(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 December 31, 2016 and the Management's Discussion and Analysis found on the Company's website or on SEDAR).

TORONTO, Feb. 23, 2017 /CNW/ - LeadFX Inc. (the "Company" or "LeadFX") (TSX: LFX) today reported its fourth quarter 2016 and year ended December 31, 2016 financial results. In the fourth quarter, we incurred a net loss of $2.4 million or $0.06 per share compared to a net loss of $1.7 million or $0.07 per share for the fourth quarter of 2015.

The net loss for the three months ended December 31, 2016 was $0.6 million (37%) higher compared to the same period in 2015 primarily as a result of foreign exchange, principally on borrowings and accounts payable balances denominated in Canadian and Australian dollars. 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 gain in the fourth quarter of 2016 as compared to a $0.7 million gain in the same period of 2015.

FOURTH QUARTER AND YEAR-END 2016 FINANCIAL AND OPERATING HIGHLIGHTS

Summary financial and operating highlights:

	Three months ended December 31		Year ended December 31	
	2016	2015	2016	2015
(in thousands of United States dollars, except per share amounts)	$	$	$	$
Financial Highlights				
Revenue[(1)]	-	-	-	27,163
Gross loss	(1,261)	(1,281)	(4,593)	(7,523)
Net loss and comprehensive loss	(2,361)	(1,726)	(11,848)	(12,924)
Basic and diluted loss per share	(0.06)	(0.07)	(0.31)	(0.90)
Cash flow used in operating activities	(1,011)	(1,957)	(4,523)	(4,381)

	December 31, 2016	December 31, 2015
Total assets	69,468	71,736
Non-current liabilities	26,336	25,374

(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.

Operational

- The Paroo Station mine has been on care and maintenance since January 2015. A minimum complement of experienced care and maintenance staff is at the mine site full-time to maintain the site in a restart ready state.
- In November 2016, pursuant to an amendment made to the mine's Operating Conditions, the Company has received a seven-year extension for access to the Port of Fremantle to export lead concentrate using the Company's best-practice concentrate transportation process. Securing port access is a critical step in the preparations for a potential restart of the Paroo Station mine in Western Australia. The Company is now permitted to ship through the Port of Fremantle until July 27, 2024. In addition, the Operating Conditions were also amended to reduce the quantum of the financial assurance bond that the Company must have in place during transport operations, from A$5 million to A$2 million. The Company considered the receipt of these amendments to its Operating Conditions as important preconditions to any decision to restart the mine. With these amendments approved, the Company can now move forward with its mine restart financing discussions.

- Advanced 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, positive LME lead prices and securing the necessary restart financing.
- The LME lead prices improved significantly in the fourth quarter and management remains in advanced negotiations with interested parties to provide restart financing subject to various conditions being met.
- In December 2016, the Company entered into a non-binding memorandum of understanding relating to a farm-in and joint venture to explore for cobalt, copper and gold on the Company's mining leases and exploration licenses at the Paroo Station mine and reciprocal rights to explore for lead, zinc and silver minerals on neighbouring mining tenements.

Financial

- Gross loss of $1.3 million and $4.6 million for the fourth quarter and year, respectively.
- Net loss of $2.4 million and $11.9 million for the fourth quarter and year, respectively.
- Cash used in operations of $1.0 million and $4.5 million for the fourth quarter and year, respectively.
- During the quarter, LeadFX successfully negotiated and drew down an additional $1.0 million unsecured promissory grid note dated November 21, 2016 issued by LeadFX to Sentient Executive GP IV, Limited (for Sentient Global Resources Fund IV, L.P) ("Sentient IV"). No interest is payable on the principal amount of the note, which must be repaid on June 30, 2017. In total, LeadFX has raised $4.5 million in interest-free borrowings during 2016, with an aditional $2.0 million in interest-free borrowings raised on February 21, 2017, through the issuance of unsecured promissory notes to Sentient IV (the "Notes").
- 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

Planning continued in relation to the requirements for a potential restart of operations at the Paroo Station mine. The Company has received improved quotes for services and reagents should the Paroo Station mine restart operation. A small restart team has been retained to allow a rapid restart of operations if the decision to proceed is taken. Restart planning has identified up to 200 new employee positions that will need to be hired 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 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. 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.

LIQUIDITY AND FINANCIAL CONDITION

Statement of Cash Flows

	Three months ended December 31		Year ended December 31	
(in thousands of United States dollars)	2016	2015	2016	2015
Cash flows used in operating activities	(1,011)	(1,957)	(4,523)	(4,381)
Cash flows (used in) from investing activities	(39)	8	(24)	3,533
Cash flows from (used in) financing activities	986	1,499	4,432	(3,104)
Effect of exchange rate changes on cash and cash equivalents	4	(50)	44	(405)
Net change in cash and cash equivalents	(60)	(500)	(71)	(4,357)

Operating activities

Cash used in operating activities in the current period was $0.9 million (48%) less than in the fourth quarter of 2015. The net

cash outflows are a result of costs incurred while the Paroo Station mine is on care and maintenance and are lower due to an increased focus on cash management.

Cash used in operating activities for the year ended December 31, 2016 was $4.5 million while maintaining the Paroo Station mine in care and maintenance throughout the period compared to $4.4 million in the year ended December 31, 2015 as a result of milling high grade inventory on hand and collecting outstanding receivables before being transitioned into care and maintenance in 2015. Mining operations ceased in January 2015 and milling operations in February 2015.

Investing activities

There have been no investing activities during the year ended December 31, 2016 apart from interest income and contributions to restricted cash balances committed to asset retirement obligations. 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 year ended December 31, 2016 relate to the receipt of $2.5 million, $1.0 million and $1.0 million from the Notes in the second, third and fourth quarter, respectively, offset by finance lease payments. In the same period in 2015, we met our scheduled principal repayment of C$0.8 million on January 31, 2015 under the secured loan facility ("Sprott Facility") with Sprott Resource Lending Partnership ("Sprott"). On February 12, 2015 we reached an agreement with Sprott on a five-month forbearance on principal repayments ending on June 30, 2015. On June 17, 2015 Sprott agreed to a further extension of the forbearance period until November 15, 2015. In consideration, we repaid $3.8 million of the balance owing to Sprott resulting in loan repayments of $4.5 million in total for the year ended December 31, 2015.

On December 18, 2015, Enirgi Group Corporation ("Enirgi Group"), Sprott and the Company entered into an agreement pursuant to which Enirgi Group paid Sprott the outstanding balance owed by the Company to Sprott under the Sprott Facility and Enirgi Group assumed all of Sprott's rights (the "Bridging Facility"). Effective July 19, 2016, pursuant to an agreement, Enirgi Group assigned the Bridging Facility to Sentient IV. The Bridging Facility bears interest at the rate of 10% per annum and has a maturity date of June 30, 2017.

Capital Resources, Liquidity and Working Capital Requirements

As at December 31, 2016, the Company has a working capital deficit of $19.4 million which includes $12.5 million owing to Sentient IV under the Bridging Facility and Notes, all with 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 and Notes, (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 raise funds to pay for its ongoing costs of operations and 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 dependent 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 and Notes, (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 would 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 December 31, 2016, the Annual 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. Such adjustments could be material.

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 audited financial statements and MD&A for the fourth quarter 2016 and year ended December 31, 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 exploration and development projects in Alaska and Utah, USA. The Company continues to seek 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 2016 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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