



23 April 2019

Dear Shareholder

Non- Renounceable Rights Issue

On 18 April 2019, PNX Metals Limited (ASX: “PNX”) (**PNX Metals**) announced an underwritten non-renounceable pro-rata rights issue of three (3) new shares for every five (5) ordinary shares held by eligible shareholders on the record date, at an issue price of \$0.006 per new share, to raise up to approximately \$5.48 million (before costs and expenses) (**Rights Issue**).

The issue price for the Rights Issue represents a discount of approximately 8.4% to the volume weighted average market price of PNX Metals shares on the 5 ASX trading days on which those shares traded prior to 18 April 2019, and a discount of approximately 14.3% to the last traded price of PNX shares on 16 April 2019.

PNX Metals 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 (**Commitments**).

Major shareholder DELPHI Unternehmensberatung Aktiengesellschaft (**DELPHI**) has agreed to take up its entitlements and underwrite the balance of the Offer (other than the Commitments), 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 period (29 April 2019 to 8 May 2019).

This will ensure that at least \$5.48 million (before costs and expenses) is raised under the Rights Issue, subject to the terms of the DELPHI Underwriting Agreement and means that PNX Metals can secure the funding it needs to reach the important milestone of completing the Definitive Feasibility Study for the Hayes Creek project.

Use of Funds

After payment of the costs and expenses of the Rights Issue, PNX intends to apply the funds raised from the Rights Issue as follows:

- (a) completion of all studies and works to support the definitive feasibility study for the Hayes Creek Project including;
 - i. all works related to applying for environmental and government approvals;

- ii. project management, drilling and assays, technical studies relating to geology, resources and mining;
- iii. metallurgical testwork 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;
- (e) working capital; and costs of the Rights Issue.

Full details of the Rights Issue are set out in the Offer Memorandum and Appendix 3B lodged with ASX on 18 April 2019. The Offer Memorandum is 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.

Eligible Shareholders

Under the Rights Issue, every person who is registered as the holder of PNX Metals shares with a registered address within Australia, New Zealand, Germany and Singapore at 6.30pm Adelaide time on 26 April 2019 (**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.

Shareholders with registered addresses outside of Australia, New Zealand, Germany and Singapore will not be eligible to participate in the Rights Issue.

Please note that PNX Metals shares will be quoted on an "ex" basis from 24 April 2019 and therefore any PNX Metals shares bought or sold on market on and from this date will not carry entitlements under the Rights Issue.

The Rights Issue is open for acceptance by eligible shareholders from 1 May 2019 until 5.00pm Adelaide time on 10 May 2019 (subject to the Directors varying the closing date in accordance with the Listing Rules and underwriting agreements).

The table below sets out the number of issued shares as at 17 April 2019 and the maximum number of issued shares at completion of the Rights Issue:

Ordinary Shares	Number
Number on issue as at 17 April 2019	1,522,055,020
Maximum number to be issued under Rights Issue*	913,233,012
Number on issue following Rights Issue*	2,435,288,032

** This is based on PNX Metal's undiluted share capital as at 17 April 2019 and assumes that the Rights Issue is fully subscribed. These figures are approximate as individual entitlements under the Rights Issue will be rounded up to the nearest whole figure.*

Options and Performance Rights

There are currently 65,450,000 options with an exercise price of \$0.05, 20,000,000 options with an exercise price of \$0.0147 and 433,125,000 options with an exercise price of \$0.015 to subscribe for PNX Metals shares on issue.

Notice of the Rights Issue was sent to option holders on 17 April 2019 in order to enable them to exercise their options prior to the Record Date and participate in the Rights Issue in respect of the shares underlying their options. If all or some of these options are exercised prior to the Record Date this will impact the maximum number of shares to be issued under the Rights Issue.

The Company also has 14,080,000 performance rights on issue, however it unlikely that any of the performance rights will vest prior to the Record Date, and therefore the existence of these performance rights should have no impact on the maximum number of shares to be issued under the Rights Issue.

Shareholder approval is not required for the Rights Issue. Shares issued under the Rights Issue will be issued as fully paid ordinary shares and will rank equally with existing ordinary shares in PNX Metal's share capital.

The Rights Issue will be conducted without a prospectus in accordance with section 708AA of the Corporations Act 2001 (Cth).

Fees relating to the Rights Issue

Existing Shareholders that have provided Commitments will be entitled to a fee of 2% of their respective Commitments.

Under the terms of the DELPHI Underwriting Agreement, DELPHI will receive a fee for providing the underwriting service of a cash amount equal to 2% of the amount of Shares actually subscribed by DELPHI under the Rights Issue (including in respect of its entitlement).

Hartleys is entitled to receive a fee for providing the underwriting service under the Hartleys Underwriting Agreement of:

- (a) \$80k management fee; plus
- (b) 4% of the amount underwritten by Hartleys (to be determined after the sub-underwriting invitation period)
- (c) 4% of the funds raised by the Rights Issue from Shareholders, excluding any amounts contributed by DELPHI, or the other shareholders who have made the Commitments.

Hartleys will be responsible for any fees payable to sub-underwriters. No fee or commission is payable to any brokers that lodge acceptances on behalf of shareholders.

Saltbush Nominee Pty Ltd (a subsidiary of Hartleys Limited) has been appointed as nominee for excluded foreign shareholders under section 615 of the *Corporations Act 2001* (Cth) and will be entitled to receive a fixed sale facility fee from the Company of \$30,000 plus a 1% brokerage fee on execution of the sale of the Shares that excluded shareholders would have been issued had they been entitled to participate in the Rights Issue and subscribed for their entitlements in full.

Other fees relating to the Rights Issue include those paid to the Company's legal Advisors, Piper Alderman, ASX, Computershare, and other expenses that are standard for this type of raise.

The anticipated timetable for the Rights Issue is as follows:

EVENT	DATE
Announcement of Rights Issue – Offer Memorandum, ASX Appendix 3B and Cleansing Notice lodged with ASX	18 April 2019
Sub-underwriting Invitation Period	29 April to 8 May 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 (6:30pm Adelaide time)	26 April 2019
Offer Memorandum sent to Shareholders – despatch of Offer Memorandum and acceptance forms – Rights Issue opens for acceptance	1 May 2019
Closing Date – the last day for receipt of acceptance forms (5.00pm Adelaide time)	10 May 2019
Shares quoted on deferred settlement basis	13 May 2019
Shortfall notification date	15 May 2019
Allotment of new shares and 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	22 May 2019

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

You are encouraged to read the Offer Memorandum lodged with ASX on 18 April 2019 fully before making a decision in respect of the Rights Issue.

If you are seeking financial advice in relation to the Rights Issue, you should consult your stockbroker or other professional adviser.

Shareholders with queries concerning the Rights Issue should contact the Company Secretary, Angelo Gaudio on +61 (0) 8 8364 3188.

Yours sincerely



Graham Ascough
Chairman
PNX Metals