

ASX Announcement
1 May 2019



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Despatch of Entitlement Offer Documents

PNX Metals Limited (**ASX: PNX**) (“PNX”, “the Company”) advises that, following the launch of an underwritten non-renounceable rights issue (Refer to ASX Announcement on 18 April 2019 for further detail), the following offer documents (see attached) have been despatched to shareholders today:

- Entitlement Offer Booklet
- Entitlement and Acceptance Form
- Letter to ineligible shareholders

For further information please contact:

Angelo Gaudio
Company Secretary
Telephone: +61 (0) 8 8364 3188





PNX Metals Limited

ACN 127 446 271

18 April 2019

OFFER MEMORANDUM

For the offer of:

pro-rata non-renounceable three (3) for five (5) rights issue of up to approximately 913,233,012 New Shares at an issue price of \$0.006 per New Share, to raise up to approximately \$5.48 million.

The Company has secured commitments and underwriting for the full amount of the rights issue on the terms set out in this Offer Memorandum

CLOSING DATE: 5:00pm Adelaide time on 10 May 2019.

IMPORTANT NOTICE

This is an important document and requires immediate attention. It should be read in its entirety. If you do not understand it, or are in doubt as to how to act, you should consult your financial or other professional adviser.

CORPORATE DIRECTORY

| | |
|--------------------------|--|
| Directors | Mr Graham Ascough (Non Executive Chairman) Mr James Fox (Managing Director) Mr Paul J Dowd (Non Executive Director) Mr David Hillier (Non Executive Director) Mr Peter J Watson (Non Executive Director) |
| Company Secretary | Mr Angelo Gaudio |
| Registered Office | Level 1, 135 Fullarton Road Rose Park SA 5067 Telephone: +61 8 8364 3188 Facsimile: +61 8 8364 4288 |
| Underwriters* | DELPHI Unternehmensberatung Aktiengesellschaft Hartleys Limited |
| Share Registry* | Computershare Investor Services Pty Ltd Level 5, 115 Grenfell Street Adelaide SA 5000 |
| Lawyers | Piper Alderman Level 16 70 Franklin Street Adelaide SA 5000 |
| Website | www.pnxmetals.com.au |

*These parties are included for information purposes and have not been involved in the preparation of this Offer Memorandum.

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IMPORTANT NOTICES

Reliance on Offer Memorandum

This Offer Memorandum has been prepared in accordance with section 708AA of the Corporations Act which relates to rights issues by certain companies that do not require the provision of a prospectus or other disclosure document. The level of disclosure in this Offer Memorandum is therefore considerably less than that required in a prospectus and this Offer Memorandum does not contain all of the information which an investor may require to make an informed investment decision.

In deciding whether or not to accept the Offer, you should rely on your own knowledge of PNX Metals Limited, disclosures made by PNX Metals Limited to ASX (which are available on the ASX website at www.asx.com.au using the Company's code PNX) and the advice of your professional adviser.

Forward looking statements

This Offer Memorandum includes forward looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements. These factors include, among other things, commercial and other risks associated with the meeting of objectives and other investment considerations, as well as other matters not yet known to the Company or not currently considered material by the Company.

No offer outside Australia, New Zealand, Germany and Singapore

No offer is made by this Offer Memorandum in any jurisdiction other than Australia, New Zealand, Germany and Singapore. This Offer Memorandum and accompanying Acceptance Form does not constitute an offer of Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer. Where the Offer Memorandum has been dispatched to persons domiciled in a country other than Australia, New Zealand, Germany and Singapore and where that country's securities code or legislation prohibits or restricts in any way the making of the Offer, the Offer Memorandum and accompanying Acceptance Form are provided for information purposes only and any such person should inform themselves of and abide by any such restrictions.

New Zealand

The New Shares being offered under this Offer Memorandum are being offered to Shareholders with registered addresses in New Zealand in reliance on the *Financial Markets Conduct Act 2013 (New Zealand)* and the *Financial Markets Conduct (incidental offers) Exemption Notice 2016 (New Zealand)*. This Offer Memorandum is not an investment statement or prospectus under New Zealand law.

Germany

The information in this document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Germany, from the requirement to produce a prospectus for offers of securities.

An offer to the public of New Shares has not been made, and may not be made, in Germany except pursuant to one of the following exemptions under the Prospectus Directive as implemented in Germany:

- (a) to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments unless such entity has requested to be treated as a non-professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2014/65/EC, "MiFID II") and the MiFID II Delegated Regulation (EU) 2017/565;
- (b) to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements) unless such entity has requested to be treated as a non-professional client in accordance with MiFID II and the MiFID II Delegated Regulation (EU) 2017/565;

- (c) to any person or entity who has requested to be treated as a professional client in accordance with MiFID II;
- (d) to any person or entity who is recognised as an eligible counterparty in accordance with Article 30 of the MiFID II unless such entity has requested to be treated as a non-professional client in accordance with the MiFID II Delegated Regulation (EU) 2017/565;
- (e) to fewer than 150 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of the Company; or
- (f) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of entitlements or New Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares may not be issued, circulated or distributed, nor may these securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an existing holder of the Company's shares. In the event that you are not such a shareholder, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

USA

This document is not for publication or distribution, directly or indirectly, in or into the United States of America (including its territories and possessions, any state of the US and the District of Columbia). This document is not an offer of securities for sale into the United States or to, or for the account or benefit of, US Persons. The securities referred to herein have not been and will not be registered under the US Securities Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons. No public offering of securities is being made in the United States.

Where any holder is acting as a nominee for a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Offer is permitted under applicable foreign laws. Nominees and custodians may not distribute any part of this offer booklet, and may not permit any beneficial shareholder to participate in the Offer, in any country outside Australia except (i) to beneficial shareholders of the Company resident in New Zealand and Singapore; and (ii) with the consent of the Company, to beneficial shareholders resident in Germany and certain other jurisdictions where the Company may determine it is lawful and practical to make the Offer.

Representations and Warranties

No person is authorised to give any information or to make any representation or warranty in connection with the Offer which is not contained in this Offer Memorandum. Any information or representation or warranty not contained in this Offer Memorandum may not be relied on as having been authorised by the Company in connection with the Offer.

Defined terms

Expressions used in this Offer Memorandum with an upper case initial letter have defined meanings which are set out at the end of this Offer Memorandum.

KEY DATES

The indicative 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 Period | 29 April to 8 May 2019 |
| Notice to Shareholders – notice of Offer 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 Offer | 24 April 2019 |
| Record Date – the date for determining entitlements of Shareholders to participate in the Offer (6:30pm Adelaide time) | 26 April 2019 |
| Offer Memorandum sent to Shareholders – despatch of Offer Memorandum and Acceptance Forms – Offer opens for acceptance | 1 May 2019 |
| Closing Date – the last day for receipt of Acceptance Forms (5.00pm Adelaide time) | 10 May 2019 |
| Deferred settlement trading commences – New Shares commence quotation on ASX on deferred settlement basis | 13 May 2019 |
| Shortfall notification date | 15 May 2019 |
| Allotment of New 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 Shareholders who accepted the Offer | 22 May 2019 |

This timetable is indicative only. Subject to the ASX Listing Rules and the terms of the Underwriting Agreements, the Directors reserve the right to vary the dates for the Offer at their discretion. Should this occur, the variation will have a consequential effect on the anticipated date of issue and normal trading of the New Shares.

CHAIRMAN'S LETTER

Dear Shareholder

On behalf of the directors of PNX Metals Limited (**PNX**), I am pleased to present an opportunity to participate in a non-renounceable rights issue at an issue price of 0.6 cents per New Share, to raise up to approximately \$5.48million (before costs and expenses).

The rights issue offers you the right to take up three (3) New Shares for every five (5) Shares you hold as at 6.30pm Adelaide time on 26 April 2019 at an issue price of 0.6 cents per New Share.

The rights issue provides all shareholders with an opportunity to increase their investment in PNX at an attractive price and to contribute to the funds required to:

- complete the Definitive Feasibility Study (DFS) over its flagship Hayes Creek zinc-gold-silver project (Hayes Creek);
- obtain the necessary Government and environmental approvals for Hayes Creek development;
- assess the opportunity at the Fountain Head gold project; and
- maintain the good standing of PNX tenements.

The issue price of the New Shares represents a discount of approximately 8.4% to the volume weighted average price of Shares on the 5 ASX trading days on which Shares traded prior to 18 April 2019, and a discount of 14.3% to the last close of 0.7 cents.

PNX has received undertakings from shareholders, including substantial shareholder Sochrastem SAS, to subscribe for \$850,000 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.

The underwriting commitment by DELPHI will be reduced to the extent of allocations to eligible shareholders that subscribe for their entitlements and any shortfall and to sub-underwriters secured by Hartleys Limited during the Sub-underwriting Period (please see section 5.1 and 5.3 of this Offer Memorandum for further details). 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.

This is an exciting opportunity to be part of a transformative period for PNX during which the Company will reach the important milestone of finalising the various studies relevant to completing the DFS over the Hayes Creek project.

You are encouraged to read this Offer Memorandum and the accompanying Acceptance Form fully. If you have any questions about the Offer, you should consult your stockbroker or other professional adviser.

On behalf of the Directors, I thank you for your ongoing support.

Yours sincerely,



Graham Ascough
Chairman

1. DETAILS OF THE OFFER

PNX Metals Limited offers Shareholders the opportunity to subscribe for New Shares under a pro-rata non-renounceable rights issue. Each Shareholder is entitled to subscribe for three (3) New Shares for every five (5) Shares held by that Shareholder as at the Record Date at an issue price of 0.6 cents per New Share.

The issue price of the New Shares represents a discount of approximately 8.4% to the volume weighted average price of Shares on the 5 ASX trading days on which 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 of 0.7 cents.

The New Shares will be fully paid and will rank equally in all respects with PNX Metal's existing Shares on issue.

PNX Metals has applied to the ASX for quotation of the New Shares. If a Shareholder becomes entitled to a fraction of a Share, the entitlement will be rounded up to the nearest whole number.

1.1 What is my Entitlement?

The number of New Shares to which you are entitled to subscribe under the Offer (**Entitlement**) is shown in the accompanying Acceptance Form.

Shareholders may:

- (a) subscribe for all or part of their Entitlement, and for a nominated number of New Shares in excess of their Entitlement as part of any Shortfall;
- (b) allow all or part of their Entitlement to lapse; or
- (c) do any combination of the above.

If you choose not to accept all of your Entitlement under the Offer, your shareholding in PNX Metals will be diluted.

Detailed instructions on how to accept all or part of your Entitlement are set out in section 3. All applications, once received, are irrevocable, except as required by law.

Excluded Shareholders may not take any of the steps described above. Refer to sections 1.5 and 2.3 for information relating to Excluded Shareholders.

1.2 Shortfall Shares

If you wish to accept your Entitlement in full and apply for Shortfall Shares, complete the Acceptance Form accompanying this Offer Memorandum and also fill in the number of Shortfall Shares you wish to apply for in the space provided on the accompanying Acceptance Form. You must pay the appropriate application monies (at 0.6 cents per New Share subscribed) as provided in paragraph 3.4 below.

Shortfall Shares will only be issued if the Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions and in accordance with the terms of the Underwriting Agreements. If PNX Metals receives applications for Shortfall Shares that would result in the Offer being oversubscribed, then the Company will not accept such oversubscriptions and will reject or scale back applications at its absolute discretion.

Subject to the terms of the Underwriting Agreements, the Directors reserve the right to reject any application for Shortfall Shares or to allot a lesser number of Shortfall Shares than applied for. Application monies received but not applied towards subscriptions for Shortfall Shares will be refunded as soon as practicable. No interest will be paid on application monies held and returned.

PNX Metals will not issue Shortfall Shares where PNX Metals is aware that to do so would result in a breach of the Corporations Act or the ASX Listing Rules. Shareholders wishing to apply for Shortfall Shares must consider whether the issue of the Shortfall Shares applied for would breach the Corporations Act or the ASX Listing Rules having regard to their own circumstances (including the existence of any associates).

Directors and related parties of the Company will not be issued any Shortfall Shares without the prior approval of Shareholders.

1.3 Opening and closing dates

The Offer opens for receipt of acceptances on 1 May 2019. The closing date and time for acceptances and payments is 5:00pm Adelaide time on 10 May 2019, subject to any variation of the closing date by the Directors in accordance with the ASX Listing Rules and the terms of the Underwriting Agreements.

The Directors may at any time decide to withdraw this Offer Memorandum and the Offer in which case the Company will return all Application monies (without interest) within 28 days of giving notice of withdrawal or such earlier time required by the Corporations Act.

1.4 Who is entitled to participate in the Offer?

Each Shareholder with a registered address in Australia, New Zealand, Germany and Singapore who is registered as the holder of Shares at 6:30pm Adelaide time on 26 April 2019 is entitled to participate in the Offer in respect of the number of Shares for which that Shareholder is then registered as the holder.

Existing Option holders may only participate in the Offer in respect of the Shares to be issued on exercise of the Options held by them if they exercise their Options prior to the Record Date and are registered as the holder of the underlying Shares on the Record Date.

1.5 Offer not made to Excluded Shareholders

PNX Metals has decided that it is unreasonable to make the Offer to shareholders who have a registered address in a country other than Australia, New Zealand, Germany and Singapore having regard to the number of shareholders in such places, the number and value of the New Shares they would be offered and the costs of complying with the legal and regulatory requirements in those jurisdictions. The number of Shares held by shareholders who have registered addresses in countries other than Australia, New Zealand, Germany and Singapore as at close of trading on 15 April 2019 was 5,080,000 Shares.

Shareholders holding Shares on behalf of persons who are resident outside of Australia, New Zealand, Germany and Singapore are responsible for ensuring that

subscribing for the New Shares under the Offer does not breach regulations in the relevant overseas jurisdiction.

This Offer Memorandum does not constitute an offer to Excluded Shareholders and the Offer Memorandum will not be sent to Excluded Shareholders.

2. FURTHER INFORMATION IN RELATION TO THE OFFER

2.1 Use of funds raised from the Offer

After payment of the costs and expenses of the Offer, and assuming the Rights Issue raises the maximum of approximately \$5.48 million, the Company intends to apply the funds raised from the Offer and its existing cash balance of \$1.05 million as at 31 March 2019 as follows:

| | | |
|-----|--|-----------------------------|
| (a) | completion of all studies and works to support the DFS and to reach a decision point relating to development, including: | |
| | (i) all works related to applying for, and receiving environmental and government approvals; | \$1.2 million |
| | (ii) project management, drilling and assays, technical studies relating to geology, resources and mining; | \$0.9 million |
| | (iii) Metallurgical testwork including process plant engineering and design; | \$1.1 million |
| | (iv) an options study for the Fountain Head project; | \$0.1 million |
| (b) | project holding and management costs including rentals, environmental and statutory reporting; | \$0.2 million |
| (c) | exploration activities required to keep the tenements of PNX Metals in good standing and meet minimum expenditure commitments; and | \$1.0 million |
| (d) | working capital. | \$1.6 million |
| (e) | costs associated with the Offer | \$0.4 million |
| | <u>Total</u> | <u>\$6.5 million</u> |

The Company's announcements in relation to its Northern Territory projects are available on the ASX website at www.asx.com.au, using the Company's code PNX.

2.2 Issue of New Shares

PNX Metals has applied to ASX for quotation of the New Shares being offered pursuant to this Offer Memorandum.

PNX Metals expects that New Shares will be issued and allotted by no later than 20 May 2019. The issue of New Shares will only be made after permission for their quotation on ASX has been granted.

If you apply for Shortfall Shares then, subject to the Company's discretion to scale back your allocation of Shortfall Shares (in whole or in part), it is expected you will be issued those Shortfall Shares by 20 May 2019 and in any case, no later than 3 months after the Closing Date.

Underwritten Shares will be issued in accordance with the Underwriting Agreements and, in any event, no later than 15 Business Days after the Closing Date, so as to comply with the exception to Listing Rule 7.1 for shares issued under an underwriting agreement to an underwriter or sub-underwriter of a pro rata offer of shares.

2.3 Offer not made where to make the Offer would be unlawful

This Offer Memorandum and accompanying Acceptance Form do not constitute an Offer of Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer. Return of a duly completed Acceptance Form will constitute a representation that there has been no breach of any applicable regulations. Where the Offer Memorandum has been dispatched to persons domiciled in a country outside Australia, New Zealand, Germany and Singapore and where that country's securities code or legislation prohibits or restricts in any way the making of the Offer, the Offer Memorandum and accompanying Acceptance Form are provided for information purposes only.

2.4 20% voting power threshold

The Nominee has been appointed for Excluded Shareholders under section 615 of the Corporations Act and, as such, Shareholders will be able to rely on the exception for rights issues in item 10 of section 611 of the Corporations Act in relation to an application for their Entitlements. DELPHI, as underwriter, may also rely on this exception.

However, this exception does not extend to applications for Shortfall by Shareholders. Accordingly, Shareholders must have regard to and comply with the takeovers prohibition in section 606 of the Corporations Act (that is, the 20% voting power threshold), when applying for Shortfall Shares. The Company reserves the right to reject or scale back any application for Shortfall Shares which it considers may result in breach of section 606. The Company expressly disclaims any responsibility for monitoring such applications or ensuring that individual Shareholders and sub-underwriters to the Rights Issue do not breach section 606 as a result of participation in the Offer.

Investors that may be at risk of exceeding the 20% voting power threshold in section 606 or increasing their voting power from a position above 20% as a result of application for Shortfall Shares should seek professional advice before applying for Shortfall Shares.

2.5 Commitments and Underwriting

PNX has received irrevocable undertakings from two shareholders, including from substantial shareholder Sochrastem SAS, to subscribe for \$850,000 of New Shares under the Offer (by way of subscribing for Entitlements and Shortfall).

Major shareholder, DELPHI, has agreed to take up its Entitlement in full and underwrite the balance of the Offer (excluding the Commitments). The underwriting commitment by DELPHI will be reduced to the extent of allocations to Shareholders that subscribe for their Entitlements and Shortfall and to sub-underwriters secured by Hartleys Limited during the Sub-underwriting Period (please see section 5.1 and 5.3 of this Offer Memorandum for further details).

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 Underwriting Agreements.

A summary of the material terms of the Underwriting Agreements are set out in section 5.

2.6 Non-Renounceable Offer

The Offer is non-renounceable. This means that your right to subscribe for New Shares under the Offer is not transferable. Any Entitlements not taken up by Shareholders will be dealt with in accordance with section 4 of this Offer Memorandum.

2.7 Market Prices of Existing Shares on ASX

The highest and lowest market sale price of the Shares during the three months immediately preceding the lodgment of this Offer Memorandum, and the last market sale price on the date before the lodgment date of this Offer Memorandum, are set out below.

| | 3 month high | 3 month low | Last market sale price |
|--------|---------------------|--------------------|-------------------------------|
| Shares | 0.7 cents | 0.5 cents | 0.7 cents |

2.8 Broker handling fees and commissions

No broker handling fees are payable by the Company in connection with Shareholders that accept the Offer.

The Nominee will be entitled to receive a fixed sale facility fee from the Company of \$30,000 for acting as nominee for Excluded Shareholders 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.

Fees payable by the Company in connection with the Commitments and Underwriting Agreements are set out in section 5.

2.9 Brokerage fee

No brokerage fee is payable by Shareholders who apply for New Shares.

2.10 Determinations

The Directors may make determinations in any manner they think fit in relation to any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the Offer whether generally or in relation to any Shareholder. Any determinations by the Directors will be conclusive and binding on all Shareholders and other persons to whom the determination relates.

3. HOW TO ACCEPT THE OFFER

3.1 How to take up all or part of your Entitlement

To subscribe for all or part of your Entitlement, please:

- (a) complete the accompanying Acceptance Form in respect of that part of your Entitlement you wish to accept according to the instructions on that form; and
- (b) forward the completed form together with payment of the appropriate application monies (at 0.6 cents per New Share subscribed for) to the Company's Share Registry in the manner provided in section 3.4 **by no later than 5.00pm Adelaide time on 10 May 2019** (or such later date as the Directors advise).

Alternatively, if you wish to apply via BPay, you do not need to return the Acceptance Form, you simply need to make payment in accordance with the instructions on the accompanying Acceptance Form, for the number of New Shares you wish to apply for, multiplied by the issue price of 0.6 cents.

Acceptances will not be valid if they are received after the Closing Date.

Please note that all applications, once received, are irrevocable, except as required by law.

3.2 How to apply for Shortfall Shares

If you wish to accept your Entitlement in full and apply for Shortfall Shares, complete the Acceptance Form and also fill in the number of Shortfall Shares you wish to apply for in the space provided on the Acceptance Form. You must make payment of the appropriate application monies as set out in section 3.4.

There is no limit on the number of Shortfall Shares that may be applied for by Shareholders in excess of their Entitlement, except as described in section 2.4. However, Shortfall Shares will only be issued if the Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions.

Please refer to section 1.2 for further details in relation to the issue of Shortfall Shares.

3.3 Lapse of Entitlement

If you decide not to accept all or part of your Entitlement, or fail to do so by the Closing Date, your Entitlement will lapse and will form part of the Shortfall.

3.4 Payment

Payment must be made with your acceptance **by 5.00pm Adelaide time on 10 May 2019**, or such later date as the Directors advise, and must be in Australian currency and made by:

- (a) cheque drawn on and payable at any Australian bank;
- (b) bank draft drawn on and payable at any Australian bank;
- (c) money order drawn in Australian currency; or
- (d) BPay.

Your Acceptance Forms, together with your cheque or a bank draft or money order for the appropriate application monies (at 0.6 cents per New Share subscribed for) must be sent to PNX Metal's Share Registry, Computershare Investor Services Pty Ltd, at:

By Post:

PNX Metals Limited
Computershare Investor Services Pty
Limited
GPO Box 505
Melbourne VIC 3001

so that they reach the registry **by no later than 5.00pm Adelaide time on 10 May 2019**, or such later date as the Directors advise.

Alternatively, if you wish to pay by BPAY, you do not need to return the Acceptance Form, you simply need to follow the instructions on the Acceptance Form. Different financial institutions may implement earlier cut off times with regards to electronic payment, so please take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY are received by the Closing Date.

Acceptances will not be valid if they are received after the Closing Date.

Your Cheque, money order or bank draft must be made payable to 'PNX Metals Limited' and crossed 'Not Negotiable'. Cash payments will not be accepted and receipts for payment will not be provided.

PNX Metals will treat you as applying for as many New Shares as your payment will pay for in full, subject to any scale-back the Directors may determine to implement in respect of Shortfall Shares. Amounts received by PNX Metals in excess of your Entitlement may be treated as an application to apply for as many Shortfall Shares as that excess amount will pay for in full.

3.5 Representations, warranties and acknowledgements

By completing and returning your Acceptance Form or making a payment by BPAY, you will be deemed to have:

- (a) represented and warranted that you are a Shareholder and that acceptance of your Entitlement does not breach any laws in any jurisdiction;
- (b) acknowledged that you have fully read and understood both this Offer Memorandum and the Acceptance Form in their entirety and you acknowledge the matters and make the warranties and representations and agreements contained in this Offer Memorandum and the Acceptance Form;
- (c) agreed to be bound by the terms of the Offer, the provisions of the Offer Memorandum and the Company's constitution;
- (d) authorised the Company to register you as the holder of the New Shares allotted to you;
- (e) declared that all of the details and statements in the Acceptance Form are complete and accurate;
- (f) declared that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Acceptance Form;
- (g) acknowledged that once the Company receives your Acceptance Form or any payment of application monies via BPAY you may not withdraw your application of funds provided except as allowed by law;
- (h) agreed to apply for and be issued up to the number of New Shares specified in the Acceptance Form, or for which you have submitted payment of any application monies via BPAY or otherwise, at the issue price of A\$0.006 per New Share;
- (i) authorised the Company, its Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including in the case of the Company and its officers or agents to act on instructions of the Share Registry upon using the contact details set out in your Acceptance Form;
- (j) declared that you were a registered holder(s) at the Record Date of the Shares indicated in the Acceptance Form as being held by you on the Record Date;
- (k) represented and warranted that you are a resident of Australia, New Zealand, Germany or Singapore;
- (l) acknowledged that the information contained in this Offer Memorandum and your Acceptance Form is not investment advice nor a recommendation that the New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- (m) acknowledged that this Offer Memorandum is not a prospectus, does not contain all of the information that you may require in order to assess an investment in the Company and is given in the context of the Company's past and ongoing continuous disclosure announcements to ASX;
- (n) acknowledged that investment in the Company is subject to risk;
- (o) acknowledged that none of the Company or its related bodies corporate, affiliates or directors, officers, employees, representatives, agents, consultants or advisers, guarantees the performance of the Company, nor do they guarantee the repayment of capital;

- (p) agreed to provide (and if applicable direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Offer and your holding of Shares on the Record Date;
- (q) authorised the Company to correct any errors in your Acceptance Form or other form provided by you;
- (r) represented and warranted that the law of any place does not prohibit you from being given this Offer Memorandum and the Acceptance Form, nor does it prohibit you from making an application for New Shares;
- (s) represented and warranted that if in the future you decide to sell or otherwise transfer the New Shares you will only do so in regular way transactions on ASX or otherwise where neither you nor any person acting on your behalf know, or has reason to know, that the sale has been pre- arranged with, or that the purchaser is, a person in the United States or is acting for the account or benefit of a person in the United States; and
- (t) that if you are acting as a nominee or custodian represented and warranted, each beneficial holder on whose behalf you are submitting the Acceptance Form is resident in Australia, New Zealand, Germany or Singapore and does not reside in the United States, and you have not sent this Offer Memorandum, the Acceptance Form or any information relating to the Offer to any person in the United States.

4. SHORTFALL SHARES

Shortfall Shares will only be issued if the Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions.

If there is any Shortfall, subject to the Underwriting Agreements and to restrictions on a Shareholder or sub-underwriter exceeding 20% voting power discussed elsewhere in this Offer Memorandum, the Shortfall Shares will first be allocated to Shareholders who have applied for Shortfall Shares (including the Shareholders that have provided the Commitments). Any remaining Shortfall Shares will then be allocated to sub-underwriters secured by Hartleys during the Sub-Underwriting Period in accordance with the Hartleys Underwriting Agreement. Any remaining Shortfall Shares will then be allocated to DELPHI in accordance with the DELPHI Underwriting Agreement.

If either of the Underwriting Agreements are terminated in accordance with their terms and there remains a Shortfall after allocation of Shortfall Shares to Shareholders who have applied for Shortfall Shares, the Directors reserve the right to issue the Shortfall Shares in their absolute and sole discretion. Any Shortfall Shares so issued will, in accordance with the ASX Listing Rules, be issued within 3 months after the Closing Date and will be issued at a price that is not less than the issue price of the New Shares under the Offer.

If PNX Metals receives applications for Shortfall Shares that would result in the Offer being oversubscribed then it will not accept such oversubscriptions and will reject or scale back applications at its discretion.

PNX Metals will not issue Shortfall Shares where PNX Metals is aware that to do so would result in a breach of the Corporations Act, the ASX Listing Rules or any other

relevant legislation or law. Shareholders wishing to apply for Shortfall Shares must consider whether the issue of the Shortfall Shares applied for would breach the Corporations Act, the ASX Listing Rules or any other law having regard to their own circumstances.

5. COMMITMENTS, UNDERWRITING AND SUB-UNDERWRITING

5.1 Commitments

The Company has received irrevocable undertakings from two Shareholders to subscribe for 141,666,667 New Shares (\$850,000) in aggregate under the Offer.

Of those Shareholders, the only substantial Shareholder is Sochrastem SAS, holding 6.20% as at the date of this Offer Memorandum (based on its last substantial shareholding notice given to the Company). Sochrastem SAS has undertaken to subscribe for 58,333,333 New Shares (\$350,000) under the Offer. If the Offer is fully subscribed and no further Shares are acquired or disposed of by Sochrastem SAS, this will take its holding to 6.27%.

The other Shareholder is a private investor, holding currently 0.18% and their holding will remain below 5% as a result of its Commitment to 83,333,333 New Shares (\$500,000) (assuming the Offer is fully subscribed and no further Shares are acquired).

These Shareholders will receive a fee from the Company of a cash amount equal to 2% on the total amount of their respective Commitments.

5.2 DELPHI Underwriting Agreement

DELPHI is a private company registered in Heidelberg, Germany, under Registration No. HRB 705381, Amtsgericht Mannheim. DELPHI is controlled by a German national, who is the sole director of DELPHI.

DELPHI is the indirect parent company of Deutsche Balaton Aktiengesellschaft, Heidelberg. Its business objective is investment of its own funds in a portfolio of companies, including a number of Australian mineral exploration and mining companies in addition to PNX.

DELPHI has been a shareholder of PNX since 1 August 2018.

As at the date of this Offer Memorandum, DELPHI holds 281,176,793 shares or 18.47% voting power and 200 million unlisted options (at a 1.5c strike price with an expiry date of 30 September 2021) to acquire shares.

DELPHI has received a no objection letter from the Australian Foreign Investment Review Board in relation to increasing its interest in the Company to 48.1% (including the options held by it).

Pursuant to the DELPHI Underwriting Agreement dated 16 April 2019 between DELPHI and the Company, DELPHI has agreed to subscribe for its Entitlement under the Offer (representing 168,706,076 New Shares) and underwrite a further 602,860,270 New Shares under the Offer (subject to any reductions as detailed below) (**DELPHI Underwritten Shares**), thereby guaranteeing (unless the DELPHI Underwriting Agreement is terminated) that the Offer will raise approximately \$5.48 million (before costs and expenses of the Offer and taking into account the Commitments).

DELPHI's underwriting obligations will be reduced to the extent of allocations to Shareholders that subscribe for their Entitlements and Shortfall (including pursuant to the Commitments) and sub-underwriters secured by Hartleys during the Sub-underwriting Period.

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 dollar value of the amount of the New Shares actually subscribed by DELPHI under the Offer (including in respect of its Entitlement).

DELPHI may terminate its obligations under the DELPHI Underwriting Agreement without cost or liability to itself by providing written notice to the Company if any of the following events occur before the issue of all of the DELPHI Underwritten Shares and in the case of any qualified termination events (being those marked with * below), subject to the qualification below:

- (a) **(indices fall)** The All Ordinaries Index is for two consecutive Business Days 10.0% or more below its level as at the close of business on the business day prior to the date of the DELPHI Underwriting Agreement;
- (b) ***(board and senior management composition)** There is a change in the composition of the board or a change in the senior management of the any Group Member before Completion without the prior written consent of DELPHI (which consent is not to be unreasonably withheld);
- (c) ***(change in shareholdings)** Other than as a result of the Offer, there is a change in the major or controlling shareholdings of a Group Member or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Group Member;
- (d) **(Offer Materials)** A statement contained in the Offer Materials is or becomes false, misleading or deceptive (including by omission) or likely to mislead or deceive or the Offer Materials omit any information they are required to contain;
- (e) **(listing)** ASX announces or informs the Company (including verbally) that the Company will be removed from the official list or that the Shares will be delisted or suspended from quotation by ASX for any reason (other than voluntary suspension with DELPHI's prior written consent (not be unreasonably withheld or delayed));
- (f) **(notification)** Any of the following notifications are made:
 - (i) an application is made by ASIC or another person for an order under Part 9.5 of the Corporations Act, or to any other government agency, in relation to the Offer Materials or the Offer; or
 - (ii) ASIC or any other government agency or any other party makes an application to commence, commences, or gives notice of an intention to hold any investigation, proceedings or hearing in relation to the Offer or any of the Offer Materials, or prosecutes or commences proceedings against, or gives notice of an intention to prosecute or commence proceedings against a Group Member,

and in either case:

- (iii) where the government agency is the Takeovers Panel, the application is not withdrawn or the Takeovers Panel has not declined to conduct proceedings or declined to make a declaration of unacceptable circumstances by the Allotment Date; or
 - (iv) where the government agency is not the Takeovers Panel, such application, notice or proceeding becomes public or is not withdrawn by the Allotment Date;
- (g) **(Authorisation)** Any Authorisation which is material to anything referred to in this Offer Memorandum is repealed, revoked, or terminated or expires, or is modified or amended in a manner unacceptable to DELPHI;
- (h) **(quotation)** ASX announces or informs the Company (including verbally) that unconditional approval (or approval subject to customary listing conditions) by the ASX for Official Quotation of the New Shares will be refused, or not granted by the Allotment Date or, if granted, such approval is withdrawn on or before the Allotment Date;
- (i) **(unable to issue New Shares)** The Company is prevented from allotting and issuing the New Shares in accordance with the DELPHI Underwriting Agreement;
- (j) **(ASIC, ASX or Government Agency action)** The Offer is prevented from proceeding (without amendment on terms acceptable to DELPHI) by reason of:
 - (i) or in accordance with, the Listing Rules, the Corporations Act or any Applicable Laws;
 - (ii) an order made by ASIC, ASX, any other Government Agency or a court of competent jurisdiction; or
 - (iii) an investigation, inquiry or proceedings initiated by either ASIC or ASX into the conduct of a Group Member;
- (k) **(certificate)** Any certificate which is required to be delivered by the Company under the DELPHI Underwriting Agreement is not delivered when required or is untrue, incorrect or misleading in a material respect;
- (l) **(suspension of debt payments)** A Group Member suspends payment of its debts generally;
- (m) **(insolvency)** Any Event of Insolvency occurs;
- (n) **(conduct)** Any director or officer of any Group Member engages in any fraudulent conduct or activity whether or not in connection with the Offer;
- (o) ***(director):**
 - (i) a director or senior manager of any Group Member (in that capacity) is charged with an indictable offence, or any government agency or regulatory body commences any public action against a director or senior manager of any Group Member (in that capacity) or announces that it intends to take any such action; or

- (ii) a director of any Group Member is disqualified from managing a corporation under sections 206B, 206C, 206D, 206E, 206F, or 206G of the Corporations Act;
- (p) ***(Litigation)** Litigation, arbitration, administrative or regulatory investigations (including an ASIC investigation), or industrial proceedings are, after the date of the DELPHI Underwriting Agreement commenced or threatened against a Group Member;
- (q) ***(breach of obligations)** The Company is in material breach of any terms and conditions of the DELPHI Underwriting Agreement (other than with respect to compliance with the timetable for the Offer);
- (r) ***(breach of representations)** Any of the representations or warranties made or given by the Company under the DELPHI Underwriting Agreement are or become materially incorrect, untrue or misleading;
- (s) ***(information supplied to DELPHI)** Any of the information supplied by or on behalf of the Company to DELPHI, is, in the reasonable opinion of DELPHI false, misleading or deceptive (including by omission);
- (t) ***(contravention of law)** Any Group Member contravenes its constitution, any Applicable Law, or an order or request made by or on behalf of ASIC, ASX or any Government Agency;
- (u) **(compliance)** Any aspect of the Offer, including this Offer Memorandum or the underwriting and any sub-underwriting of the Offer, does not comply with the Corporations Act, the Listing Rules, the ASIC Modifications or the ASX Waivers or any other applicable law or regulation, or requires an approval or other authorisation that has not been obtained at the date of the DELPHI Underwriting Agreement.

For the termination events marked with a “*” above, DELPHI can only terminate if, in the reasonable opinion of DELPHI, the event:

- (a) has had a material adverse effect on:
 - (i) the financial position or performance, shareholder’s equity, profits, losses, results, condition or operations of the Company or a subsidiary either individually or taken as a whole; or
 - (ii) the success or outcome of the Offer (including matters likely to have an effect on a decision of an investor to invest in New Shares or Shares); or
- (b) leads to DELPHI’s obligations under the DELPHI Underwriting Agreement becoming materially more onerous than those which exist at the date of the DELPHI Underwriting Agreement;
- (c) leads to:
 - (i) a material liability for DELPHI (when assessed in the context of the fees payable to DELPHI under the DELPHI Underwriting Agreement); or
 - (ii) the contravention, or involvement in a contravention of, or a liability under the Corporations Act or any other applicable law.

5.3 Hartleys Underwriting Agreement

Pursuant to an Underwriting Agreement dated 18 April 2019 between Hartleys Limited and the Company, during the period from 29 April 2019 to 8 May 2019 (**Sub-underwriting Period**), Hartleys and PNX will work together to seek sub-underwriting commitments.

Under the Hartleys Underwriting Agreement, Hartleys will underwrite the Offer to the extent of the sub-underwriting commitments received (**Hartleys Underwritten Amount**). DELPHI's underwriting obligations will be reduced to the extent of the Hartleys Underwritten Amount (to the extent it is actually received by the Company in accordance with the Hartleys Underwriting Agreement).

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

- (a) \$80k management fee; plus
- (b) a cash amount equal to 4% of the Hartleys Underwritten Amount; and
- (c) a cash amount equal to 4% of the funds raised by the Offer from Shareholders, excluding any amounts contributed by DELPHI or pursuant to the Commitments.

Hartleys will be responsible for any fees payable to sub-underwriters.

The Company has given warranties, covenants and indemnities in favour of Hartleys which are usual for agreements of this kind.

Hartleys may terminate its obligations under the Hartleys Underwriting Agreement without cost or liability to itself by providing written notice to the Company if any of the following events occur before the issue of all of the Hartleys Underwritten Shares and in the case of any qualified termination events (being those marked with '*' below), subject to the qualification below:

- (a) (**indices fall**) Any of the All Ordinaries Index or the Standard and Poors ASX Small Resources Index as published by ASX for two consecutive Business Days after the date of the Hartleys Underwriting Agreement, falls by 10.0% or more from the level at close of business on the business day prior to the date of the Hartleys Underwriting Agreement;
- (b) (**DELPHI default**) DELPHI defaults in subscribing for (or defaults in paying the Offer Price in full for) each New Share it is required to subscribe for (whether it is required to subscribe for those shares as a result of its commitment to take up its Entitlements in full or otherwise pursuant to its obligations as an underwriter of the Offer) pursuant to the DELPHI Underwriting Agreement by the time required by that agreement;
- (c) (**Debt Facility**) Any existing Debt Facility is breached by any party to the agreement or is revoked, rescinded, avoided, amended (including by way of any standstill arrangements), varied, superseded or replaced in any way; the lender under any Debt Facility seeks to enforce any security granted in connection with, or accelerate or otherwise require repayment of any amounts under, the Debt Facility; or an event of default or potential event of default (however defined) occurs under any Debt Facility, in each case

without the prior written consent of Hartleys (in Hartleys' absolute discretion);

- (d) **(Offer)** The Offer is withdrawn by the Company without the prior written consent of Hartleys;
- (e) **(breach of material contracts)** Any of the contracts described in this Offer Memorandum (other than the Hartleys Underwriting Agreement) are breached, not complied with according to their terms, terminated or substantially modified other than as disclosed in this Offer Memorandum;
- (f) ***(board and senior management composition)** There is a change in the composition of the board or a change in the senior management of the any Group Member before Completion without the prior written consent of Hartleys (which consent is not to be unreasonably withheld);
- (g) ***(change in shareholdings)** Other than as a result of the Offer, there is a change in the major or controlling shareholdings of a Group Member or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Group Member;
- (h) ***(market conditions)** A suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, commercial banking activities or political or economic conditions of Australia, New Zealand, Hong Kong, the United Kingdom, the United States of America or any other international financial markets;
- (i) **(Offer Materials)** A statement contained in the Offer Materials is or becomes false, misleading or deceptive (including by omission) or likely to mislead or deceive or the Offer Materials omit any information they are required to contain;
- (j) **(listing)** ASX announces or informs the Company (including verbally) that the Company will be removed from the official list or that the Shares will be delisted or suspended from quotation by ASX for any reason. For the avoidance of doubt, this does not include any voluntary suspension or trading halt that has been obtained by the Company with Hartleys prior written consent;
- (k) **(notification)** Any of the following notifications are made:
 - (i) an application is made by ASIC or another person for an order under Part 9.5 of the Corporations Act, or to any other government agency, in relation to the Offer Materials or the Offer; or
 - (ii) ASIC or any other government agency or any other party makes an application to commence, commences, or gives notice of an intention to hold any investigation, proceedings or hearing in relation to the Offer or any of the Offer Materials, or prosecutes or commences proceedings against, or gives notice of an intention to prosecute or commence proceedings against a Group Member,

and in either case:

- (iii) where the government agency is the Takeovers Panel, the application is not withdrawn or the Takeovers Panel has not declined to conduct proceedings or declined to make a declaration of unacceptable circumstances within five Business Days of the date of the application or by the Allotment Date; or
- (iv) where the government agency is not the Takeovers Panel, such application, notice or proceeding becomes public or is not withdrawn within two Business Days after it is made or by the Allotment Date;
- (l) **(Authorisation)** Any Authorisation which is material to anything referred to in this Offer Memorandum is repealed, revoked, or terminated or expires, or is modified or amended in a manner unacceptable to Hartleys;
- (m) **(quotation)** ASX announces or informs the Company (including verbally) that unconditional approval (or approval subject to customary listing conditions) by the ASX for Official Quotation of the New Shares will be refused, or not granted by the Allotment Date or, if granted, such approval is withdrawn on or before the Allotment Date;
- (n) **(unable to issue Offer Shares)** The Company is prevented from allotting and issuing the New Shares in accordance with the Hartleys Underwriting Agreement and the timetable for the Offer;
- (o) ***(hostilities)** There is an outbreak of hostilities (whether or not war has been declared) not presently existing, or a major escalation in existing hostilities occurs (whether or not war has been declared) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, the People's Republic of China, any member of the European Union, or Japan, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (p) ***(Timetable):**
 - (i) subject to (ii) below, any event specified in the Timetable is delayed by the Company for more than one Business Day without the prior written consent of Hartleys (such consent not to be unreasonably withheld); or
 - (ii) the Announcement Date or the Allotment Date is delayed by the Company, in any way, without the prior written consent of Hartleys (such consent not to be unreasonably withheld);
- (q) **(ASIC, ASX or Government Agency action)** The Offer is prevented from proceeding (without amendment on terms acceptable to Hartleys) by reason of:
 - (iv) or in accordance with, the Listing Rules, the Corporations Act or any Applicable Laws;
 - (v) an order made by ASIC, ASX, any other Government Agency or a court of competent jurisdiction; or
 - (vi) an investigation, inquiry or proceedings initiated by either ASIC or ASX into the conduct of a Group Member;

- (r) **(certificate)** Any certificate which is required to be delivered by the Company under the Hartleys Underwriting Agreement is not delivered when required (other than as permitted under **(p)(i)** above) or is untrue, incorrect or misleading in a material respect;
 - (s) **(suspension of debt payments)** A Group Member suspends payment of its debts generally;
 - (t) **(insolvency)** any Event of Insolvency occurs;
 - (u) ***(judgment against a Group Member)** A judgment in an amount exceeding \$100,000 is obtained against a Group Member and is not set aside or satisfied within 7 days;
 - (v) **(ASIC Modifications and ASX Waivers)** Approval for any ASIC Modifications or ASX Waivers is subsequently withdrawn, or is varied in a way that, in the reasonable opinion of Hartleys, would have a material adverse effect on the success of the Offer;
 - (w) **(conduct)** Any director or officer of any Group Member engages in any fraudulent conduct or activity whether or not in connection with the Offer;
 - (x) ***(director):**
 - (i) a director or senior manager of any Group Member (in that capacity) is charged with an indictable offence, or any Government Agency or regulatory body commences any public action against a director or senior manager of any Group Member (in that capacity) or announces that it intends to take any such action; or
 - (ii) a director of any Group Member is disqualified from managing a corporation under sections 206B, 206C, 206D, 206E, 206F, or 206G of the Corporations Act;
 - (y) ***(notice)** An obligation arises on the Company to give ASX a notice in accordance with section 708AA(12)(a) (as modified);
 - (z) **(adverse change)** In the reasonable opinion of Hartleys, there is a material adverse change, or any one or more matters, events or circumstances occur, are announced or disclosed, or become known to Hartleys (whether or not it becomes public) which individually or when aggregated with any other such matters, events or circumstances are likely to give rise to a material adverse change in the financial position or performance, shareholder's equity, profits, losses, results, condition, operations or prospects of the Group taken as a whole, or are likely to have a material adverse effect on the marketing, settlement or outcome of the Offer;
 - (aa) ***(Litigation)** Litigation, arbitration, administrative or regulatory investigations (including an ASIC investigation), or industrial proceedings are after the date of the Hartleys Underwriting Agreement commenced or threatened against a Group Member;
 - (bb) ***(breach of obligations)** The Company is in breach of any terms and conditions of the Hartleys Underwriting Agreement (other than with respect to compliance with the Timetable);
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- (cc) ***(breach of representations)** Any of the representations or warranties made or given by the Company under the Hartleys Underwriting Agreement are or become incorrect, untrue or misleading;
- (dd) ***(information supplied to Hartleys)** The information supplied by or on behalf of the Company to Hartleys, are, in the reasonable opinion of Hartleys false, misleading or deceptive (including by omission);
- (ee) ***(change in law)** There is introduced, or there is an official public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law; or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new, or any major change in existing, monetary, taxation, exchange or fiscal policy (other than a law or policy which has been announced prior to the date of the Hartleys Underwriting Agreement);
- (ff) ***(investigation)** Any person is appointed under any legislation in respect of companies to investigate the affairs of any Group Member;
- (gg) ***(capital structure)** Any Group Member alters its capital structure in any manner not contemplated by this Offer Memorandum or as announced by the Company to ASX on or before the date of the Hartleys Underwriting Agreement;
- (hh) **(certain resolutions passed)** Any Group Member passes or takes any steps to pass a resolution under sections 254N, 257A or 260B of the Corporations Act, or a resolution to amend its constitution without the prior written consent of Hartleys;
- (ii) ***(Force Majeure)** A Force Majeure affecting the Company's business or any obligation under the Hartleys Underwriting Agreement lasting in excess of 7 days occurs;
- (jj) ***(Prescribed Occurrence)** A Prescribed Occurrence occurs;
- (kk) ***(contravention of law)** Any Group Member contravenes its constitution, any Applicable Law, or an order or request made by or on behalf of ASIC, ASX or any Government Agency;
- (ll) **(compliance)** Any aspect of the Offer, including this Offer Memorandum or the underwriting and any sub-underwriting of the Offer, does not comply with the Corporations Act, the Listing Rules, the ASIC Modifications or the ASX Waivers or any other Applicable Law or regulation, or requires an approval or other authorisation that has not been obtained at the date of the Hartleys Underwriting Agreement.

For the termination events marked with a ‘*’ above, Hartleys can only terminate if, in the reasonable opinion of Hartleys, the event:

- (a) has had, or could be expected to have, individually or in aggregate, a material adverse effect on:
 - (i) the financial position or performance, shareholder’s equity, profits, losses, results, condition, operations or prospects of the Company or a Subsidiary either individually or taken as a whole; or

- (ii) the success or outcome of the Offer, the market price of New Shares or the Shares, or the ability of the Hartleys to market, promote or settle the Offer (including matters likely to have an effect on a decision of an investor to invest in New Shares or Shares); or
- (b) leads (or is, in the Hartley's opinion, reasonably likely to lead) to the obligations of Hartleys under the Hartleys Underwriting Agreement becoming materially more onerous than those which exist at the date of the Hartleys Underwriting Agreement;
- (c) has had, or could be expected to have, individually or in aggregate a material adverse effect on the tax position of:
 - (i) the Company or its Subsidiaries either individually or taken as a whole; or
 - (ii) an Australian resident shareholder of the Company; or
- (d) leads (or is, in Hartley's opinion, reasonably likely to lead) to:
 - (i) a material liability for Hartleys (when assessed in the context of the fees payable to Hartleys under the Hartleys Underwriting Agreement); or
 - (ii) the contravention, or involvement in a contravention of, or a liability under the Corporations Act or any other Applicable Law.

6. EFFECT OF THE OFFER

6.1 Effect of the Offer on share capital

The capital structure of the Company as at the date of this Offer Memorandum is summarised below:

| Listed securities | Number | | |
|-----------------------------|---------------|-------------------------------------|-----------------------|
| Shares | 1,522,055,020 | | |
| Unlisted securities | Number | Expiry/vesting date | Exercise Price |
| Existing Performance Rights | 14,080,000 | 31 December 2019 to 3 December 2021 | n/a |
| Existing Options | 65,450,000 | 31 May 2019 | \$0.05 |
| | 20,000,000 | 30 October 2020 | \$0.0147 |
| | 433,125,000 | 30 September 2021 | 0.015 |

Assuming that the Offer is fully subscribed and/or underwritten, no existing Options are exercised and no Performance Rights vest, and without taking into account the impact of rounding, the capital structure following completion of the Offer will be as

above, however the number of Shares on issue will increase from 1,522,055,020 to 2,435,288,032.

Of the 14,080,000 Performance Rights on issue, it is unlikely for any of them to 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.

If any of the 518,575,000 Options are exercised prior to the Record Date this will impact on the maximum number of New Shares to be issued under the Offer and the maximum number of Shares on issue following the Offer.

The Commitments and underwriting secured by the Company for the Offer are set out in sections 5.1, 5.2 and 5.3.

6.2 Potential effect on control

The potential effect the Offer will have on the control of PNX Metal's undiluted share capital and the consequences of that effect will depend on:

- (a) the extent Shareholders take up their Entitlements;
- (b) the extent that Shareholders take up Shortfall Shares; and
- (c) the sub-underwriting commitments that are secured by Hartleys during the Sub-underwriting Period, (subject to any right Hartleys may have, and exercise to terminate the Hartleys Underwriting Agreement).

If all Shareholders take up their Entitlements in full the Offer will have no effect on the control of PNX Metal.

Shareholders that accept their Entitlements in full may apply for Shortfall Shares, but will not be permitted to exceed the 20% voting power threshold as a result of applying for Shortfall Shares. Accordingly, applications for Shortfall by Shareholders will not have an impact on the control of the Company.

DELPHI has agreed to take up its Entitlement in full and underwrite 602,860,270 New Shares, subject to having its underwriting obligations reduced to the extent of allocations to eligible shareholders that subscribe for their entitlements and any shortfall and to sub-underwriters secured during the Sub-underwriting Period.

The Company has also received Commitments from existing Shareholders to take up to 83,425,723 New Shares by way of subscribing for Entitlements and taking up Shortfall (see section 5.1).

The potential impact of the Rights Issue on the control of the Company are set out in the table below:

| Holder | % holding currently (on an undiluted basis) | Post Rights Issue* | | |
|--------|---|---|---------------|---------------|
| | | % DELPHI Underwritten Shares issued to DELPHI under the DELPHI Underwriting Agreement | | |
| | | 0% | 50% | 100%** |
| DELPHI | 18.47% | 18.47% | 30.85% | 43.23% |

* Assuming the Rights Issue is fully subscribed and DELPHI takes up its full Entitlement. ** on an undiluted basis

** this is the maximum potential control DELPHI could obtain in the unlikely event that no Shareholder takes up their Entitlements and no sub-underwriting commitments are secured.

DELPHI will only be entitled to exercise its Options following the Offer if an exception in section 611 of the Corporations Act is available.

The Commitments from Shareholders are not anticipated to have any effect on the control of PNX Metals.

None of the sub-underwriters secured by Hartleys during the Sub-underwriting Period will exceed 20% voting power in the Company as a result of the sub-underwriting.

Shareholders not subscribing to their full Entitlement will be diluted by up to 37.5% (if the Offer is fully subscribed).

6.3 Future intentions of DELPHI

DELPHI has confirmed that, regardless of what its voting power in PNX Metals increases to as a result of underwriting of the Offer, it has no present intention of:

- (a) seeking to change the existing business of PNX Metals;
- (b) seeking to change the financial or dividend policies of PNX Metals;
- (c) requesting that PNX Metals change its strategic direction or operational priorities (other than to prioritise completion of the definitive feasibility study for the Hayes Creek Project);
- (d) injecting further capital into PNX Metals, other than by the exercise of existing options if the share price is higher than the exercise price;
- (e) seeking to change PNX Metals' current employee arrangements;
- (f) seeking to acquire (or have its associates acquire) any of PNX Metals' assets or transferring any of its (or its associates) assets to the Group;
- (g) redeploying the fixed assets of PNX Metals;

- (h) seeking to obtain control of additional shares in PNX Metals for itself or its associates;
- (i) seeking to change the composition of the Board of Directors of PNX Metals

7. ADDITIONAL INFORMATION

7.1 Reliance on Offer Memorandum

This Offer Memorandum has been prepared in accordance with section 708AA of the Corporations Act. In general terms, section 708AA relates to rights issues by certain companies that do not require the provision of a prospectus or other disclosure document. Accordingly, the level of disclosure in this Offer Memorandum is considerably less than the level of disclosure required in a prospectus.

In deciding whether or not to accept the Offer, you should rely on your own knowledge of PNX Metals, refer to disclosures made by PNX Metals to ASX (which are available for inspection on the ASX website at www.asx.com.au and seek the advice of your professional adviser.

7.2 Further information

If you have any questions about the Offer, please contact either:

- (a) PNX Metal's Company Secretary, Angelo Gaudio on +61 (0) 8 8364 3188.
- (b) your stockbroker or professional adviser.

7.3 Governing law

This Offer Memorandum, the Offer and the contracts formed on acceptance of valid applications to subscribe for New Shares pursuant to the Offer are governed by the law of South Australia, Australia. Each Shareholder who has applied to subscribe for New Shares in accordance with this Offer Memorandum submits to the exclusive jurisdiction of the courts of South Australia, Australia.

8. DEFINED TERMS

In this Offer Memorandum, the following words have the following meanings unless the context requires otherwise:

| | |
|------------------------------|---|
| Acceptance Form | the personalised form accompanying this Offer Memorandum. |
| Allotment Date | 20 May 2019 (unless varied in accordance with the Listing Rules and the terms of the Underwriting Agreements). |
| ASIC | Australian Securities and Investments Commission. |
| ASIC Modifications | any exemptions from, modifications (including class orders and legislative instruments) of or declarations under the Corporations Act which are necessary or desirable in relation to the Offer Materials or to enable the Company to make the Offer. |
| ASX | ASX Limited or the securities exchange operated by ASX Limited (as the context requires). |
| ASX Listing Rules | the official listing rules of ASX. |
| ASX Waiver | any waiver of the Listing Rules which is necessary to enable the Company to make the Offer, obtain Official Quotation or issue the New Shares or perform any other act contemplated by the Offer Materials. |
| Authorisation | any approval, authorisation, consent, declaration, exemption, notarisation, concession, licence, permit, order, registration, qualification, decree or waiver, however described, and any condition attaching to it, including any renewal, consolidation, replacement, extension or amendment of any of them |
| Business Day | has the same meaning as in the ASX Listing Rules. |
| Closing Date | the last date for accepting the Offer, being 5.00pm Adelaide time on 10 May 2019, or such later date determined by the Directors in accordance with the ASX Listing Rules and the terms of the Underwriting Agreement. |
| Company or PNX Metals | PNX Metals Limited (ABN 67 127 446 271). |
| Commitments | The irrevocable undertakings from Shareholders to take up 141,666,67 New Shares (\$850,000) in aggregate under the Offer, as described in section 5.1. |
| Completion | The time when all of the New Shares have been allotted and issued by the Company in accordance with the Offer. |
| Corporations Act | <i>Corporations Act 2001</i> (Cth). |

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| Debt Facilities | any external debt facility or similar financial accommodation provided to the Company or its Subsidiaries or any part thereof, or any of its affiliates. |
| DELPHI | DELPHI Unternehmensberatung Aktiengesellschaft, a German entity and major shareholder of PNX Metals |
| DELPHI Underwriting Agreement | Underwriting Agreement between DELPHI and the Company dated 16 April 2019 the terms of which are summarised set out in section 5.2. |
| DELPHI Underwritten Shares | has the meaning given in section 5.2. |
| Directors | the directors of PNX Metals. |
| Entitlement | is defined in section 1.1. |
| Event of Insolvency | <ul style="list-style-type: none"> (iii) the Company (or any of its subsidiaries): <ul style="list-style-type: none"> (A) being or stating that it is unable to pay its debts as and when they fall due; or (B) failing to comply with a statutory demand; or (iv) any step being taken which will or is likely to result in any of the following: <ul style="list-style-type: none"> (A) the appointment of a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other similar official in relation to, or to any property of, the Company (or any of its subsidiaries); (B) the Company (or any of its subsidiaries) being wound up or dissolved or entering into a scheme, moratorium, composition or other arrangement with, or to obtain protection from, its creditors or any class of them or an assignment for the benefit of its creditors or any class of them; (v) circumstances existing which would permit a presumption of insolvency in relation to the Company (or any of its Subsidiaries) under section 459C(2) of the Corporations Act; or (vi) anything analogous or having a substantially similar effect occurring in relation to the Company (or any of its subsidiaries); |
| Excluded Shareholder | a registered holder of Shares on the Record Date with a registered address in a country other than Australia, New Zealand, Germany or Singapore. |

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| Force Majeure | any act of God, war, revolution, or any other unlawful act against public order or authority, an industrial dispute, a governmental restraint, or any other event which is not within the control of the parties |
| Group | the Company and each subsidiary of the Company (and Group Member means any one or more of them). |
| Hartleys | Hartleys Limited (ACN 104 195 057). |
| Hartleys Underwritten Amount | has the meaning given in section 5.3. |
| Hartleys Underwriting Agreement | the agreement of that name made between the Company and Hartleys dated 18 April 2019, the terms of which are summarised or set out in section 5.3 |
| New Share | a Share to be issued pursuant to this Offer Memorandum at 0.6 cents per Share. |
| Nominee | Saltbush Nominee Pty Ltd ACN 106 385 184 (subsidiary of Hartleys Limited, holder of AFSL No.230052). |
| Offer | the offer made pursuant to this Offer Memorandum of three (3) New Share for every five (5) Shares held by a Shareholder on the Record Date. |
| Offer Material | The Cleansing Notice for the Offer; the duly completed Appendix 3B in relation to the Offer; any roadshow presentation materials in connection with the Offer; all announcements released to ASX by the Company in connection with the Offer and this Offer Memorandum, including the Application Form, all correspondence delivered to Shareholders in respect of the Offer and any press releases, presentation materials, or public or media statement or other public disclosure made (on or after the date of announcement of the Offer and up to and including the Settlement Date) in relation to the Group or the Offer, including amendments or updates to or supplementary disclosure in respect of any other Offer Materials, or in relation to bids or applications received for New Shares or the progress or results of the Offer, in each case by the Company (or on its behalf). |
| Offer Memorandum | this Offer Memorandum dated 1 May 2019 under which the Offer is being made. |
| Offer Period | the period during which the Offer will remain open for acceptance in accordance with the terms of the Offer. |
| Offer Price | 0.6 cent per New Share. |

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| Option | an option to subscribe for a Share. |
| Performance Right | a Performance Right granted under the PNX Metals Employee Performance Rights Plan. |
| Prescribed Occurrence | <ul style="list-style-type: none"> (a) the Company converts all or any of its shares into a larger or smaller number of shares; (b) the Company or a subsidiary resolves to reduce its share capital in any way; (c) the Company or a subsidiary: <ul style="list-style-type: none"> (i) enters into a buy-back agreement or; (ii) resolves to approve the terms of a buy-back agreement under Section 257D or 257E of the Corporations Act; (d) the Company or a subsidiary makes an issue of, or granting an option to subscribe for, any of its shares or, or agreeing to make such an issue or grant such an option; (e) the Company or a subsidiary issues, or agreeing to issue, convertible notes; (f) the Company or a subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property; (g) the Company or a subsidiary grants or agrees to grant a security interest in the whole or a substantial part, of its business or property; (h) the Company or a subsidiary resolves to be wound up. |
| PNX Metals or Company | PNX Metals Limited (ACN 127 446 271). |
| Record Date | 6:30pm Adelaide time on 26 April 2019. |
| Rights Issue | the rights issue described in this Offer Memorandum |
| Settlement Date | 17 May 2019 (unless varied in accordance with the Underwriting Agreements) |
| Share | a fully paid ordinary share in the capital of PNX Metals. |
| Share Registry | Computershare Investor Services Pty Ltd. |

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| Shareholder | a registered holder of Shares with a registered address in either Australia, New Zealand, Germany and Singapore as at the Record Date. |
| Shortfall or Shortfall Shares | those New Shares forming Entitlements or part of Entitlements not accepted under the Offer. |
| Sub-underwriter | any sub-underwriter that enters into a sub-underwriting agreement with Hartleys in relation to the Offer. |
| Sub-underwriting Period | 29 April 2019 to 8 May 2019. |
| Underwriting Agreements | Hartleys Underwriting Agreement and the DELPHI Underwriting Agreement |



PNX Metals Limited
ABN 67 127 446 271

For all enquiries:

Phone:

(within Australia) 08 8364 3188

(outside Australia) +61 8 8364 3188

Web:

www.investorcentre.com/contact

Make your payment:



See overleaf for details of the Offer and how to make your payment

Non-Renounceable Rights Issue — Entitlement and Acceptance Form

Your payment must be received by 5:00pm (Adelaide time) Friday 10 May 2019

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

Step 1: Registration Name & Offer Details

Details of the shareholding and entitlements for this Offer are shown overleaf.

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

Step 2: Make Your Payment

You can apply to accept either all or part of your Entitlement. If you accept your full Entitlement, you can also apply for Additional New Shares. Enter the number of New Shares you wish to apply for and the amount of payment for those New Shares.

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Offer Memorandum dated 18 April 2019.

Choose one of the payment methods shown below.

BPAY®: See overleaf. Do not return the payment slip with **BPAY** payment.

By Mail: Complete the reverse side of the payment slip and detach and return with your payment. Make your cheque, bank draft or money order payable in Australian dollars to "**PNX Metals Limited**" and cross "**Not Negotiable**". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the payment slip. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →

Entitlement and Acceptance Form with Additional Shares

STEP 1 Registration Name & Offer Details

 For your security keep your SRN/HIN confidential.

Registration Name:

Entitlement No:

Offer Details: Existing shares entitled to participate as at 26 April 2019:

Entitlement to New Shares on a 3 for 5 basis:

Amount payable on full acceptance at \$0.006 per New Share:

STEP 2 Make Your Payment



Bill Code: 298281
Ref No:

Pay by Mail:



Make your cheque, bank draft or money order payable to "PNX Metals Limited" and cross "Not Negotiable".

Return your cheque with the below payment slip to:

Computershare Investor Services Pty Limited
GPO BOX 505 Melbourne Victoria 3001 Australia

Contact your financial institution to make your payment from your cheque or savings account.

Lodgement of Acceptance

If you are applying for New Shares and your payment is being made by BPAY, you do not need to return the payment slip below. Your payment must be received by no later than 5:00pm (Adelaide time) Friday 10 May 2019. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor PNX Metals Limited accepts any responsibility for loss incurred through incorrectly completed BPAY payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

If you are paying by cheque, bank draft or money order the payment slip below must be received by CIS by no later than 5:00pm (Adelaide time) Friday 10 May 2019. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Return the payment slip below with cheque attached. Neither CIS nor PNX Metals Limited accepts any responsibility if you lodge the payment slip below at any other address or by any other means.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

[Detach here](#) - - -

PNX Metals Limited Acceptance Payment Details

Entitlement taken up:

Number of Additional New Shares applied for:

Amount enclosed at \$0.006 per New Share:

A\$

Entitlement No:

Payment must be received by 5:00pm (Adelaide time) Friday 10 May 2019

Contact Details

Contact Name

Daytime

Telephone

Cheque Details

Drawer

Cheque Number

BSB Number

Account Number

Amount of Cheque

A\$



1 May 2019

Dear Overseas 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) ordinary 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 (**Issue Price**), to raise up to approximately \$5.48 million (before costs and expenses) (**Rights Issue**).

The Offer Memorandum for the Rights Issue was lodged with ASX on 18 April 2019 and is available to download at both www.asx.com.au using ASX code “PNX” and at PNX Metal’s website www.pnxmetals.com.au.

PNX Metals has determined, pursuant to the *Corporations Act 2001* (Cth) (**Corporations Act**) and Listing Rule 7.7.1(a) of the Listing Rules of the ASX Limited (**ASX Listing Rules**) that it would be unreasonable to make offers under the Rights Issue to shareholders with a registered address outside of Australia, New Zealand, Germany and Singapore having regard to the number of shareholders in such places, the number and value of the new shares they would be offered and the potentially substantial costs of complying with the legal and regulatory requirements in those jurisdictions.

Accordingly, in compliance with ASX Listing Rule 7.7.1(a) and the Corporations Act, PNX Metals wishes to advise that it will not be extending the Rights Issue to shareholders with registered addresses outside of Australia, New Zealand, Germany and Singapore as at the record date, being 26 April 2019 (**Overseas Shareholders**). Your PNX Metals shareholding is currently registered to an address outside of Australia, New Zealand, Germany and Singapore.

PNX Metals has appointed Saltbush Nominee Pty Ltd ACN 106 385 184 (subsidiary of Hartleys Limited, holder of AFSL No.230052) (**Nominee**), on normal commercial terms, as nominee for Overseas Shareholders to sell shares in PNX Metals they would have been offered under the Rights Issue had they been eligible to participate in the Rights Issue (**Shares**).

The sale of the Shares may be made in the first instance in the ordinary course of trading on the ASX at the prevailing market price. If the Nominee considers there will be no market for all or some of the Shares on the ASX or the Nominee considers it otherwise more beneficial for Overseas Shareholders to do so, the Nominee may sell all or some of the Shares off market.

The net proceeds of the sale of the Shares, after deducting all reasonable costs associated with the sale (including a 1% brokerage fee) will be provided by the Nominee to PNX Metals. PNX Metals will then distribute any of the proceeds of the sale of the Shares above the Issue Price per share, net of costs, to Overseas Shareholders, in proportion to their shareholdings at the record date.

If the net proceeds of the sale of the Shares is at or below the Issue Price per share, no funds will be distributed to Overseas Shareholders.

Neither PNX Metals nor the Nominee will be subject to any liability for failure to sell the Shares at a particular price.

If you have any queries about the Rights Issue please contact PNX Metal's Company Secretary, Angelo Gaudio on +61 (0) 8 8364 3188.

Yours sincerely



Graham Ascough
Chairman
PNX Metals