

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

TORONTO, Oct. 27, 2016 /CNW/ - LeadFX Inc. (the "Company" or "LeadFX") (TSX: LFX) today reported results for the three and nine months ended September 30, 2016. In the third quarter, we realized a net loss of \$2.9 million or \$0.07 per share compared to a net loss of \$2.0 million or \$0.19 per share for the third quarter of 2015. As the Paroo Station mine was in care and maintenance in both periods, costs were broadly comparable in both periods except for foreign exchange fluctuations which resulted in a \$0.2 million loss in the third quarter of 2016 as compared to a \$1.1 million gain in the same period of 2015.

THIRD 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.
- Restart planning has identified up to 200 new employee positions that will need to be filled in Western Australia by the Company or its contractors within six-months of a positive restart decision. This recruitment phase is the critical path to a restart of production.
- The Company is awaiting a decision from the Western Australian Government on its submission to amend certain operating conditions. The amendments are to help ensure continuity of mining operations at the Paroo Station mine following a restart and would not impact the auditing, monitoring and reporting requirements imposed on the Company while in operations. A positive decision is considered a prerequisite to any decision to start recruiting or to restart operations.
- The LME lead prices improved significantly in the third quarter and management remains in advanced negotiations with interested parties to provide restart financing subject to various conditions being met.

Financial

- Gross loss of \$1.2 million and a net loss of \$2.9 million for the third quarter.
- Cash used in operations of \$1.3 million for the third quarter.
- During the quarter, LeadFX successfully negotiated and drew down an additional \$1.0 million unsecured promissory grid note dated August 25, 2016 issued by LeadFX to Sentient Executive GP IV, Limited (for Sentient Global Resources Fund IV, L.P) ("Sentient IV") (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.

Outlook

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, among other things, a positive decision on its regulatory submission to the Western Australian Government, positive LME lead prices and securing the necessary restart financing.

The final decision to restart the Paroo Station mine will also 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. The Company continues to monitor LME lead prices and exchange rates closely. 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.

FINANCIAL AND OPERATING HIGHLIGHTS

Summary financial and operating highlights:

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
(in thousands of United States dollars, except per share amounts) \$		\$	\$	\$
Financial Highlights				
Revenue ⁽¹⁾	-	-	-	27,163
Gross loss	(1,209)	(1,297)	(3,332)	(6,242)
Net loss and comprehensive loss	(2,879)	(2,002)	(9,487)	(11,198)
Basic and diluted loss per share	(0.07)	(0.19)	(0.25)	(1.05)
Cash flow used in by operating activities	(1,315)	(2,811)	(3,512)	(2,424)

	September 30, 2016		December 31, 2015
Total assets	71,152		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.

Price of Lead

Refer to the table below for a trending of the lead price. During the third quarter of 2016 the average LME Cash Settlement Lead Price increased 9% from the previous quarter partly due to stronger fundamentals of zinc metal and concentrate market.

The LME lead price has continued to be depressed since the fourth quarter of 2014. In addition, the Australian dollar has declined by 12% with the A\$/US\$ rate decreasing from \$0.8171 on December 31, 2014 to \$0.7285 on December 31, 2015 before appreciating 5% to \$0.7665 on September 30, 2016.

	2016	2016	2016	2015	2015	2015	2015	2014
	Third	Second	First	Fourth	Third	Second	First	Fourth
Price per tonne of lead	\$	\$	\$	\$	\$	\$	\$	\$
LeadFX's realized average lead sale price ⁽¹⁾ -	-	-	-	-	-	-	1,819	1,826
Average LME Cash Settlement Price ⁽²⁾	1,872	1,719	1,744	1,681	1,714	1,942	1,806	1,999
High LME Cash Settlement Price	2,106	1,795	1,897	1,817	1,857	2,140	1,882	2,095
Low LME Cash Settlement Price	1,784	1,646	1,705	1,555	1,628	1,742	1,696	1,814

(1) LeadFX's realized average lead sale price in the table above is the weighted average of realized sales prices at each period end adjusted for the impact of gains and losses on futures contracts. During the first quarter of 2015, the Paroo Station mine transitioned to care and maintenance due to depressed LME lead prices and increased treatment charges. Mining operations ceased in January 2015 and milling operations ceased in early February 2015. Final shipments of lead concentrate left the Fremantle port in March 2015.

(2) The LME Cash Settlement Lead Price above is the daily closing cash settlement price averaged over the period.

LIQUIDITY AND FINANCIAL CONDITION

Statement of Cash Flows

	Three months ended September 30		Nine months ended September	
(in thousands of United States dollars)	2016	2015	2016	2015
Cash flows from operating activities	(1,315)	(2,811)	(3,512)	(2,424)
Cash flows from investing activities	8	146	15	3,525
Cash flows from financing activities	986	(24)	3,446	(4,603)
Effect of exchange rate changes on cash and cash equivalents	(3)	(117)	40	(355)
Net change in cash and cash equivalents	(324)	(2,806)	(11)	(3,857)

Operating activities

Cash used in operating activities in the current period was \$1.5 million (53%) less than in the third 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 nine months ended September 30, 2016 was \$3.5 million while maintaining the Paroo Station mine in care and maintenance throughout the period compared to \$2.4 million in the nine months ended September 30, 2015 as a result of milling high grade inventory on hand and collecting outstanding receivables before being transitioned into care and maintenance. Mining operations ceased in January 2015 and milling operations in February 2015.

Investing activities

There have been no investing activities during the three and nine months ended September 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 and the return of a transportation bond when the mine was placed into care and maintenance.

Financing activities

Financing activities for the three and nine months ended September 30, 2016 relate to the receipt of \$2.5 million and \$1.0 million from the Promissory Notes in the second quarter and third quarter, respectively, offset by finance lease payments. In the same period in 2015, we met our scheduled principal repayment for the C\$20 million secured loan facility (the "Sprott Facility") with Sprott Resources Lending Partnership ("Sprott") of C\$0.8 million per month on January 31, 2015. For more information on the Sprott Facility, see the Management's Discussion and Analysis for the three and nine months ended September 30, 2016 filed on SEDAR.

Borrowings

Sentient Promissory Notes

On April 22, 2016, Sentient IV advanced LeadFX \$1.0 million pursuant to the Promissory Note. LeadFX is entitled to draw down up to \$2.5 million under the Promissory Note. On May 26, 2016, the Company drew down the remaining \$1.5 million. No interest is payable on the principal amount of the Promissory Note, which must be repaid on June 30, 2017. On August 25, 2016, Sentient IV advanced LeadFX \$1.0 million pursuant to an additional unsecured promissory note (together with the Promissory Note, the "Notes") with the same terms and maturity as the April 22, 2016 Promissory Note.

Capital Resources, Liquidity and Working Capital Requirements

As at September 30, 2016, the Company has a working capital deficit of \$17.3 million which includes \$11.6 million owing to Sentient IV under the Notes and under the agreement entered into among Enirgi Group Corporation ("Enirgi Group"), Sprott and the Company on December 18, 2015, pursuant to which Enirgi Group paid Sprott the outstanding balance owed by the Company to Sprott under the Sprott Facility resulting in the Company owing Enirgi Group C\$9.6 million (\$7.0 million) (the "Bridging Facility"), all with a maturity date of June 30, 2017. Neither the Paroo Station mine, the Chief Consolidated Mining Company properties nor the North 67 Inc. 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 September 30, 2016, the unaudited financial statements of the Company 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.

Management's Discussion and Analysis and Consolidated Financial Statements

LeadFX's unaudited financial statements and MD&A for the three and nine months ended September 30, 2016 will be filed today and will be available on SEDAR at www.sedar.com and on the Company's website at 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, receipt of regulatory approvals, 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 IV 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. 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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