

## ASX Announcement

20 February 2017



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## Options Prospectus

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As announced to the ASX on 12 December 2016, PNX Metals Limited (**ASX: PNX**) raised \$2.6 million before costs via a share placement priced at 2.0 cents per share to institutional and sophisticated investors.

Under the placement, and subject to shareholder approval, participating investors (Eligible Parties) are to receive one attaching unquoted option for every two shares subscribed for, with each option exercisable at 5.0 cents and expiring on 31 May 2019. At a General Meeting held on 15 February 2017, shareholders of PNX approved the issue of the relevant options.

The options are offered under a Prospectus, a copy of which is attached and will be provided to Eligible Parties.

### James Fox

Managing Director & CEO

Telephone: +61 (0) 8 8364 3188





**PNX METALS LIMITED**

**ACN 127 446 271**

20 February 2017

## **PROSPECTUS**

For the offer of one Option for every two Shares subscribed for in the December 2016  
Placement

**TO WHOM THE OFFER IS MADE:** This offer is only made to Eligible Parties

**CLOSING DATE:** 5.00pm Adelaide time on 1 March 2017

### **IMPORTANT NOTICE**

**This is an important document. 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**

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**Directors**  
Mr Graham Ascough (Non Executive Chairman)  
Mr James Fox (Managing Director & CEO)  
Mr Paul J Dowd (Non Executive Director)  
Mr Peter J Watson (Non Executive Director)  
Mr David Hillier (Non Executive Director)

**Company Secretary** Mr Tim Moran

**Registered Office**  
Level 1, 135 Fullarton Road  
Rose Park SA 5067  
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Facsimile: +61 8 8364 4288

**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](http://www.pnxmetals.com.au)

\*This party is included for information purposes and has not been involved in the preparation of this Prospectus.

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## **PURPOSE OF THIS PROSPECTUS**

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This prospectus has been prepared for the offer of Options such that the relief provided under *ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80* with respect to the on-sale provisions of Section 707 of the Corporations Act is available.

Specifically, if the Options are issued with disclosure under this prospectus then the Shares issued upon the exercise of any of the Options can be on-sold within 12 months of their issue without a disclosure document for the on-sale offer (even if the Shares were issued without disclosure or lodgment of a cleansing statement), as the Options are issued with disclosure and the exercise of the Option does not involve any further offer.

## **IMPORTANT NOTICES**

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This Prospectus is dated 20 February 2017 and was lodged with ASIC on that date. ASIC and ASX take no responsibility for the contents of this Prospectus.

This Prospectus is for an offer of Options to acquire continuously quoted securities, issued in accordance with section 713 of the Corporations Act.

No Options will be issued on the basis of this Prospectus after its expiry date, which is the date that is 3 months after the date of this Prospectus.

In preparing this Prospectus, regard has been given to the fact that ASX maintains a file containing publicly disclosed information about the Company and that the Company is a disclosing entity for the purpose of the Corporations Act, and certain matters may reasonably be expected to be known to professional advisers whom potential investors may consult.

This Prospectus 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.

This Prospectus and accompanying Acceptance Form does not constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer. Where the Prospectus has been dispatched to persons domiciled in a country other than Australia and where that country's securities code or legislation prohibits or restricts in any way the making of the Offer, the Prospectus and accompanying Acceptance Forms are provided for information purposes only. Any recipient of this Prospectus domiciled in a country outside of Australia should consult their professional advisers on requisite formalities.

This Prospectus may not be released or distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Options have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws.

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

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the future value of the Company's securities or any return on investment made pursuant to this Prospectus.

The information in this Prospectus is not financial product advice and does not take into account any individual's investment objectives, financial situation or particular needs.

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

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**KEY DATES**

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Key events and the indicative timetable for the Offer are as follows:

<b>EVENT</b>	<b>DATE</b>
<b>Announcement of Share Placement with attaching Options lodged with ASX</b>	Monday 12 December 2016
<b>Notice of General Meeting lodged with ASX</b> - Resolution 1 seeks shareholder approval for the issue of the Options	Friday 13 January 2017
<b>General Meeting</b> – shareholder approval received for the issue of the Options	Wednesday 15 February 2017
<b>Prospectus lodged with ASX and ASIC</b>	20 February 2017
<b>Prospectus sent to Eligible Parties</b> – despatch of Prospectus and Acceptance Forms	20 February 2017
<b>Offer Period Opens</b>	20 February 2017
<b>Offer Period Closes</b> - last day for receipt of Acceptance Forms (5.00pm Adelaide time)	1 March 2017
<b>Allotment of Options</b> (on or about)	3 March 2017

The Directors reserve the right to vary this timetable in their absolute discretion and any variation may have a consequential effect on the anticipated date of allotment of Options.



## CHAIRMAN'S LETTER

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Dear Eligible Party,

### Offer of Options

On behalf of the Board of PNX Metals Limited, thank you for participating in the December 2016 Share Placement. The total funds raised of \$2.6 million (before costs) have been and will be used for studies relating to the Hayes Creek zinc-gold-silver project development, specifically the pre-feasibility study including government and environmental approvals, as well as for regional exploration, costs of the Placement and for working capital purposes.

As you would be aware, the terms of the Placement entitled participants to apply for one attaching Option for every two Shares subscribed for, if PNX shareholders approved the issue of the Options. At a General Meeting on 15 February 2017, PNX shareholders approved the issue of the Options. The Options will not be quoted on ASX or any other stock exchange.

I am pleased to therefore now invite you to apply for Options in PNX.

This prospectus has been prepared to satisfy the requirements of the Corporations Act, in particular to allow you to immediately on-sell any Shares issued upon the exercise of Options (if you so choose) without the need for PNX to issue a 'Cleansing Statement' following the issue of those Shares or prepare a disclosure document for the on-sale.

Full details of the Offer, including the terms of the Options and the underlying Shares and risk associated with the investment are contained in this Prospectus. You are encouraged to read this Prospectus fully. If you have any questions about the Offer, you should consult your stockbroker or other professional adviser.

I encourage you to take up your full entitlement to Options, which of course requires no further payment from you to do so.

Thank you for your continued support of PNX Metals Limited.

Yours sincerely



Graham Ascough  
Chairman

## 1. DETAILS OF THE OFFER

### 1.1 Offer of Options

As announced to the ASX on 12 December ASX 2016, PNX raised \$2.6 million before costs via a share placement priced at 2.0 cents per share to institutional and sophisticated investors (**Placement**). 130,900,000 Shares were issued on 16 December 2016, as noted in the Appendix 3B lodged with the ASX on that day.

Following the Placement, and subject to shareholder approval, participants in the Placement (**Eligible Parties**) are entitled to apply for one attaching unquoted Option for every two shares subscribed for (with fractions rounded up), at no additional cost. At a General Meeting held on 15 February 2017, shareholders of PNX approved the issue of the relevant Options.

Each Option is exercisable at 5.0 cents and expires on 31 May 2019. PNX will not apply to the ASX for quotation of the Options. The maximum number of Options to be issued under the Offer is 65,450,000 Options (subject to rounding). Section 6.1 of this Prospectus contains the full terms of the Options.

The Options are being offered under a Prospectus to allow Shares issued on the exercise of any of the Options to be on-sold within 12 months of their issue without a disclosure document or 'cleansing statement' being issued for those Shares, and without a disclosure document being issued for the on-sale that otherwise would be required under the Corporations Act to on-sell those Shares with 12 months of their issue.

Shares issued upon the exercise of any Options (**New Shares**) will be fully paid and will rank equally in all respects with PNX's existing Shares on issue. A summary of the rights and liabilities attaching to the New Shares is set out in section 6.2.

#### (1) What is my Entitlement?

The number of Options for which you are entitled to apply under the Offer (**Entitlement**) is one-half of the number of Shares you subscribed for in the Placement. If your Entitlement results in a fraction of an Option, it will be rounded up to the nearest whole number.

No payment is required to take up your Entitlement.

Entitlements are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you will be unable to transfer your Entitlement to another party.

If you choose to accept your Entitlement to Options under the Offer, you must accept your Entitlement in full.

If you choose not to accept your Entitlement under the Offer then your Entitlement will lapse at the Closing Date.

Detailed instructions on how to accept your Entitlement are set out in section 3. All applications, once received, are irrevocable.

**(2) Why should you apply for Options**

The Options, if applied for, will be issued for nil consideration. There are no brokerage fees or other costs payable by Eligible Parties to acquire Options. It is noted that in order to be entitled to these Options, Eligible Parties paid 2.0 cents for each Share subscribed for in the Placement.

There is no obligation to apply for or exercise any of the Options that you are entitled to.

Eligible Parties should seek and rely on their own taxation advice regarding the exercise of Options as the taxation consequences will depend on the particular circumstances of the individual.

**(3) Offer Period: Opening and Closing Dates**

The Offer opens for receipt of acceptances on 20 February 2017 and closes at 5:00pm Adelaide time on 1 March 2017, subject to any variation of the closing date by the Directors in accordance with the ASX Listing Rules.

**(4) Who is entitled to participate in the Offer?**

Each Eligible Party with a registered address in Australia is entitled to participate in the Offer and receive their full entitlement to Options.

**2. FURTHER INFORMATION IN RELATION TO THE OFFER**

**2.1 Use of funds raised from the Offer**

No funds will be raised from the Offer of Options. As noted previously, a total of \$2.6 million before costs was raised in the Placement. The funds raised will be and have been directed toward studies relating to the Hayes Creek zinc-gold-silver project development, specifically the pre-feasibility study including government and environmental approvals, as well as for regional exploration, costs of the Placement of \$158,500 and for working capital purposes.

Any funds raised from the exercise of Options will be used to advance the Company's exploration and project development activities at that time, and for working capital purposes.

**2.2 Options will not be quoted**

PNX will not apply to the ASX for quotation of the Options being offered pursuant to this Prospectus.

PNX will seek quotation of any New Shares issued upon exercise of any Options.

PNX expects that Options will be issued and allotted on or about 3 March 2017.

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

This Prospectus and accompanying Acceptance Form do not constitute an offer of securities 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 by the Eligible Party concerned that there has been no breach of any applicable regulations. Where the Prospectus has been dispatched to persons domiciled in a country other than Australia and where that country's securities code or legislation prohibits or restricts in any way the making of the Offer, the Prospectus and accompanying Acceptance Form are provided for information purposes only.

### **3. HOW TO ACCEPT THE OFFER**

#### **3.1 How to accept the Offer**

To accept your Entitlement under the Offer, please:

- (1) complete the accompanying Acceptance Form according to the instructions on that form; and
- (2) forward the completed form to your broker, or to PNX Metals Limited by email (preferred), fax or by post:

**By Email:**

[info@pnxmetals.com.au](mailto:info@pnxmetals.com.au)

Attention: Tim Moran, Company  
Secretary

**By Post:**

PNX Metals Limited

1/135 Fullarton Rd

Rose Park, SA 5067

**By Fax:**

+618 8364 4288

Attention: Tim Moran, Company  
Secretary

so that it is received **by no later than 5.00pm Adelaide time on 1 March 2017**, or such later date as the Directors advise.

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

#### **3.2 Lapse of Entitlement**

If you decide not to accept your Entitlement or fail to do so by the Closing Date, your Entitlement will lapse.

#### 4. EFFECT OF THE OFFER ON THE COMPANY

##### 4.1 Effect on Financial Position

There is no material impact on the financial position of the Company from the Offer, as the Options are to be issued for nil consideration and the costs of the Offer are expected to be approximately \$15,000.

It is noted that the \$2.6 million of funds raised from the Placement was received in December 2016, less costs of \$158,500.

If all the Options under this Offer, being 65,450,000, are applied for, issued and subsequently exercised before they expire, PNX will receive \$3,272,500 in cash. The likelihood of the Company raising additional capital through the exercise of the Options is primarily dependent on the market price of the Shares from time to time until the Options expire.

A pro-forma Summarised Balance Sheet as at 31 December 2016 has been prepared and is set out below for illustrative purposes, but it has not been audited or reviewed. The pro-forma Summarised Balance Sheet has been prepared on the same basis and using the same accounting policies as the Company's audited accounts for the year ended 30 June 2016. The pro-forma Summarised Balance Sheet shows the impact on the financial position of the Company at 31 December 2016

- from the Offer (less costs of \$15,000); and
- if all Options are exercised (less assumed costs of \$15,000)

There have otherwise been no material movements in assets and liabilities of the Company between 31 December 2016 and the date of this Prospectus, other than a reduction in cash balances of approximately \$600,000 from normal operating activities including the ongoing costs of the Hayes Creek pre-feasibility study.

##### Pro-Forma Summarised Balance Sheet (\$000's)

	Unaudited Management Accounts <sup>1</sup>  31 Dec 2016	Offer of Options	Exercise of Options	Unaudited Pro-Forma  31 Dec 2016
Cash and cash equivalents	3,217	(15)	3,258	6,460
Net current assets <sup>2</sup>	2,982	(15)	3,258	6,225
Net Assets	7,238	(15)	3,258	10,481
Shareholders' Equity	7,238	(15)	3,258	10,481

<sup>1</sup> Incorporates the \$2.6m proceeds from the Placement less fees/costs

<sup>2</sup> Excluding Investment in Avalon Mineral Ltd

#### 4.2 Effect of the Offer on the Capital Structure of the Company

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

Listed securities	Number		
Shares	736,091,151		
Unlisted securities	Number	Expiry/vesting date	Exercise Price
Performance Rights	1,250,000	30 June 2018	nil
Performance Rights	6,160,000	31 May 2019	nil
Performance Rights	4,000,000	31 May 2019	nil
Existing Convertible Notes	600,000	22 May 2019	\$0.05

If all Options are subscribed for, a total of 65,450,000 will be issued. If all Options are subscribed for, and then exercised, the number of Shares on issue will increase by 65,450,000.

Each Performance Right entitles the holder to one Share, if the performance conditions are met within the required time-frame. None of the Performance Rights will vest prior to end of the Offer Period. The impact on PNx's share capital if all performance rights vest is an increase in the number of Shares of 11,410,000.

The Company has 600,000 existing Convertible Notes on issue which mature 22 May 2019. Each Note is convertible into 20 Shares (implied 5.0 cent exercise price). It is highly unlikely these notes will be converted prior to the end of the Offer Period. The impact on PNx's share capital if all Convertible Notes are converted is an increase in the number of Shares of 12,000,000.

#### 4.3 Potential effect on control

The Offer will have no impact on the control of the Company.

The total number of Shares that will be issued if all Options are applied for and exercised is 65,450,000, representing about 8.9% of the total Shares on issue at the date of this Prospectus.

There is only one Eligible Party, Potezna Gromadka Limited, who is also a substantial shareholder of the Company. Potezna Gromadka Limited holds less than 10% of the total issued share capital of PNx, and the maximum impact on its potential voting power in PNx (if it applies for its full entitlement of Options and then exercises all of those Options) is less than 1%.

## **5. RISK FACTORS**

### **5.1 General**

The Options offered under this Prospectus, and in particular any New Shares issued upon exercise of any Options, should be considered speculative because of the nature of the Company's business. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which Shares will trade and no guarantee can be given that the Share price will be greater than the exercise price of the Options during the period up to expiry of the Options on 31 May 2019, or after that period. The Company's share price as at market close on 15 February 2017 was 2.4 cents.

The following is a summary of the more material matters to be considered before deciding whether to take up an Entitlement and should be read in conjunction with specific matters referred to in the Company's announcements and reports. The summary is not exhaustive and Eligible Parties should examine the contents of this Prospectus in its entirety and consult their professional advisors before deciding whether to take up their Entitlement, and if so, whether to exercise their Options. Nothing in this Prospectus constitutes financial or investment advice.

### **5.2 General Economic Climate**

Factors such as inflation, currency fluctuation, interest rates, government policy and supply and demand have an impact on operating costs, commodity prices and stock market prices. The Company's future costs, revenues and the market price for its Shares may be affected by these factors, in particular by fluctuations in the prices for base and precious metals and currency rates, which are beyond the Company's control.

### **5.3 Operational and Project Development Risks**

The business of mining and mineral exploration, development and production by its nature involves significant risks. The business depends on, amongst other things, successful exploration and identification of mineral reserves, security of tenure, the availability of adequate funding, satisfactory performance of mining operations, weather conditions, availability and cost of consumables and plant and equipment and skilled labour when required, good industrial relations and competent management. Profitability and asset values can be affected by unforeseen changes in operating circumstances, mineral reserves and geotechnical considerations.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its projects. It is noted that the Company's key project, the Hayes Creek zinc-gold-silver Project, is currently in the pre-feasibility stage but there is no assurance that the project will ultimately go ahead or be a commercial success. Some of the risks related to the development of the Hayes Creek Project include reduced metal recoveries and metallurgical difficulties, and increased capital costs. Other project development risks related to resource estimates, environmental matters, land access, and capital requirement are discussed in the sections below.

Until the Company is able to realise value from its projects, it will incur ongoing operating losses.

#### **5.4 Resource Estimates**

Resource estimates are expressions of judgement based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate. Furthermore, resource estimates may change over time as new information becomes available. Should the Company encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

#### **5.5 Requirements for Capital**

The Company's capital requirements depend on numerous factors including the outcome of and progress made under feasibility studies at the Hayes Creek Project, and the success of its regional exploration programs as well as opportunities for acquisitions or other corporate transactions.

If all Options are exercised, approximately \$3.3 million will be added to the Company's cash reserves by the end of May 2019. There is, however, no guarantee that any funds will be raised from the exercise of Options.

The Company anticipates that significant further capital will be required in the period up to the expiry date of the Options. Any future equity capital raisings could result in dilution to existing shareholders and to the percentage of the Company's issued shares that the Shares issued upon exercise of Options will represent.

#### **5.6 Key Management**

The Directors are primarily responsible for overseeing the operations and the strategic management of the Company. The day-to-day operations of the Company are the responsibility of the Managing Director, assisted by the Exploration Manager, Hayes Creek Project Manager, and CFO/Company Secretary. There can be no assurance that there will be no detrimental impact on the Company if one or more of the Directors and/or one or more members of senior management depart the Company.

#### **5.7 Environmental Risks**

The operations and proposed activities of the Company are subject to Australian Federal, South Australian and Northern Territory laws and regulations concerning the environment. All exploration projects and mining operations have an impact on the environment, particularly advanced exploration and mine development.

The Company endeavours to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. However, as with all exploration and mining activities, the Company's operations are expected to have an impact on the environment. There are also risks inherent in the Company's



activities including accidental leakages, spills, or other unforeseen circumstances that could subject the Company to extensive liability.

Further, the Company will require approval from the relevant authorities before undertaking activities that are likely to impact on the environment. If the Company fails to obtain such approvals it will be prevented from undertaking those activities. This is currently particularly the case regarding the prospects of development of the Hayes Creek Project. PNX is currently involved in the process of preparing applications for and seeking the approvals that will be required for that Project. There is a risk that what may otherwise prove to be a financially viable project may not be developed or could be delayed because of the refusal of, or delay in obtaining, a necessary approval. The Company cannot predict what future legislation and regulations may govern mining, and which may impose significant environmental obligations on the Company.

## **5.8 Land Access**

There is a substantial level of regulation and restriction on the ability of exploration and mining companies to have access to land in Australia. Negotiations with both native title claimants and land owners/occupiers may be required before the Company can access land for exploration or mining activities. Inability to access, or delays experienced in accessing, the land may impact on the Company's activities. It is noted that PNX currently has a landowner/occupier access agreement in place regarding the land on which the Hayes Creek Project is situated that extends to 31 December 2018. Beyond that date a new agreement will need to be arranged to ensure continued access to the relevant mining tenements and transportation corridors. Access to transportation corridors required for the development and operation of a mine at Hayes Creek may necessitate reaching agreement with the Northern Lands Council and/or native title claimants as well as land owners/occupiers.

## **5.9 Government policy**

Changes in government, monetary policy, taxation and laws (including those regulating the resources industry) can have a significant influence on the outlook for mineral exploration or development projects, companies and the return to investors. A change to State, Commonwealth, or Northern Territory government policies and legislation could have a material adverse effect on the Company or its projects.

## **5.10 Joint venture and contractual risk**

The Company is party to contractual arrangements with third parties. In particular, it is party to a farm in/joint venture agreement with Newmarket Gold NT Holdings Pty Ltd ('Newmarket') relating to 1,700 m<sup>2</sup> of Northern Territory exploration ground over which the Company has earned a 51% interest and is in the process of earning an additional 39%. Under that agreement, a joint venture could also arise in respect of the Hayes Creek Project as Newmarket has a right, in certain circumstances, to claw-back a 30% interest in all mining tenements comprising the Hayes Creek Project.<sup>1</sup>

There are risks associated with the financial failure, or default of, or dispute with, any participant in a joint venture or contractual arrangement to which the Company is or

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<sup>1</sup> Refer ASX release 18 August 2014 for details of the sale and farm-in agreement with Newmarket

may become party. If this occurs it could have a material adverse impact on the Company, its assets and/or its financial position.

If a counterparty defaults in the performance of its obligations or wishes to enforce its rights, it may be necessary for the Company to seek or defend legal remedies including through a court action. Legal action can be costly and there can be no guarantee that a legal remedy would ultimately be granted to the Company on the appropriate terms (if at all).

#### **5.11 Share market Conditions**

The market price of the Company's securities may be subject to varied and unpredictable influences on the market for equities in general and resources stocks in particular.

#### **5.12 Taxation consequences**

The exercise of an Option may have taxation consequences, depending on an individual's particular circumstances. Eligible Parties should seek their own taxation advice before exercising an Option.

#### **5.13 Speculative Nature of Investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the Company's share price. Potential investors should consider that investment in the Company is speculative.

## **6. TERMS AND CONDITIONS OF NEW SECURITIES**

### **6.1 Options**

Options applied for will be issued under the following terms and conditions:

- (1) PNX will not seek quotation of the Options.
- (2) Each Option will entitle the holder to subscribe for one Share (subject to possible adjustments referred to in paragraphs (10), (11) and (12) below).
- (3) The exercise price of each Option is 5.0 cents.
- (4) Options are exercisable in writing by notice to the Company delivered to the registered address of the Company accompanied by full payment of the exercise price in cleared funds.
- (5) Options can be exercised at any one time or times prior to the expiry date of 31 May 2019 (5pm Adelaide time). Options not exercised before 5pm Adelaide time on 31 May 2019 will lapse.
- (6) No less than 100,000 Options may be exercised at any one time (if the number held is less than 100,000 Options, all Options must be exercised).
- (7) New Shares issued upon exercise of the Options will rank equally in all respects with the Company's existing Shares. The Company will apply to ASX for the New Shares to be admitted to quotation.
- (8) Options are not transferable, unless the Board provides prior written consent to the transfer.
- (9) Options will not entitle the holder to participate in any new issue of securities by the Company unless the Option has been duly exercised and the underlying New Share issued prior to the relevant record date. The Company will ensure that, for the purposes of determining entitlements to participate in any new issues of securities to holders of Shares (other than a share purchase plan), prior notice of any new issue is provided to Option holders before the record date.
- (10) If there is a bonus issue to the holders of Shares, the number of Shares over which each of those Options are exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
- (11) If, prior to the expiry date of the Options, the issued capital of the Company is reorganised, the rights of the holders of the Options may be varied to comply with the ASX Listing Rules which apply to the reorganisation.
- (12) If the Company makes a rights issue (other than a bonus issue), the exercise price of Options will be reduced in accordance with the following formula:

$$\text{Reduced Option Exercise Price} = O - \frac{E(P - (S + D))}{(N + 1)}$$

Where:

- O = the old exercise price of the Option;
- E = the number of underlying Shares into which one Option is exercisable;
- P = the volume weighted average price per Share recorded on the stock market of ASX during the 5 trading days immediately preceding the ex rights date or ex-entitlements date;
- S = the subscription price for a Share under the pro rata issue;
- D = any dividend due but not yet paid on existing underlying Shares (except those to be issued under the pro rata issue); and
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

## 6.2 New Shares

Any New Shares issued upon the exercise of Options will rank equally in all respects with existing Shares.

The rights and liabilities attaching to Shares are set out in the Company's constitution, a copy of which can be inspected, free of charge, at the registered office of the Company during normal business hours.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of holders of Shares.

### (1) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares (at present there are none), at meetings of shareholders of PNX:

- (a) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid Share held, or in respect of which that person is appointed a proxy, attorney or representative, have one vote, but in respect of partly paid

Shares (at present there are none), shall have such number of votes as bears the same proportion which the amount paid, not credited, is of the total amounts paid, and payable, whether or not called (excluding amounts credited) on the partly paid Shares.

(2) Rights on a winding up

On a winding up of PNX, shareholders will have the right to participate equally in the distribution of its assets subject to any amounts unpaid on the Share, and subject to the Constitution, the Corporations Act and any rights or restrictions attached to any Shares or classes of Shares, the liquidator may divide among the shareholders all or any of the Company's property and decide how the division is to be carried out as between Shareholders or different classes of shareholders.

(3) Transfer of Shares

Subject to the Constitution of PNX, the Corporations Act, and any other laws and ASX Settlement Operating Rules and ASX Listing Rules, Shares are freely transferable.

(4) Future increases in capital

The allotment and issue of any Shares is under the control of the Directors. Subject to restrictions on the allotment of Shares in the ASX Listing Rules, the Constitution of the Company and the Corporations Act, the Directors may allot or otherwise dispose of Shares on such terms and conditions as they see fit.

(5) Variation of rights

Under the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders, vary or abrogate the rights attaching to Shares. If at any time the share capital is divided into different classes of shares unless the terms of issue of the Shares of a class state otherwise, the rights attached to any class may be varied or abrogated with the sanction of a special resolution passed at a meeting of shareholders, together with the consent in writing of the holders of three quarters of the issued shares of that class, or a special resolution passed at a separate meeting of the holders of the shares of that class.

(6) Dividend rights

Subject to the rights of holders of shares issued with special, preferential or qualified rights (at present there are none), the profits of the Company which the Directors determine to distribute by way of dividend are divisible among the holders of Shares in proportion to the number of Shares held by them.

## **7. ADDITIONAL INFORMATION**

### **7.1 Continuous Disclosure and Documents available for inspection**

This is a Prospectus for the offer of Options to acquire continuously quoted securities (within the meaning of the Corporations Act) and is issued pursuant to section 713 of the Corporations Act as a transaction specific prospectus. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offering prospectus.

The Company is a “disclosing entity” for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. As a listed company, the Company is subject to the ASX Listing Rules which require it to immediately notify ASX of any information concerning the Company of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price or value of Shares, subject to certain exceptions.

Copies of documents lodged with ASIC in relation to the Company may be obtained, or inspected at, an office of ASIC.

During the Offer Period, the Company will provide to any person, on request and free of charge, a copy of each of the following documents:

- (a) the annual financial report of the Company for the financial year ended 30 June 2016, being the annual report of the Company most recently lodged with ASIC before the issue of this Prospectus; and
- (b) any documents used to notify ASX of information relating to the Company in the period from lodgement of the annual financial report referred to above until lodgement of the Prospectus with ASIC, in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporation Act.

The Company has lodged the following announcements with ASX since the lodgment of the 2016 annual report:

<b>DATE</b>	<b>DESCRIPTION OF ANNOUNCEMENT</b>
16/02/2017	Appendix 3B – Performance Rights
15/02/2017	Results of General Meeting
9/02/2017	Appendix 3B – Performance Rights
9/02/2017	Upgrade to Mt Bonnie Zinc-Gold-Silver Resource, Hayes Creek
31/01/2017	Quarterly Activities Report
31/01/2017	Quarterly Cashflow Report
23/01/2017	Excellent Zinc & Precious Metals Results - Iron Blow
18/01/2017	Assay Results from Metallurgical Holes Drilled at Mt Bonnie

16/01/2017	Drilling Completed Successfully at Hayes Creek, Iron Blow
13/01/2017	Proxy Form - General Meeting
13/01/2017	Notice of General Meeting
19/12/2016	Cleansing Statement
19/12/2016	New Gold and Zinc Sulphides Drilled at Moline, NT
16/12/2016	Disclosure under Listing Rule 3.10.5A
16/12/2016	Appendix 3B
16/12/2016	PNX Completes 51% Stage1 Farm-in, NT
12/12/2016	PNX Raises \$2.6 Million from Oversubscribed Share Placement
08/12/2016	Trading Halt
07/12/2016	Appendix 3B
05/12/2016	High Grade Gold at Moline, NT
28/11/2016	Excellent Zinc/Precious Metals Results Hayes Creek-Iron Blow
22/11/2016	Appendix 3B
22/11/2016	Sale of Leigh Creek Copper Mine Pty Ltd Completed
14/11/2016	Appendix 3B
11/11/2016	Drilling Commenced at Moline Gold Targets
10/11/2016	Results of 2016 Annual General Meeting
10/11/2016	Managing Director's Presentation - 2016 AGM
10/11/2016	Chairman's Address - 2016 AGM
03/11/2016	Discovery of Southern Extension to Mt Bonnie
31/10/2016	Quarterly Activities Report
31/10/2016	Quarterly Cashflow Report
26/10/2016	High-Grade Gold-Silver-Zinc Results Continue at Mt Bonnie
20/10/2016	Change in substantial holding

19/10/2016	MD Presentation - Mining Investment Conference Hong Kong
13/10/2016	Drilling to Commence at Barossa VMS targets
07/10/2016	Notice of 2016 Annual General Meeting
07/10/2016	Proxy Form - 2016 AGM
07/10/2016	Appendix 4G

Refer to the ASX website [www.asx.com.au](http://www.asx.com.au) (ASX code: PNX), or the Company's website [www.pnxmetals.com.au](http://www.pnxmetals.com.au) to read these announcements in full.

## **7.2 Information excluded from continuous disclosure notices**

As at the date of this Prospectus, there is no information that has not been disclosed under the continuous disclosure requirements of the ASX Listing Rules in accordance with the exceptions in the ASX Listing Rules and which, in the Board's opinion, investors and their professional advisers would reasonably require in order to assess the Company's assets and liabilities, financial position and performance, profits and losses and prospects or the rights and liabilities attaching to the Options and which would be reasonable for investors and their professional advisers to expect to find in this Prospectus.

## **7.3 Interests of Directors**

Other than as set out below, in this section or elsewhere in this Prospectus, no Director or any entity in which a Director is a partner or director, has or has had in the two years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) and no other benefit has been given or agreed to be given to any Director or to any entity in which a Director is a partner or a director, either to induce him to become, or qualify as, a Director or otherwise for services rendered by him or by the entity in connection with the formation or promotion of the Company or the Offer.

### **Interests in Existing Securities**

As at the date of this Prospectus the Directors have a direct or indirect interest in the following equity securities of the Company:



Director	Shares	Performance Rights
Mr Graham Ascough Non Exec. Chairman	2,363,010	nil
Mr James Fox Managing Director & CEO	Nil <sup>1</sup>	5,250,000
Mr Paul J Dowd Non Exec. Director	6,168,077	nil
Mr Peter Watson Non Exec. Director	8,767,231 <sup>2</sup>	nil
Mr David Hillier Non Exec. Director	2,000,000	nil

<sup>1</sup> A related party (as defined in Australian Accounting Standard AASB 124) of Mr Fox holds 4,825,000 Shares

<sup>2</sup> Related parties (defined as per Note 1 above) of Mr Watson hold a further 1,350,000 Shares

### Remuneration of Directors

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the non-executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the non-executive Directors has been fixed at a maximum of \$500,000 per annum.

Directors are also entitled to be paid reasonable travel, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

The Directors are currently, and have over the last 2 years been, entitled to the following remuneration or directors' fees:

Director	Current Remuneration	Total remuneration paid over past 2 years (in cash)	Total remuneration over past 2 years (in equity)
Mr Graham Ascough Non Exec. Chairman	Directors' fees of \$75,000 per annum (inclusive of superannuation)	\$150,000	nil
Mr James Fox Managing Director & CEO	Remuneration \$275,000 per annum (exclusive of superannuation) <sup>^</sup>	\$547,500	\$20,000 <sup>+</sup>
Mr Paul J Dowd Non Exec. Director	Directors' fees of \$40,000 per annum (inclusive of superannuation)	\$60,000*	nil
Mr Peter Watson Non Exec. Director	Directors' fees of \$40,000 per annum (inclusive of	\$60,000*	nil

	superannuation)		
Mr David Hillier Non Exec. Director	Directors' fees of \$40,000 per annum (inclusive of superannuation)	\$80,000	nil

\*Mr Dowd and Mr Watson each waived 25% of their fees during the past 2 years

+ Fair value of shares and performance rights issued

^effective 1 January 2017

The Company also pays premiums to insure all of the Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct whilst acting in the capacity as a Director of the Company. The Company has entered into indemnity, insurance and access deeds with each of the Directors (**Deeds**). Under the Deeds, the Company agrees to indemnify each of the Directors to the extent permitted by the Corporations Act against certain liabilities incurred by the Directors whilst acting as an officer of the Company, and to insure each Director against certain risks to which the Company is exposed as an officer of the Company. The Deeds also grant each Director a right of access to certain records of the Company for a period of up to 7 years after the Director ceases to be an officer of the Company.

#### 7.4 Piper Alderman

Peter Watson, Non Executive Director, is a consultant at Piper Alderman.

Piper Alderman will receive a time based fee of approximately \$7,000 (excluding GST and disbursements) in connection with legal advice provided to the Company in respect of the Offer and the review of documentation in connection with the Offer. Piper Alderman has acted as legal adviser to the Company since 1 July 2016 and has received legal fees in respect of those services of approximately \$8,500 (exclusive of GST and disbursements).

#### 7.5 Broker handling fees

No handling fees are payable in connection with the Offer.

#### 7.6 Expenses of the Offer

In the event that the Offer is fully subscribed, the estimated expenses of the Offer, including legal fees and share registry expenses, are \$15,000.

#### 7.7 Consents and disclaimer

Piper Alderman:

- (a) has not authorised or caused the issue of this Prospectus;
- (b) has not made, or purported to make any statement in this Prospectus, or on which any statement made in this Prospectus is based, other than the statements referred in this section 7.7 and section 7.4;
- (c) does not assume responsibility for any part of this Prospectus except for the statements referred to in this section 7.7 and section 7.4; and

- (d) to the maximum extent permitted by law, disclaims any responsibility or liability for any part of this Prospectus, other than a reference to it or a statement to be included in this Prospectus with its consent as specified in this section 7.7 and section 7.4.

Piper Alderman has consented in writing to being named in the Prospectus in the capacity noted in section 7.4 and in the form and context in which it has been named, and has not withdrawn such consent prior to the lodgment of this Prospectus with ASIC.

#### **7.8 Directors' Discretion**

The Directors may at any time decide to withdraw this Prospectus.

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 Eligible Party. Any determinations by the Board will be conclusive and binding on all Eligible Parties and other persons to whom the determination relates.

#### **7.9 Litigation**

As at the date of this Prospectus, the Company is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened.

#### **7.10 Further information**

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

- (a) PNX Metals Limited (08) 8364 3188
- (b) your stockbroker or professional adviser.

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## **DIRECTORS STATEMENT**

Each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Signed for and on behalf of  
PNX Metals Limited  
On 20 February 2017

A handwritten signature in red ink, appearing to read 'James Fox', with a large, stylized flourish extending from the end.

James Fox  
Managing Director & Chief Executive Officer

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## 8. DEFINED TERMS

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

<b>Acceptance Form</b>	the form accompanying this Prospectus
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited or the securities exchange operated by ASX Limited (as the context requires)
<b>ASX Listing Rules</b>	the official listing rules of ASX
<b>Closing Date</b>	the last date for accepting the Offer, being 5.0pm Adelaide time on 1 March 2017, or such later date as the Directors advise
<b>Company or PNX</b>	PNX Metals Limited (ACN 127 446 271)
<b>Corporations Act</b>	Corporations Act 2001 (Cth)
<b>Directors</b>	the directors of PNX
<b>Eligible Parties</b>	Participants in the Placement who have a registered address in Australia
<b>Entitlement</b>	is defined in section 1.1(1)
<b>New Share</b>	a Share to be issued upon exercise of an Option
<b>Offer</b>	the Offer of Options made pursuant to this Prospectus
<b>Offer Period</b>	the period during which the Offer will remain open for acceptance in accordance with the terms of the Offer
<b>Option</b>	an option with an exercise price of 5.0 cents expiring 31 May 2019 to subscribe for a Share, on the terms set out in section 6.1
<b>Performance Right</b>	a Performance Right granted under the PNX Metals Limited Employee Performance Rights Plan
<b>Placement</b>	The Share placement announced to the ASX on 12 December 2016 at 2.0 cents per share resulting in the issue of 130,900,000 Shares on 16 December 2016
<b>Prospectus</b>	this prospectus dated 20 February 2017 under which the Offer is being made
<b>Share</b>	a fully paid ordinary share in the capital of PNX Metals Limited
<b>Shareholder</b>	a registered holder of Shares



## ACCEPTANCE FORM FOR OPTIONS

**PNX METALS LIMITED**

**ACN 127 446 271**

**(the Company)**

**This Acceptance Form can only be used by Eligible Parties in relation to the Offer under the Prospectus issued by PNX Metals Limited on 20 February 2017 and lodged with ASIC and ASX on that date (Prospectus). This is an important document and requires your immediate attention. If you are in doubt about how to deal with this document, please consult your financial or other professional adviser. The Prospectus contains important information about investing in the Company. It is advisable to read the Prospectus before applying for Options. The Prospectus expires on 20 May 2017.**

Pursuant to the terms and conditions of the offer of Options (**Offer**) contained in the Prospectus, PNX Metals Limited is offering Eligible Parties the opportunity to subscribe for Options on the basis of 1 Option for every 2 Shares applied for in the Placement by PNX Metals Limited undertaken on 16 December 2016. No payment is required for the Options. Acceptances must be received by **5pm on 1 March 2017**. Capitalised terms used in this Acceptance Form are defined in the Prospectus.

I/We, the party specified below, hereby subscribes and makes application for the number of Options in the capital of the Company specified below on the terms and conditions set out in the Prospectus:

Insert name and ACN (or other registration number) (if company)

Insert address

Insert phone number

Insert email address

Number of Options applied for* <i>*Must be full Entitlement</i>	
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Individual or Applicant 1

1. Director or sole Director and  
sole Company Secretary

Applicant 2

2. Director/Company Secretary

Applicant 3

3. Sole Director (no  
Company Secretary)

\_\_\_\_\_  
Name

\_\_\_\_\_  
Name

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date



## ACCEPTANCE FORM FOR OPTIONS

### GUIDE TO ACCEPTANCE FORM

This Acceptance Form can only be used by Eligible Parties in relation to the Offer under the Prospectus issued by PNX Metals Limited on 20 February 2017 (Prospectus). This is an important document and requires your immediate attention. If you are in doubt about how to deal with this document, please consult your financial or other professional adviser. The Prospectus contains important information about investing in the Company. It is advisable to read the Prospectus before applying for Options. The Prospectus expires on 20 May 2017.

**Acceptances must be received by 5pm on 1 March 2017.**

If you do not wish to subscribe for Options under this Offer there is no need to take action.

If you wish to subscribe for Options under this Offer, your Entitlement to Options is one-half the number of Shares you subscribed for under the Placement.

By submitting an Acceptance Form, you agree to be bound by the Constitution of PNX Metals Limited in respect of any Shares issued on the exercise of the Options and agree that the submission of this Acceptance Form constitutes an irrevocable offer by you to subscribe for Options on the terms of the Prospectus.

Capitalised terms used in this Acceptance Form are defined in the Prospectus.

### METHOD OF ACCEPTANCE

No payment is required. It is noted that in order to be entitled to these Options, Eligible Parties paid 2.0 cents for each Share subscribed for in the Placement.

You can apply for Options by completing this Acceptance Form and forwarding it **to your broker or to PNX Metals Limited** by email (preferred), fax or by post **so that it is received by** the Closing Date, being 5pm on 1 March 2017 (unless extended by the Company):

*If sending to PNX Metals Limited:*

**By Email:**

[info@pnxmetals.com.au](mailto:info@pnxmetals.com.au)

Attention: Tim Moran, Company Secretary

**By Fax:**

+618 8364 4288

Attention: Tim Moran, Company Secretary

**By Post:**

PNX Metals Limited

1/135 Fullarton Rd

Rose Park, SA 5067

### Privacy Statement

Personal information is collected on this form by the Company for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, registry, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by the Company or the registrar, or you would like to correct information that is inaccurate, incorrect or out of date, please contact the Company. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the Company in addition to general corporate communications. You may elect not to receive marketing material by contacting the Company.

This Acceptance Form must not be distributed unless it is accompanied by a copy of the Prospectus.

**THIS IS AN IMPORTANT DOCUMENT. IF YOU DO NOT UNDERSTAND IT, OR ARE IN DOUBT AS TO HOW TO ACT, YOU SHOULD CONSULT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.**