litigation and general operating risks such as metal price volatility, lead carbonate concentrate treatment charges, exchange rates, the fact that the Company has a single producing mineral property, health and safety, environmental factors, mining risks, metallurgy, labour and employment regulations, government regulations, insurance, dependence on key personnel, constraints on cash distribution from the Paroo Station mine, the nature of mineral exploration and development and common share price volatility.

Additional factors and considerations are discussed in the Company's 2015 AIF and elsewhere in other documents filed from time to time by LeadFX with Canadian securities regulatory authorities and available on SEDAR at [www.sedar.com](http://www.sedar.com). While LeadFX considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. While LeadFX considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. These factors may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and there can be no assurance that the actual results or developments anticipated by management will be realized or, even if substantially realized, that they will have the expected results on the Company. Undue importance should not be placed on forward-looking information nor should reliance be placed upon this information as of any other date. Except as required by law, while it may elect to, LeadFX is under no obligation and does not undertake to update this information at any particular time.

SOURCE [LeadFX Inc.](#)

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