



17 April 2019

Dear Option Holder

Non-Renounceable Rights Issue

We write to advise that on 18 April 2019, PNX Metals Limited (ASX: “**PNX**”) (**PNX Metals**) intends to formally announce an underwritten non-renounceable pro rata entitlement issue of three (3) new shares for every five (5) shares held (**Rights Issue**). The Rights Issue will be priced at a \$0.006 per new share, to raise up to approximately \$5.48 million (before costs and expenses).

The purpose of this letter is to advise you of the upcoming Rights Issue and to advise you that as an option holder you cannot participate in the Rights Issue without first exercising some or all of your options prior to the record date, being 26 April 2019 (**Record Date**). If you do not wish to participate in the Rights Issue (in respect of your PNX Metals options) you do not need to take any action.

The issue price of \$0.006 per new share under the Rights Issue represents a discount of 8.4% to the volume weighted average price of PNX Metals shares during the 5-trading day period to, and including, 16 April 2019.

PNX has received irrevocable undertakings from existing shareholders, including from substantial shareholder Sochrastem SAS, to apply for \$850,000 in total of shares under the Rights issue. Major shareholder DELPHI Unternehmensberatung Aktiengesellschaft (**Delphi**) has agreed to take up its entitlements and underwrite the balance of the Rights Issue, subject to the terms of the Delphi Underwriting Agreement. Delphi’s underwriting commitment will be reduced to the extent of allocations to eligible shareholders that subscribe for their entitlements and shortfall and to sub-underwriters secured by Hartleys Limited during the sub-underwriting invitation period.

Accordingly, this will ensure that the Rights Issue will raise gross proceeds of approximately \$5.48 million (before costs and expenses), subject to the terms of the Delphi Underwriting Agreement.

This means that PNX Metals can secure the funding it needs to progress its Hayes Creek project to a ‘decision to mine’ stage, which is an exciting milestone in the development of the Hayes Creek Project.

After payment of the costs and expenses of the Rights Issue, the proceeds from the Rights Issue will be applied as follows:

- (a) completion of all studies and works to support the DFS and to reach a ‘decision to mine’, including;
 - (i) all works related to applying for, and receiving environmental and government approvals;
 - (ii) project management, drilling and assays, technical studies relating to geology, resources and mining;
 - (iii) Metallurgical test-work including process plant engineering and design;

- (b) an options study for the Fountain Head project;
- (c) project holding and management costs including rentals, environmental and statutory reporting;
- (d) exploration activities required to keep all of PNX Metals tenements in good standing and meet minimum expenditure commitments; and
- (e) working capital; and costs associated with the Rights Issue.

Full details of the Rights Issue, including details of the underwriting and sub-underwriting, will be set out in the announcement of the Rights Issue, Offer Memorandum and Appendix 3B expected to be lodged with ASX on 18 April 2019.

The Offer Memorandum will be available to download at both www.asx.com.au using ASX code "PNX" and at PNX Metal's website www.pnxmetals.com.au and will be posted to eligible shareholders on 1 May 2019.

Under the Rights Issue, every person who is registered as the holder of PNX Metals shares with an address within Australia, New Zealand, Germany and Singapore at 6:30pm Adelaide time on the Record Date will be entitled to participate in the Rights Issue in respect of the number of PNX Metals shares that person is then registered as the holder of. Fractional entitlements will be rounded up to the nearest whole number. Holdings on different registers or sub-registers will be aggregated for the purposes of calculating entitlements.

Shareholders with registered addresses in countries other than Australia, New Zealand, Germany and Singapore and this includes option holders who exercise options and whose address as of PNX Metals options register are in any of these places will not be eligible to participate in the Rights Issue.

To be eligible to participate in the Rights Issue in respect of the PNX Metals shares to be issued on exercise of the PNX Metals options you hold, you must exercise the PNX Metals options you hold and be registered as the holder of the underlying PNX Metals shares before the Record Date, and have a registered address in Australia, New Zealand, Germany or Singapore.

To exercise some or all of your PNX Metals options you will need to:

1. give notice, in writing, to PNX Metals in accordance with the terms and conditions of the options; and
2. pay to PNX Metals the exercise price for each PNX Metals option exercised.

If you do not exercise your options, an adjustment may be made to the exercise price of your options after the closing date of the Rights Issue in accordance with the formula set out in the terms and conditions of your options.

The anticipated timetable for the Rights Issue is as follows:

EVENT	DATE
Announcement of Rights Issue – announcement of Rights Issue, Offer Memorandum and ASX Appendix 3B lodged with ASX	18 April 2019
Sub-underwriting Invitation Period	29 April to 8 May 2019
Notice to Shareholders – notice sent to Shareholders containing information required by Appendix 3B	23 April 2019

Ex date – the date on which Shares commence trading without the entitlement to participate in the Rights Issue	24 April 2019
Record date – the date for determining entitlements of Shareholders to participate in the Rights Issue	26 April 2019
Offer Memorandum sent to Shareholders – despatch of Offer Memorandum and Entitlement and Acceptance Forms, and lodgement of cleansing notice – Rights Issue opens for acceptances	1 May 2019
Closing Date – The last day for receipt of acceptance forms (5.00pm Adelaide time)	10 May 2019
Securities quoted on a deferred settlement basis	13 May 2019
Shortfall notification date	15 May 2019
Allotment of New Shares and issue and allotment of underwritten shares. Deferred settlement trading ends	20 May 2019
Expected commencement of normal trading in New Shares on ASX	21 May 2019
Despatch of holding statements to persons who accepted the Rights Issue	22 May 2019

PNX Metals reserves the right to amend this timetable subject to the Listing Rules and the terms of the underwriting agreements.

You are encouraged to read the Rights Issue Offer Memorandum that is expected to be lodged with ASX (and will be available to download at www.asx.com.au, using ASX code “PNX”) on 18 April 2019 fully before exercising any of your PNX Metals options.

If you have any questions about the exercise of your PNX Metals options and the Rights Issue, you should consult your stockbroker or other professional adviser or call the Company Secretary, Angelo Gaudio on +61 (0) 8 8364 3188.

Yours sincerely



Graham Ascough
Chairman
PNX Metals