

(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 March 31, 2017 and the Management's Discussion and Analysis found on the Company's website or on SEDAR.)

TORONTO, May 15, 2017 /CNW/ - LeadFX Inc. (the "Company" or "LeadFX") (TSX: LFX) today reported its first quarter ended March 31, 2017 financial results. In the first quarter, we incurred a net loss of \$3.1 million or \$0.08 per share compared to a net loss of \$4.1 million or \$0.11 per share for the first quarter of 2016.

As the Paroo Station mine ("Paroo Station") was in care and maintenance in both periods, costs were broadly comparable in both periods except for lower management services fees and foreign exchange fluctuations which resulted in a \$0.5 million loss in the first quarter compared to a \$0.9 million loss in the same period of 2016.

FIRST QUARTER FINANCIAL AND OPERATING HIGHLIGHTS

Financial

Selected financial highlights are as follows:

	Three months ended March 31 2017
(in thousands of United States dollars, except per share amounts) \$	
Gross loss	(1,064)
Net loss and comprehensive loss	(3,078)
Basic and diluted loss per share	(0.08)
Cash flow used in operating activities	(932)
	December 31, 2016
Total assets	20,778
Non-current liabilities	27,586

- During the quarter, LeadFX successfully negotiated and drew down an additional \$2.0 million unsecured promissory grid note dated February 21, 2017 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 \$6.5 million in interest-free borrowings with Sentient IV.
- Paroo Station 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.

Operational

As a result of efforts made during the quarter, on May 12, 2017 the Company announced that the Board of Directors of the Company ("the Board") has approved entering into a transaction ("Transaction") with InCoR Technologies Limited and InCoR Energy Materials Limited (together "InCoR") related to the transfer of lead refining technologies to LeadFX for the initial development of a lead refinery at the Company's Paroo Station.

Highlights of the transaction include:

- SNC-Lavalin Australia Pty Ltd ("SNC-Lavalin") to be contracted to prepare Definitive Feasibility Study ("DFS") on a lead refinery at Paroo Station at InCoR's sole cost.
- Success criteria for the DFS includes a near tripling of the Paroo Station gross operating cashflow after capital expenditure to US\$450 million and a mine life of 10 years or more.
- No cost or dilution to LeadFX if DFS fails to meet success criteria.
- LeadFX will have exclusive right to use and sub-license InCoR's lead refining technologies worldwide.
- InCoR to be issued warrant to acquire 28,750,000 LeadFX shares with 80% exercisable only on delivery of a successful DFS and 20% exercisable only on securing environmental approvals to construct a refinery at the Paroo Station.

The Board has approved the Transaction subject to TSX approval, the negotiation and approval of definitive documentation and the support of the Company's majority shareholder, Sentient Group of Global Resource Funds ("Sentient"), by way of the execution of an umbrella agreement (the "Agreement") with InCoR.

Outlook

InCoR Transaction and Paroo Station

InCoR holds (i) an exclusive license from BASF SE related to patented hydrometallurgical technology for 'recovering lead from a mixed oxide material' (the "Oxide Technology"), and (ii) an exclusive license from the University of British Columbia related to patented hydrometallurgical technology for 'recovering lead from a lead material including lead sulphide' (the "Sulphide Technology" and together with the Oxide Technology, the "Technology"), both of which utilize methane sulfonic acid as a leaching agent.

The Technology has the potential to transform the Paroo Station from a relatively short-life, moderate-risk lead concentrate operation to a longer-life, lower-cost, lower-risk lead metal producer. This in turn will provide a significant production platform on which to build a world-class lead resources business through the application of InCoR's Technology at other mining projects and further development for application for other purposes including lead recycling.

Pursuant to the terms of the Agreement, InCoR will undertake and pay for a DFS for the development of a lead refinery at the Paroo Station using the Technology. SNC-Lavalin will be contracted by InCoR to perform the DFS. The estimated cost of the DFS and associated works is US\$5 million which will be funded solely at InCoR's cost.

The Transaction is anticipated to benefit all LeadFX shareholders. If the DFS is positive, LeadFX will hold a significantly more attractive project at Paroo Station, with the opportunity to increase the mineral reserves, extend Paroo Station operating life, reduce the cost structure, eliminate the sensitivities associated with transporting lead concentrate and reduce the risk of future shutdowns. Additionally, as a result of InCoR's transfer of the Technology to LeadFX, LeadFX will also hold lead technology rights (through the Technology) that have the potential to be deployed on a range of future projects and strategic endeavors including lead recycling. InCoR is expected to contribute significant expertise in mineral processing that will support the value to be created at the Paroo Station and the deployment of the transferred Technology for other purposes.

As of the date hereof, Paroo Station remains in care and maintenance. The Transaction offers an opportunity to fundamentally alter Paroo Station's life of mine and economics which, in management's view, would increase the likelihood of a successful and profitable restart and improve the financing options in respect of the Paroo Station. Accordingly, a decision on a mine restart using the existing concentrate production technology is expected to be deferred until completion of the DFS.

Potential cobalt joint venture

During the first quarter of 2017, the Company continued negotiations with Riva Resources Ltd. regarding a farm-in agreement for cobalt exploration on the Company's tenements. However, no definitive agreement has been executed while the matter remains under review by the Company and its secured lender. Accordingly, Riva has not undertaken any exploration work on the Company's tenements and Riva is currently not under any obligation to continue negotiations on the proposed transaction.

Burgin mine

The Company secured a five-year extension to the mining permit at the Burgin mine. The Company owns approximately 83% of Chief Consolidated Mining Company which owns the historic Burgin lead-silver-zinc underground mine near Eureka, Utah. The Company considers the Burgin mine to be a potential brownfield development opportunity in the future.

Price of Lead

Refer to the table below for a trending of the lead price. During the first quarter the average LME Cash Settlement Lead Price increased 6% from the previous quarter. The LME lead price increase is the result of continued global zinc and lead concentrate supply tightening and is also supported by strong investor interest.

	2017	2016	2016	2016	2016	2015	2015	2015
Price per tonne of lead	First	Fourth	Third	Second	First	Fourth	Third	Second
	\$	\$	\$	\$	\$	\$	\$	\$
Average LME Cash Settlement Price ⁽¹⁾	2,279	2,149	1,872	1,719	1,744	1,681	1,714	1,942
High LME Cash Settlement Price	2,390	2,466	2,106	1,795	1,897	1,817	1,857	2,140
Low LME Cash Settlement Price	2,007	1,965	1,784	1,646	1,705	1,555	1,628	1,742

(1) 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 March 31	
(in thousands of United States dollars)	2017	2016
Cash flows used in operating activities	(932)	(842)
Cash flows from investing activities	456	-
Cash flows from (used in) financing activities	1,985	(23)
Effect of exchange rate changes on cash and cash equivalents	36	8
Net change in cash and cash equivalents	1,545	(857)

Operating activities

Cash used in operating activities in the current period was \$0.9 million (11%) more than in the first quarter of 2016 primarily due to the timing of payments. The net cash outflows are a result of costs incurred while Paroo Station is on care and maintenance and are lower due to an increased focus on cash management.

Investing activities

There have been no investing activities during the first quarter apart from interest income and the release of funds from restricted cash balances upon the expiration of certain gas supply contracts. There were no investing activities in the same period in 2016 as Paroo Station was in care and maintenance.

Financing activities

Financing activities in the current period pertain to the \$2.0 million unsecured note raised from Sentient IV on February 21, 2017, offset by finance lease payments. Financing activities in the same period in 2016 relate to finance lease payments.

Capital Resources, Liquidity and Working Capital Requirements

As at March 31, 2017, the Company has a working capital deficit of \$21.2 million which includes \$14.8 million owing to Sentient IV under the Bridging Facility and Notes, all with a maturity date of June 30, 2017. Neither Paroo Station, 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 Paroo Station 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 and Notes, 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 Paroo Station 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) 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 Paroo Station 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 estimated recoverable minerals on the projects, 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. The First Quarter 2017 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 unaudited financial statements and MD&A for the three months ended March 31, 2017 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

This news release may contain "forward-looking statements" within the meaning of applicable Canadian securities laws. Examples of forward-looking information in this news release includes but is not limited to statements and information concerning the timing for a decision on restart of Paroo Station, future sales, future targets and estimates for production and sales, the receipt and timing of required additional financing to restart and operate Paroo Station, statements relating to the business and future activities of, and developments related to LeadFX, including the development of water, lead, silver and industrial minerals and aggregates assets, future business acquisitions, future joint venture arrangements with Riva, future lead production, the timing and future benefits of the Transaction and Agreement with InCoR, the anticipated benefits of the Technology (as defined below) at Paroo Station, the possible extension of mine life from application of the Technology, the anticipated cost and timing of delivery of the DFS (as defined below), the application of the Technology to future projects and strategic endeavors, the timing of exercising the Warrants (as defined below), the feasibility, cost and timing of constructing a refinery at Paroo Station, the receipt of Toronto Stock Exchange approval for the Transaction, 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 Paroo Station, forbearance by Sentient IV (as defined below) pursuant to the Bridging Facility (as defined below), 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 Paroo Station, 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. Forward-looking information by its nature requires assumptions and involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be

materially different from any future results, performance or achievements expressed or implied by the forward-looking information, and readers are cautioned not to place undue reliance on such information. 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, the potential benefits from the Technology, the ability to deploy or prove up the Technology on a commercial scale, 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, the need to secure approval of secured creditor and majority shareholder, 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 Corporation, 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 production-stage 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 Paroo Station, 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. 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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