

LeadFX reports second quarter 2018 financial results

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(All dollar amounts are in thousands and U.S. dollars unless otherwise indicated)

PERTH, Aug. 14, 2018 - LeadFX Inc. (the "Company" or "LeadFX") (TSX: LFX) today reported its second quarter 2018 ("Quarter") financial results. This release summarizes those results. For full details refer to the Company's website.

The Company's principal asset and sole production stage mineral property is the Paroo Station Lead Mine ("Paroo Station" or the "Mine") located 30km west of Wiluna in the mid-west of Western Australia. The Mine was placed in care and maintenance in the first quarter of 2015. In February 2018 a definitive feasibility study ("DFS") demonstrated the technical and economic viability of building and operating a new Hydrometallurgical Facility on site to convert lead concentrates produced into LME specification lead ingots.

During the Quarter the Company:

- Initiated an early works engineering program ("Early Works") with SNC-Lavalin Australia Pty Ltd;
- Undertook further metallurgical testwork to provide additional data to the Early Works program and to explore the opportunities to improve the operational performance of the existing concentrator at the Mine;
- Committed to a demonstration plant program to support project financing initiatives for the Hydrometallurgical Facility; and
- Continued the environmental approval process for the Hydrometallurgical Facility and the Mine extension, receiving a positive recommendation from the Western Australian Environmental Protection Authority ("EPA") on August 1, 2018.

The Company also owns an 83.5% interest in Chief Consolidated Mining Company ("Chief"), an Arizona company with interests in mineral properties in Utah ("Chief Properties"). During the Quarter the Company continued to explore opportunities to divest its non-core properties including its interests in Chief and the Chief Properties (refer Subsequent Events).

(in thousands of U.S. dollars, except per share amounts)	3 months ended June 30,		6 months ended June 30,	
	2018	2017	2018	2017
Cashflow used in operations	(1,297)	(1,802)	(2,395)	(2,734)
Cashflow from (used in) investing activities	-	204	-	660
Cash flows from financing activities	1,076	(8)	1,541	1,977
Effect of exchange rate changes on cash and cash equivalents	(4)	(12)	(15)	24
Net change in cash	(221)	(1,606)	(854)	(97)
Cash on hand	154	911	154	911
Net loss before tax	(4,395)	(2,442)	(7,698)	(5,313)

The net loss before tax for the Quarter was \$4,395 (2017: \$2,442) and first half was \$7,698 (2017: \$5,313). The net loss includes an impairment charge for the value of the Company's interests in Chief of \$3,693 (2017: \$nil), a write down of the receivable from Valhalla Mining (refer Subsequent Events note) of \$143 (2017: \$nil), offset in the Quarter by a credit for \$1,396 (2017: \$nil) and first half by \$226 (2017: \$nil) reflecting the accounting for share purchase warrants issued pursuant to the private placements completed in January 2018 and in the current Quarter. Care and maintenance and corporate expenses continue to trend at or slightly below the corresponding Quarter and first half of 2017.

Cash on hand at the end of the Quarter was \$154 (2017: \$911). Cash flow from operating activities was lower than the corresponding period in 2017 as a result of the accumulation of creditors at Quarter end. The Company's activities during the Quarter were financed from cash reserves on hand at the start of the Quarter, proceeds from the private placement dated April 9, 2018 of \$531 and proceeds from the exercise of share purchase warrants on June 4, 2018 of \$545. There were no cash flows from investing activities during the Quarter.

Subsequent Events

A number of events have occurred subsequent to the end of the Quarter.

- During the Quarter the Company entered into an amendment deed with Valhalla Mining which reduced the remaining amounts owing to the Company from the sale of the Mining Data from \$318 (C\$400) to \$175 (C\$225). On July 4, 2018, the Company received the deferred consideration in full.
- On July 9, 2018, the Company signed a Term Sheet for the issuance of 3,643,008 new common shares in the Company at a price of \$0.80 per common share with InCoR Energy Materials Ltd ("IEML"). On August 10 the Company revised the Term Sheet and Subscription Agreement and the TSX granted conditional approval for the placement to close prior to September 24, 2018 on the same terms and conditions.

- On July 18, 2018 IEML exercised 1,220,747 warrants at C\$0.61 per warrant for 1,220,747 new common shares in the Company.
- On July 23, 2018 the Company announced a proposed "go private" transaction (the "Arrangement") to be completed by way of a statutory plan of arrangement. On August 10 the Company obtained an interim order from the Ontario Superior Court of Justice (Commercial List) in connection with the Arrangement. In April 2018, Company management undertook an informal review of the Company's capital structure to assess the effect that a small number of individual and institutional Shareholders would have on future attempts to rationalize and redirect the Company's activities as it seeks to finance the construction of a hydrometallurgical facility at the Paroo Station Lead Mine in Western Australia. Information collected by management over the course of prior months and quarters made it increasingly evident that the Common Shares were very thinly traded, making it difficult for Shareholders to sell efficiently through the facilities of the TSX. These issues present significant challenges to the Company's efforts to raise the additional capital it needs efficiently.
- On July 30, 2018, the Company announced it has signed definitive documentation to sell its indirect equity and debt interests in Chief to unrelated special purpose companies Ruby Hollow LLC and 321888 LLC, entities associated with Riverfield Capital, a mining investment and capital markets business based out of New York. Proceeds from the sale total \$4.5 million of which \$3.0 million is due at closing and a further \$1.5 million, subject to adjustments, is due 12 months after closing.
- On August 1, 2018, the Western Australian Environmental Protection Authority recommended the approval of the Hydrometallurgical Facility and mine extension of the Mine. The EPA's report to the Minister for Environment is open for a two week public appeal period.

Capital Resources, Liquidity and Working Capital Requirements

As at June 30, 2018, Sentient Executive GP entities on behalf of the Sentient Global Resources Funds ("Sentient") held 53.5% and IEML 38.1% respectively of the issued and outstanding shares of LeadFX.

As at June 30, 2018, the Company has a working capital deficit of \$26.4 million (December 31, 2017 – \$24.2 million) which includes \$16.7 million (December 31, 2017 – \$15.9 million) owing to Sentient under the Second Amended and Restated Credit Agreement. Neither the Mine nor the Chief Properties are operational or generating revenue.

Notwithstanding the gross proceeds of the placements from Sentient and IEML received by the Company during 2017 and 2018 or the sale of Mining Data, the Company has limited cash available and will require additional funding in the near term.

The Company's ability to continue as a going concern is dependent on a number of factors. The Company will need to raise funds in order to pay for its ongoing costs of operations as well as service its working capital deficiency, meet its commitments to lenders, and meet the costs of care and maintenance. In addition, the Company will require funding for any potential future restart of the Mine, construction of a Hydrometallurgical Facility and development of the Company's mineral project. The amount of funding required is dependent on several factors including, but not limited to, the nature of any refinancing of the Second Amended and Restated Credit Agreement, the nature of any additional transactions undertaken by the Company to realize the value of the Company's assets, the outcome of further negotiations with the Company's lenders, the costs and duration of care and maintenance, any decision to pursue a Hydrometallurgical Facility at the Mine, and the cost of bringing the Company's mineral projects into production or otherwise realising value from them.

There is no guarantee or assurance that the Company will be able to (i) refinance the Second Amended and Restated Credit Agreement, (ii) secure sufficient financing to fund its commitments to its lenders, general and administrative costs and the costs of ongoing care and maintenance, the costs of any potential future restart of operations at the Mine or the costs of bringing its other mineral projects into production or otherwise realizing value from them (iii) complete any further transactions.

If the Company is unable to obtain sufficient funds and 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 Mine and construct a Hydrometallurgical Facility will be contingent on several factors including, but not limited to, a review of the

outcomes of the DFS, forecast capital and operating costs, the LME lead price, and the USD:AUD foreign exchange rate.

These material uncertainties cast significant doubt as to the Company's ability to continue as a going concern. As at June 30, 2018, the consolidated financial statements do not reflect any adjustments to the 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 at June 30, 2018, there are 68,394,966 Common Shares, of which Sentient own 36,609,182 (53.5%) and IEML own 26,085,728 (38.1%), 7,214,851 Warrants, 2,008,000 Options and 327,000 Performance Share Units outstanding.

Forward looking statements

Certain statements contained in this press 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 Mine and future sales, future targets and estimates for production and sales, the receipt of required additional financing to restart and operate the 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 Mine, forbearance by Sentient pursuant to the Second Amended and Restated Credit Agreement, as amended in February 2018, timing of and ability to secure project financing favourable to the Company (if at all) regarding the proposed Hydrometallurgical Facility, satisfaction of conditions to the funding of debt facilities regarding the proposed Hydrometallurgical Facility, design and construction of the proposed Hydrometallurgical Facility, environmental approvals regarding the proposed Hydrometallurgical 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 Mine, capital expenditures, operating costs, cash costs, all in sustaining cost estimates, metallurgical recovery rates, commodity price forecasts, modification and improvement plans for mining and processing lead ore at the Mine, tailings management at the Mine, implementation schedules and forecasts, 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 majority shareholders, 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 the Mine, the nature of mineral exploration and development and common share price volatility. Additional factors and considerations are discussed in the notes to the Company's annual audited consolidated financial statements for the year ended December 31, 2017 and its accompanying management's discussion and analysis 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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