



**PNX METALS LIMITED**  
**ACN 127 446 271**

## **NOTICE OF ANNUAL GENERAL MEETING**

**Notice is hereby given** that the Annual General Meeting of the members of PNX Metals Limited will be held:

- on **Wednesday 24<sup>th</sup> October 2018**
- at **10:30am (Adelaide time)**
- at **Level 3, 170 Frome Street, Adelaide SA 5000 (Grant Thornton)**

for the purpose of transacting the business set out in the following agenda.

**Please note** that the Company's 2018 Annual Report can be viewed at the Company's website at <http://www.pnxmetals.com.au/>

This is an important document. Please read it carefully.  
If you are unable to attend the Annual General Meeting, please complete the Proxy Form enclosed with this document in accordance with the instructions set out on it.

# AGENDA

## GENERAL BUSINESS

### 2018 Financial Statements

To receive and consider the Company's Directors' Report, Financial Statements and Auditor's Report for the year ended 30 June 2018.

## ORDINARY BUSINESS

### RESOLUTION 1 Adoption of Remuneration Report

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

*"That, for the purpose of section 250R(2) of the Corporations Act 2001 (Cth), the Company adopts the Remuneration Report for the financial year ended 30 June 2017."*

Note: Pursuant to section 250R(3) of the Corporations Act 2001 (Cth) (**Corporations Act**), the vote on this resolution is advisory only and does not bind the Directors or the Company.

### RESOLUTION 2 Re-election of Mr Peter Watson as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That Mr Peter Watson, a director retiring by rotation in accordance with clause 2.5 of the Company's constitution and being eligible for re-election, be re-elected as a director of the Company".*

### RESOLUTION 3 Issue of Performance Rights to Mr James Fox

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 10,000,000 Performance Rights to the Company's Managing Director & CEO James Fox on the terms and conditions specified in the Explanatory Notes accompanying this Notice of Meeting."*

## SPECIAL BUSINESS

### RESOLUTION 4 Approval of 10% Placement Facility

To consider and, if thought fit, pass the following resolution as a special resolution:

*"That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, Shareholders approve for the Company to have the additional capacity to issue Equity Securities under ASX Listing Rule 7.1A of up to 10% of the issued capital of the Company, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2, and on the terms and conditions set out in the Explanatory Notes accompanying this Notice."*

## **Voting Restrictions and Exclusions**

### Resolution 1

In accordance with the Corporations Act, a vote must not be cast (in any capacity), and the Company will disregard any votes cast on Resolution 1 by or on behalf of any Key Management Personnel, the details of whose remuneration are included in the Remuneration Report, and any Closely Related Party of such Key Management Personnel.

However, the Company need not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or
- b) it is cast by the Chair as proxy for a person who is entitled to vote, and the appointment does not specify the way in which the Chair is to vote but the appointment expressly authorises the Chair to exercise the proxy even though the resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel (this authorisation is included in the proxy form enclosed).

Alternatively, if you appoint the Chair as your proxy, you can direct the Chair to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box on the proxy form.

Alternatively, Shareholders can nominate as their proxy for the purpose of Resolution 1, a person who is not a member of the Company's Key Management Personnel or any of their Closely Related Parties. That person would be permitted to vote undirected proxies.

### Resolution 2

There are no voting exclusions in relation to Resolution 2.

### Resolution 3

The Company will disregard any votes cast in favour of Resolution 3 by Mr James Fox (being the only director eligible to participate in the PNX Metals Limited Employee Performance Rights Plan), or a nominee(s) of Mr James Fox, if the resolution is passed, and associates of any of those persons.

However, the Company need not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or
- b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Members of Key Management Personnel, and any Closely Related Party of such Key Management Personnel, will not be entitled to vote undirected proxies on Resolution 3, other than the Chair, provided he is expressly authorised in the proxy form to vote in accordance with his stated voting intentions. Please note that if the Chair of the meeting is your proxy (or becomes your proxy by default), by completing the attached proxy form, you will expressly authorise the Chair to exercise your proxy on Resolution 3 even though it is connected directly or indirectly with the remuneration of a member of Key Management Personnel for the Company, which includes the Chair.

### Resolution 4

The Company will disregard any votes cast in favour of Resolution 4 by a person who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 4 is passed, and any associates of those persons. As at the date of this Notice of Meeting, the Company has no specific intention to issue Equity Securities pursuant to ASX Listing Rule 7.1A and therefore it is not known who (if any) may participate in a potential (if any) issue of Equity Securities under ASX Listing Rule 7.1A.

However, the Company need not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or

- b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## Proxies

In accordance with section 249L of the Corporations Act and clause 16.2(3)(d) of the Company's constitution, members are advised that:

- (a) a member of the Company entitled to attend and vote at the Meeting, is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

To record a valid vote other than by voting in person at the meeting, Shareholders will need to complete and lodge the Proxy Form (and the power of attorney or other authority (if any) under which it is signed, or a certified copy of it) at the share register of the Company, Computershare Investor Services Pty Ltd. Please complete and forward the Proxy Form to Computershare Investor Services:

by post at the following address:

**Computershare Investor Services Pty Limited  
GPO Box 242  
MELBOURNE VIC 3001**

OR

by facsimile on **1800 783 447** (within Australia) or **+61 3 9473 2555** (outside Australia);

or for **Intermediary Online subscribers only** (custodians), cast the shareholder's vote online by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com)

Shareholders can also cast their proxy votes online, including by smartphone, at [www.investorvote.com.au](http://www.investorvote.com.au). To use this facility you will need your holder number (SRN or HIN), postcode and the control number shown on your proxy form.

Proxy votes must be received by no later than **10.30 am (Adelaide time) on Monday 22 October 2018**.

## Voting Entitlements

In accordance with Regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Board has determined that the Shareholding of each Shareholder for the purposes of ascertaining voting entitlements for the Meeting will be as it appears in the share register of the Company at 7:00pm Adelaide time on **Monday 22 October 2018**.

## Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that Shareholder's representative. A form of certificate of appointment can be obtained from the Company's share registry, Computershare Investor Services Pty Limited, by phoning 1300 305 232 (within Australia) or +61 3 9415 4657. The certificate or letter may be sent to the Company or the Company's share registry, Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001 in advance of the Meeting or handed in at the Meeting when the appointed representative registers as a corporate representative.

## Explanatory Notes

The Explanatory Notes accompanying this Notice of Meeting are incorporated in, comprise part of and should be read in conjunction with this Notice of Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Notes, which contains definitions of capitalised terms used both in this Notice of Meeting and the Explanatory Notes.

By order of the Board

A handwritten signature in blue ink, appearing to read 'Tim Moran', with a stylized flourish extending to the right.

Tim Moran  
*Company Secretary*  
Dated: 21 September 2018

## **EXPLANATORY NOTES**

### **Important Notice**

These Explanatory Notes contain an explanation of, and information about, the resolutions to be considered at the Annual General Meeting of Shareholders to be held at Level 3, 170 Frome St, Adelaide SA on **Wednesday 24 October 2018 at 10:30am** (Adelaide time). They are given to Shareholders to help them determine how to vote on the resolutions set out in the Notice of Meeting.

These Explanatory Notes form part of the Notice of Meeting and should be read in conjunction with the Notice of Meeting. Shareholders should read these Explanatory Notes in full before making any decision in relation to the resolutions, because individual sections may not give a comprehensive review of the proposals contemplated in them.

Capitalised terms in these Explanatory Notes are defined in the Glossary at the end of these Explanatory Notes.

If you are in doubt about what to do in relation to the resolutions set out in the Notice of Meeting you should consult your financial or other professional adviser.

### **GENERAL BUSINESS**

#### **Receiving financial statements and reports**

The financial report of the Company for the year ended 30 June 2018 (including the financial statements, directors' report and auditors' report) was included in the 2018 annual report of the Company, a copy of which may accompany this Notice but, in any event, is available on the Company's website at [www.pnxmetals.com.au](http://www.pnxmetals.com.au).

The Corporations Act requires that Shareholders consider the annual consolidated financial statements and reports of the directors and auditor every year. There is no requirement for Shareholders to approve these reports. Shareholders attending the Meeting will be given a reasonable opportunity:

1. to ask question about, or make comments on, the management of the Company; and
2. to ask the Company's auditor, or the auditor's representative, questions relevant to:
  - a. the conduct of the audit;
  - b. the preparation and content of the auditor's report;
  - c. the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
  - d. the independence of the auditor in relation to the conduct of the audit.

A Shareholder who is entitled to cast a vote at the Meeting may submit a written question to the auditor if the question is relevant to:

1. the content of the auditor's report to be considered at the annual general meeting; or
2. the conduct of the audit of the annual financial report to be considered at the annual general meeting.

A written question may be submitted by giving the question to the Company no later than **17 October 2018**, being five business days before the day on which the Meeting is to be held, and the Company will then, as soon as practicable after the question has been received, pass the question on to the auditor. At the Meeting, the Company will allow a reasonable opportunity for the auditor, or the auditor's representative, to answer written questions submitted to the auditor.

The Company will make copies of the question list reasonably available to Shareholders attending the Meeting.

No resolution is required in respect of this item of General Business.

## **ORDINARY BUSINESS**

### **RESOLUTION 1      Adoption of Remuneration Report**

The Remuneration Report for the financial year ended 30 June 2018 is set out in the Directors' Report in the Annual Report, which may accompany this Notice but, in any event, is available on the Company's website [www.pnxmetals.com.au](http://www.pnxmetals.com.au). Section 300A of the Corporations Act requires the Directors to include a Remuneration Report in their Directors' Report for the financial year. The Remuneration Report outlines the remuneration arrangements in place for Key Management Personnel of the Company, including the Directors.

Section 250R(2) of the Corporations Act requires listed companies to put to vote at the annual general meeting a resolution that the Remuneration Report be adopted. Pursuant to section 250R(3), the vote on this resolution is advisory only and does not bind the Directors or the Company.

If more than 25% of the votes cast on a resolution to adopt the remuneration report are against the adoption of the remuneration report for two consecutive annual general meetings, shareholders will be required to vote at the second of those annual general meetings on a resolution ("Spill Resolution") that another meeting be held within 90 days, at which all of the Company's Directors must stand for re-election.

Of the votes cast at the 2017 AGM, 98.6% were in favour of the Company's remuneration report for the year ended 30 June 2017.

A voting exclusion statement is set out in the Notice of Meeting.

The Chairman intends to vote undirected proxies in favour of Resolution 1.

### **RESOLUTION 2      Re-election of Mr Peter Watson as a Director**

Mr Watson is a founder of PNX Metals Limited and was appointed to the Board in September 2007. Mr Watson studied Law at Melbourne University and graduated with honours. He has practiced law for more than 45 years, specialising in commercial, corporate, resources and trade practices law. He is admitted to practice in South Australia, New South Wales, Victoria and Western Australia as well as the High Court of Australia.

For over 20 years, Peter Watson was a partner in the national law firm now known as Norton Rose Fulbright. During that time he established, and for 4 years managed, its Perth office. He also managed its Melbourne office for 2 years. In 1996 Mr Watson joined Andersen Legal as its first Melbourne partner and in 1999 was recruited by Normandy Mining Limited as its group legal counsel and a group executive. Following the takeover of Normandy by Newmont Mining Corporation, Mr Watson returned to private practice and founded the successful boutique law firm Watsons Lawyers in Adelaide, which in July 2016 merged with Piper Alderman.

Mr Watson has a relevant interest in 10,195,802 Shares.

To enable compliance with clause 2.5 of the Company's constitution, Mr Watson voluntarily retires at the close of the Meeting. Being eligible, Mr Watson has offered himself for re-election in accordance with clause 2.5(5) of the Company's constitution.

Accordingly, Resolution 2 provides for the re-election of Mr Watson as a director of the Company.

The Directors (other than Mr Watson) recommend that Shareholders vote in favour of Resolution 2.

The Chairman intends to vote undirected proxies in favour of Resolution 2.

### **RESOLUTION 3 Issue of Performance Rights to Mr James Fox**

ASX Listing Rule 10.14 provides that a director of a company, or any associates of that director, must not acquire securities under an employee incentive scheme without shareholder approval. If shareholder approval is received, approval is not required under Listing Rule 7.1.

In September 2018, the Board of Directors (with James Fox abstaining) resolved, subject to shareholder approval, to offer Mr Fox 10,000,000 Performance Rights under the Company's Employee Performance Rights Plan.

The proposed Performance Rights have the following performance conditions:

- 5,000,000 Performance Rights: The Company's closing price on the ASX is 2.0 cents or more for 10 consecutive trading days prior to the date that is 2 years after the issue date of the Performance Rights; and
- 5,000,000 Performance Rights: The Company's closing price on the ASX is 4.0 cents or more for 10 consecutive trading days prior to the date that is 3 years after the issue date of the Performance Rights.

If either performance condition is met by the relevant date, as indicated above, 5,000,000 Performance Rights will vest and entitle Mr Fox to 5,000,000 Shares. If both performance conditions are met by the respective relevant dates, Mr Fox will be entitled to a total of 10,000,000 Shares. If neither of the performance conditions is met, the Performance Rights will lapse.

Approval is therefore sought under Listing Rule 10.14 for the issue of the 10,000,000 Performance Rights under the Plan to Mr Fox.

No amounts will be payable by Mr Fox in relation to the Performance Rights, or for any Shares issued on the vesting of any of the Performance Rights.

The following information is provided in accordance with ASX Listing Rule 10.15:

- 1) James Fox is a director of PNX Metals Limited.
- 2) The maximum number of securities that may be acquired by Mr Fox under this resolution is 10,000,000 Performance Rights (that may each vest for a Share, subject to the vesting conditions).
- 3) No amount is payable for the securities that may be acquired by Mr Fox.
- 4) The Company's Employee Performance Rights Plan was last approved by shareholders at the Company's AGM on 10 November 2016. Since then, James Fox has received the following Performance Rights under the Plan:
  - a. 1,250,000 on 7 December 2016. These Performance Rights lapsed on 30 June 2018 as the performance conditions were not met.
  - b. 4,000,000 on 15 February 2017. 800,000 of these Performance Rights vested on 12 July 2017 and a corresponding 800,000 Shares were issued in August 2017. 3,200,000 rights remain on issue, and have not yet vested. The relevant performance conditions are outlined in the Appendix 3B lodged with the ASX on 16 February 2017.

No other director, or associates of any other director, has received any securities under the Company's Employee Performance Rights Plan since it was last approved by shareholders.

- 5) James Fox, as an executive director, is the only director who may participate in the Company's Employee Performance Rights Plan.
- 6) There is no loan in relation to the securities that may be acquired by Mr Fox.
- 7) The securities will be issued within one month of the date shareholder approval is obtained.

Under Section 208 of the Corporations Act, a 'financial benefit' cannot be provided to related parties (which includes directors) of a Company without shareholder approval unless an exception applies. The issue of Performance Rights to Mr Fox constitutes the giving of a financial benefit. Under Section 211, shareholder approval is not required in order to give a financial benefit if that benefit is reasonable remuneration given to an officer or employee of the company, and to give the remuneration would be reasonable given the circumstances of the company and the related party's circumstances (including the responsibilities involved in the office or employment).

The Directors (excluding Mr Fox), are of the view that the issue of 10,000,000 Performance Rights as described above represents reasonable remuneration, given the circumstances of the Company and in the circumstances of Mr Fox, including his position as MD & CEO, his total remuneration, and the remuneration of his peers within the minerals exploration industry in Australia. In addition, the



proposed issue of Performance Rights is considered to provide appropriate incentives for Mr Fox and aligns his interests with those of the Company's Shareholders. It is noted that on the basis of the Company's closing share price of 0.7 cents at 13 September 2018, the Performance Rights would be valued at \$70,000 (assuming all Performance Rights ultimately vest). On the basis of a 4.0 cent Company share price (required for the second group of 5 million Performance Rights to vest as outlined previously), the Performance Rights would be valued at \$400,000 at that time.

Accordingly the Directors (other than Mr Fox) are of the view that the exception in Section 211 applies in the circumstances and Shareholder approval is not required for the purposes of Section 208 of the Corporations Act.

A voting exclusion statement for Resolution 3 is set out in the Notice of Meeting.

The Directors (other than Mr Fox) recommend that Shareholders vote in favour of Resolution 3.

The Chairman intends to vote available undirected proxies in favour of Resolution 3.

## **SPECIAL BUSINESS**

### **RESOLUTION 4      Approval of 10% Placement Facility**

Under Listing Rule 7.1A, an Eligible Entity can seek shareholder approval by special resolution at an annual general meeting to issue additional Equity Securities equivalent to 10% of its issued share capital through placements over a 12 month period after the meeting at which approval is obtained, in accordance with the terms set out below (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1 and allows the Company to issue up to 25% of its total issued capital.

An 'Eligible Entity' for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an Eligible Entity. The Company will need to remain compliant with the requirements of ASX Listing Rule 7.1A in order for the Company to utilise the additional capacity under the 10% Placement Facility.

At the Company's 2017 Annual General Meeting (**2017 AGM**) Shareholder approval was obtained regarding the availability of the 10% Placement Facility for the 12 months period ending 25 October 2018. A total of 108,273,742 Equity Securities were issued under Listing Rule 7.1A in the 12 month period since the 2017 AGM.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility for a further 12 months. As a special resolution, Resolution 4 requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The exact number of Equity Securities that could be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to section (b) below).

The Directors of the Company believe that Resolution 4 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of Resolution 4.

No Director or Related Party will participate in any issue under the 10% Placement Facility unless specific approval is obtained for the purposes of ASX Listing Rule 10.11.

#### Description of Listing Rule 7.1A

##### **(a) Class of Equity Securities**

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. The Company, as at the date of this Notice of Meeting, has one quoted class of Equity Securities on issue, being Shares. As

such, as at the date of this Notice of Meeting, the only class of Equity Securities that the Company may issue under ASX listing Rule 7.1A is Shares.

**(b) Formula for calculating the 10% Placement Facility**

Listing Rule 7.1A.2 provides that Eligible Entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

Where: **A** is the number of shares on issue 12 months before the date of issue or date of agreement to issue:

- (i) plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
- (ii) plus the number of partly paid shares that became fully paid in the 12 months;
- (iii) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under ASX Listing Rule 7.1 or ASX Listing Rule 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- (iv) less the number of fully paid shares cancelled in the 12 months.

Note that "A" has the same meaning in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.

**D** is 10%

**E** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or date of agreement to issue that are *not* issued with the approval of shareholders under ASX Listing Rule 7.1 or ASX Listing Rule 7.4.

**(c) ASX Listing Rule 7.1 and ASX Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under ASX Listing Rule 7.1A is in addition to the entity's 15% placement capacity under ASX Listing Rule 7.1.

At the date of this Notice of Meeting, the Company has on issue 1,352,680,020 Shares and therefore has a capacity to issue:

- (i) 202,902,003 Equity Securities under ASX Listing Rule 7.1; and
- (ii) subject to Shareholder approval being sought under this Resolution, 135,268,002 Equity Securities under ASX Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities or date of agreement to issue in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section (c) above).

**(d) Specific information required by Listing Rule 7.3A**

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

**1. Minimum Issue Price**

For the purpose of ASX Listing Rule 7.3A.1, the Equity Securities, if issued, will be issued at a price of not less than 75% of the VWAP of the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

The Company may also issue Equity Securities under the 10% Placement Facility for non-cash consideration, in which case, the Company will release to the market a valuation of those Equity Securities that demonstrates that the issue price of the securities complies with the rule above.

## 2. Risk of economic and voting dilution

If this Resolution 4 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, existing Shareholders may be subject to the risk of both economic and voting power dilution from that issue. There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting at which approval under rule 7.1A is obtained;
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date for the Equity Securities; and
- (iii) the Equity Securities may be issued as part of consideration for the acquisition of a new asset, in which case, no funds will be raised by the issue of the Equity Securities.

The table below shows the potential dilution of existing Shareholders on the basis of the market price of Shares of 0.7 cents as of 13 September 2018 and the number of ordinary securities on issue as of the date of this Notice used for variable "A".

The table also shows:

- (i) two examples where variable "A" has increased by 50% and 100%. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable "A" in ASX Listing Rule 7.1A.2		Dilution		
		\$0.0035 50% decrease in Issue Price	\$0.007 Issue Price	\$0.014 100% increase in Issue Price
Current variable "A" 1,352,680,020 Shares	10% Voting Dilution	135,268,002 Shares	135,268,002 Shares	135,268,002 Shares
	Funds Raised	\$473,438	\$946,876	\$1,893,752
50% increase in current variable "A" 2,029,020,030 Shares	10% Voting Dilution	202,902,003 Shares	202,902,003 Shares	202,902,003 Shares
	Funds Raised	\$710,157	\$1,420,314	\$2,840,628

<b>100% increase in current variable "A"</b> <b>2,705,360,040 Shares</b>	<b>10% Voting Dilution</b>	270,536,004 Shares	270,536,004 Shares	270,536,004 Shares
	<b>Funds Raised</b>	\$946,876	\$1,893,752	\$3,787,504

The table presents theoretical examples only, and has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (ii) None of the Performance Rights or options that the Company currently has on issue are converted or exercised before the date of the issue of the Equity Securities.
- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue, assuming variable A is equal to the total issued share capital. This is why the voting dilution is shown in each example as 10%.
- (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
- (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1. Dilution experienced by Shareholders may be greater if issues have been made utilising the capacity in Listing Rule 7.1 as well.
- (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes ASX Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (vii) A market price of \$0.007, being the closing price of the Shares on ASX on 13 September 2018.

### 3. **Timing**

The date by which the Equity Securities may be issued under the 10% Placement Facility is as determined under ASX Listing Rule 7.1A.1, being the earlier of:

- (i) the date that is 12 months after the date of the Meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature of scale of activities) or Listing Rule 11.2 (disposal of main undertaking)

#### **(10% Placement Period).**

The approval under Resolution 4 for the 10% Placement Facility will cease to be valid if Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or ASX Listing Rule 11.2 (disposal of main undertaking).

### 4. **Purposes for which Equity Securities may be issued**

The Company may seek to issue the Equity Securities under the 10% Placement Facility for the following purposes:

- (i) non-cash consideration for the acquisition of new assets and investments. In such circumstances, the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3; or
- (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets (including expenses associated with such acquisition(s)), continued exploration on the Company's current exploration licenses, continuation of detailed feasibility studies on its Hayes Creek zinc-gold-silver Project, and/or general working capital.

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities under the 10% Placement Facility.

## 5. **Allocation Policy**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to factors that include, but are not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice of Meeting but may include existing Shareholders and/or new investors who are not Related Parties of the Company or their associates.

Further, if the Company acquires new assets, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new assets.

If Resolution 4 is approved by Shareholders, the Company may issue Equity Securities under the 10% Placement Facility during the 10% Placement Period, as and when the circumstances of the Company require.

## 6. **Equity Securities issued by the Company**

The Company previously obtained Shareholder approval under Listing Rule 7.1A on 25 October 2017. **Appendix A contains detailed information required under Listing Rule 7.3A.6** regarding:

- (i) the total number of Equity Securities issued in the 12 month period prior to the 24 October 2018 date of the Meeting and the percentage they represent of the total number of Equity Securities on issue at the commencement of that 12 month period; and
- (ii) details of all issues of Equity Securities by the Company during the 12 months preceding the 24 October 2018 date of the Meeting.

## 7. **Voting Exclusion**

A voting exclusion statement is included in the Notice of Meeting. At the date of the Notice, the Company has not approached or invited any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities under ASX Listing Rule 7.1A. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice of Meeting from voting on Resolution 4.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

The Chairman intends to vote undirected proxies in favour of Resolution 4.

## GLOSSARY

**"AGM"** means an Annual General Meeting of the Company;

**"ASIC"** means the Australian Securities and Investment Commission;

**"ASX"** means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange operated by ASX Limited, as the context requires;

**"ASX Listing Rules"** means the official listing rules of ASX;

**"Board"** means the board of Directors;

**"Closely Related Party"** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member or be influenced by the member, in the member's dealings with the Company; or
- (e) a company the member controls;

**"Company"** means PNX Metals Limited (ACN 127 446 271);

**"Corporations Act"** means *Corporations Act 2001* (Cth);

**"Director"** means a director of the Company;

**"Eligible Entity"** means an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less;

**"Equity Securities"** has the meaning given to that term in the ASX Listing Rules;

**"Key Management Personnel"** means those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any Director (whether executive or otherwise);

**"Meeting"** means the Annual General Meeting of the Company to be held on Wednesday 24 October 2018 at 10:30am;

**"Notice of Meeting"** or **"Notice"** means the notice convening the Meeting and which these Explanatory Notes accompany;

**"Option"** means an option to subscribe for a Share;

**"Performance Right"** means a performance right granted under the PNX Metals Limited Employee Performance Rights Plan, which converts into one Share if the vesting conditions are met;

**"Related Party"** has the meaning given to that term in the Corporations Act;

**"Share"** means a fully paid ordinary share in the capital of the Company;

**"Shareholder"** means a holder of a Share;

**"Shareholding"** means a holding of one or more Share(s);

**"Trading Day"** means a day determined by ASX to be a trading day in accordance with the ASX Listing Rules;

**"VWAP"** means Volume Weighted Average Price of the Company's ASX-listed Shares trading under the code PNX.

## APPENDIX A – Information Required by Listing Rule 7.3A.6

Total Equity Securities on Issue 12 months prior to 24 October 2018*	<b>1,053,107,423</b>
Total number of Equity Securities Issued in the 12 months prior to 24 October 2018	<b>393,942,597</b>
Percentage Issued of the Total Equity Securities on Issue 12 months prior to 24 October 2018	<b>37.4%</b>

\* includes Shares, 600,000 convertible notes, 65,450,000 options, and 8,320,000 performance rights

### **Equity Securities issued in 12 months prior to 24 October 2018:**

Date of issue	30 Oct/17	27 Nov/17	12 Feb/18	2 Aug/18
<b>Number of Equity Securities issued</b>	20,000,000	28,755,892	81,436,705	263,750,000
<b>Class/Type of Equity Security</b>	Unquoted Options	Shares	Shares	Shares
		Note 1	Note 2	
<b>Summary of terms</b>	Issued to a subsidiary of a corporate advisor, with a 1.47 cent exercise price each and expiry date of 30 Oct 2020	Fully paid ordinary shares listed on ASX and ranking equally with all other Shares on issue ( <b>Fully paid</b> )	Fully paid	Fully paid
<b>Names of persons who received securities or basis on which those persons was determined</b>	Zenix Nominees Pty Ltd	Sochrastem SA and Marilei International Limited	Marilei International Limited	Sophisticated and professional investors
<b>Price</b>	N/A	\$0.025 & \$0.013	\$0.015	\$0.008
<b>Discount to closing market price on issue date</b>	Nil	Nil	Nil	Nil
<b>For cash issues</b>				
<b>Total cash consideration received:</b>	Nil	Refer below & Note 1	Refer below & Note 2	\$2,110,000
<b>Amount of cash consideration spent:</b>	N/A	Refer below	Refer below	\$350,000 approx

<b>Use of cash consideration:</b>			<p>Shares were issued to settle \$600,000 of convertible notes (24,000,000 Shares at 2.5 cents per Share, 12 million Shares to each of Sochrastem and Marilei).</p> <p>A further 4,755,892 Shares were issued at 1.3 cents per Share to settle the final \$15,000 of 6 monthly interest on convertible notes (1,156,698 Shares) and 6 monthly interest of \$45,000 on a \$1.2 million loan held by Marilei (3,599,194 Shares).</p>		<p>Shares were issued to settle a \$1.2 million loan (80,000,000 Share at 1.5 cents per Share), plus final interest owing on the loan (1,436,705 Shares).</p>		
<b>Intended use for remaining amount of cash (if any):</b>	If options are exercised, up to \$294,000 received would be utilised for Hayes Creek Project feasibility studies, mineral exploration in Northern Territory and working capital		N/A				N/A
<b>For non-cash issues</b>	N/A		N/A		N/A		N/A

#### Notes

1. Up to the 27 November 2017 settlement date of the \$600,000 convertible notes, the notes accrued interest at 5% per annum, payable semi-annually in cash or Shares at the option of the Company. If Shares were issued, the number was determined as the interest payable divided by the Company's volume weighted average ASX closing price over the 30 days preceding the end of the interest period.
2. Up to the 12 February 2018 settlement date of the \$1,200,000 unsecured loan, the loan accrued interest at 7.5% per annum, payable semi-annually in cash or Shares at the option of the Company. If Shares were issued, the number was determined as the interest payable divided by the Company's volume weighted average ASX closing price over the 30 days preceding the end of the interest period.





PNX Metals Limited  
ABN 67 127 446 271

## Lodge your vote:



**Online:**

[www.investorvote.com.au](http://www.investorvote.com.au)



**By Mail:**

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555



For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:

(within Australia) 1300 305 232  
(outside Australia) +61 3 9415 4657

## Proxy Form

XX

 <b>Vote and view the annual report online</b> <ul style="list-style-type: none"><li>• Go to <a href="http://www.investorvote.com.au">www.investorvote.com.au</a> or scan the QR Code with your mobile device.</li><li>• Follow the instructions on the secure website to vote.</li></ul>	
<b>Your access information that you will need to vote:</b> <p><b>Control Number:</b></p> <p><b>SRN/HIN:</b></p> <p>PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.</p>	

 **For your vote to be effective it must be received by 10:30am (Adelaide time) Monday 22 October 2018**

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

## Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

## Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form →**

☐

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of PNX Metals Limited hereby appoint

☐

the Chairman  
of the Meeting **OR**



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of PNX Metals Limited to be held at **Level 3, 170 Frome Street, Adelaide on Wednesday, 24 October 2018 at 10:30am (Adelaide time)** and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on **Resolutions 1 and 3** (except where I/we have indicated a different voting intention below) even though **Resolutions 1 and 3** are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on **Resolutions 1 and 3** by marking the appropriate box in step 2 below.

### STEP 2 Items of Business



**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

#### ORDINARY BUSINESS

	For	Against	Abstain
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr Peter Watson as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Issue of Performance Rights to Mr James Fox	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

#### SPECIAL BUSINESS

4 Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### SIGN

#### Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_

Date    /    /