



PNX Metals Limited is an ASX listed minerals exploration company, with a vision of being a successful explorer and sustainable and profitable gold and base metals producer. PNX has a significant base and precious metals tenement portfolio in the Northern Territory and South Australia.

ASX: PNX

Issued Capital as at 29/01/16:
476,630,134

Board & Management:

Non Exec Chairman: Graham Ascough
Non Exec Director: Paul J Dowd
Non Exec Director: Peter J Watson
Non Exec Director: David Hillier
MD/CEO: James Fox
CFO/Co Secretary: Tim Moran

Top Shareholders as at 29/01/16:

HSBC Custody Nominees	13.2%
Marilei International Limited	10.5%
Sochrastem SA	10.3%

Share Registry:

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Adelaide South Australia 5000
Phone: 1300 305 232 (within Australia)
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December 2015 Quarterly Activities Report

Exploration Highlights

- Drilling at Mt Bonnie completed with excellent results reported, JORC 2012 compliant resource estimate due for completion in February 2016
- Metallurgical optimisation test work indicates that Iron Blow ore can produce potentially saleable zinc concentrate, and high-grade precious metals, copper and lead bulk concentrate
- Practical and economic flowsheet established for Scoping Study process engineering
- New gold and base metal geochemical anomalies identified during regional exploration program at Burnside project

Corporate Highlights:

- \$0.58 million raised from placements at 1.3 cents, approved at the Company's AGM in November 2015
- Company name changed to 'PNX Metals Limited' following shareholder approval at the Company's AGM

Planned Activities – March Quarter:

- Complete initial JORC 2012 compliant resource estimate for Mt Bonnie deposit
- Further metallurgical optimisation test work to focus on precious metal recoveries in the concentrate and tails streams
- Complete Scoping Study to demonstrate the economic viability of the Hayes Creek Project
- Systematic desktop review of gold and base metal targets at the Moline and Burnside projects to identify areas with the potential for new mineralisation
- Complete negotiations for the acquisition of 3 further Mineral Leases in close proximity to the Hayes Creek project

Northern Territory Exploration

Hayes Creek Project

The Iron Blow and Mt Bonnie Zn-Au-Ag deposits form part of PNX Metals Ltd's (**PNX** or **Company**) Hayes Creek Project within the Pine Creek region of the Northern Territory, 180km south of Darwin (Figure 1). The Iron Blow and Mt Bonnie deposits are situated on granted Mineral Leases wholly owned by PN^X¹.

The Hayes Creek Project is well positioned close to infrastructure that includes rail, road, high voltage power lines and water.

The Iron Blow mineral deposit contains approximately 200,000oz of gold, 10.7Moz of silver and 125,000t of zinc at potentially mineable grades (ASX release 3 November 2014).

The Company feels these resources, in combination with those currently being estimated at Mt Bonnie, will be sufficient to underpin a potential mining operation. Metallurgical investigations have identified a practical and economic flow sheet to maximise recoveries of the most valuable economic minerals in the resource, being zinc, gold and silver. These metallurgical results, along with historical analyses, the resource estimate referred to above at Iron Blow and the Mt Bonnie resource estimate once completed, will provide the key processing input parameters for the Hayes Creek Scoping Study.

The Scoping Study, which is expected to be completed in March 2016, will be used to demonstrate the potential viability of the project and guide further drilling and other testing to allow the commencement of a full feasibility study.

Burnside-Moline-Chessman Projects

PNX is currently earning a 90% interest from Newmarket Gold NT Holdings Pty Ltd (**'Newmarket'**) in 19 Exploration Licenses and 4 Mineral Leases covering 1,700km² (Figure 1). These leases are located in the Pine Creek region, one of the most prospective geological regions of Australia, with recorded gold production of over 3.2 Moz and known resources of approximately 9 Moz². The Project leases contain numerous historically mined deposits, unmined mineralisation and potential to discover new mineralisation.

Summary of Physical Activities for December Quarter

Drilling:	8 diamond holes completed at Mt Bonnie for 863.2m
Geochemistry:	1,718 field portable XRF soil sample measurements 172 laboratory gold in soil analyses 64 rock chip samples 48 in-pit laboratory samples
Mapping:	<i>Maze, Target 18 and Mt Ellison targets and 3 In-pit traverses at Mt Bonnie</i>

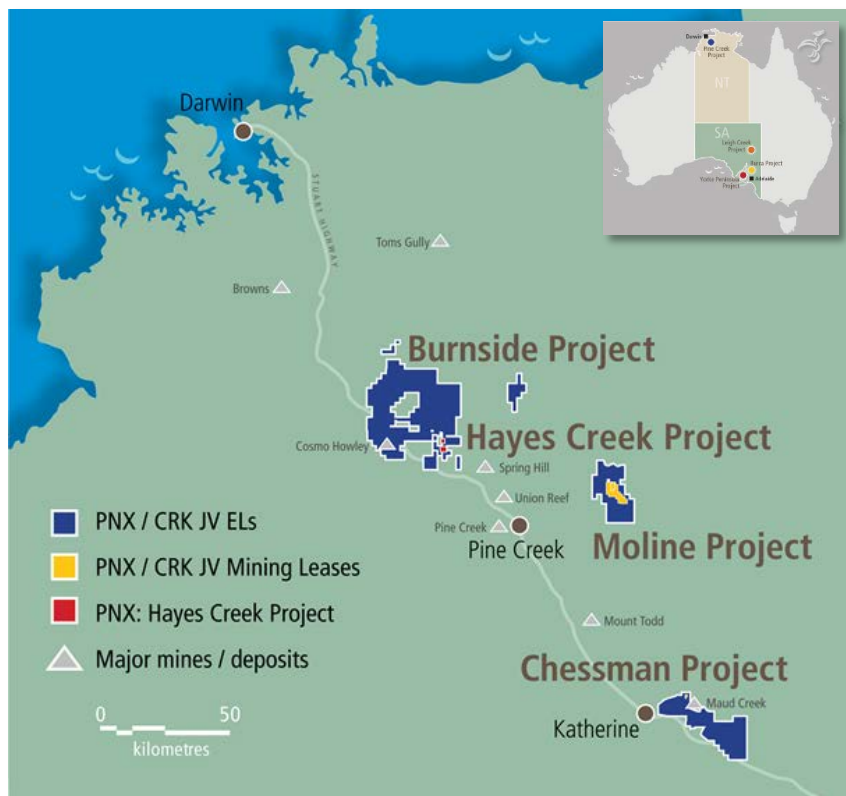


Figure 1: Project Location Plan

¹ See ASX release 18 August 2014 for full details of agreement with Newmarket

² Ahmad and Munson, 2013 (Northern Territory Geological Survey Special Publication 5)

Hayes Creek Drill Program

A 1,560m RC and diamond drill program was completed at the Mt Bonnie deposit in October 2015. All results were returned, with better intersections including:

- **8.78m @ 7.16% Zn, 1.04g/t Au, 215g/t Ag, 0.34% Cu and 1.62% Pb** from 55m in MBDH033
- **42.25m @ 2.96% Zn, 0.59g/t Au, 35g/t Ag and 0.33% Pb** from 25.75m in MBDH034, including;
 - **3.1m @ 10.77% Zn, 3.34g/t Au, 133g/t Au, 0.39% Cu and 1.21% Pb** from 63.9m

Massive sulphide intersections continued to return consistent high-grade, multi-element mineralisation over a substantial area (Figures 2). **Importantly, drilling to the south has discovered a new thick zone of mineralisation where potential exists to link with a gossan outcropping approximately 150m to the south of the historical open pit, providing near-surface extensional upside.**

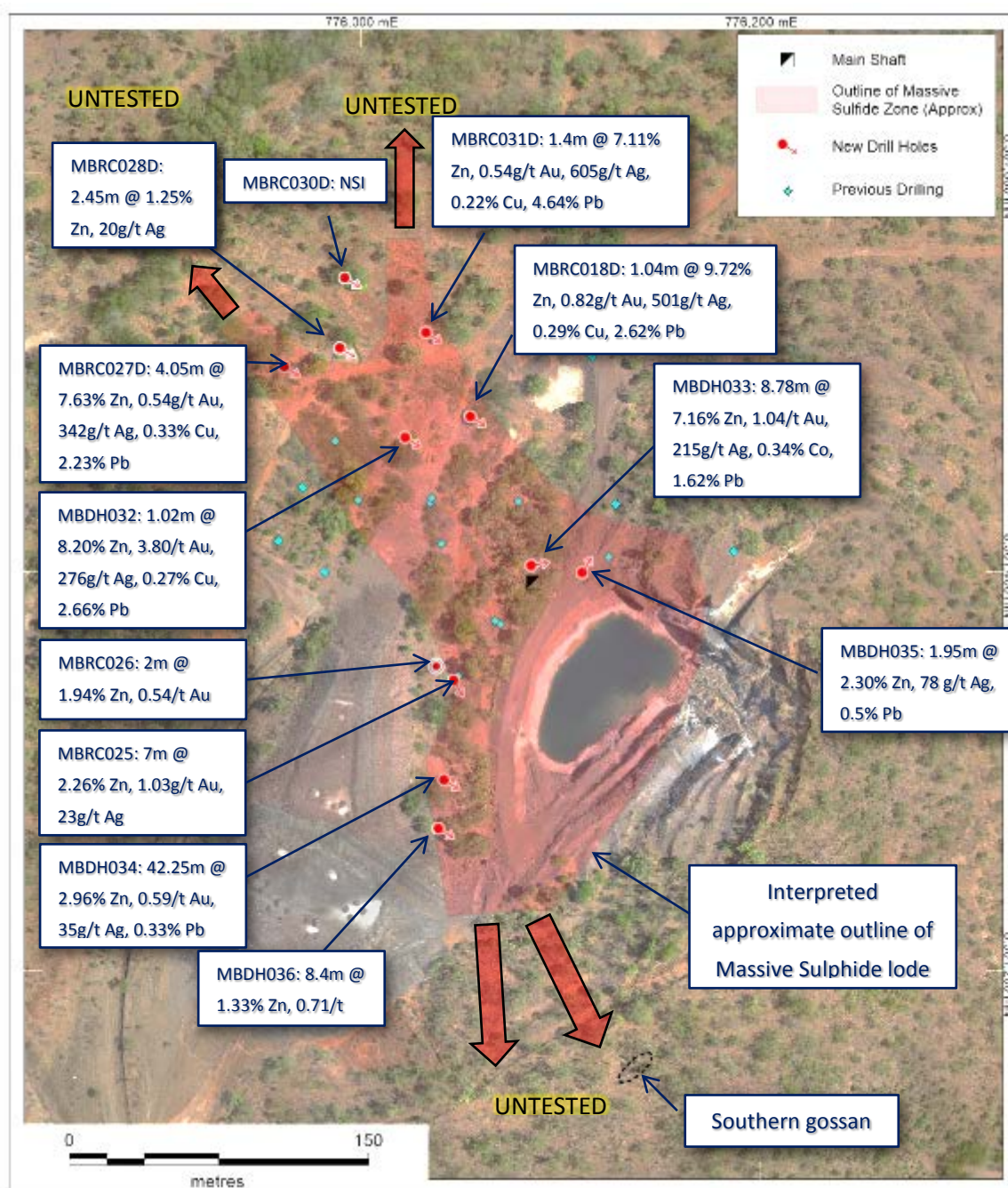


Figure 2: Mt Bonnie drill collar locations and interpreted outline of massive sulphide zone in red

The results also show excellent continuity and consistency of mineralisation, and indicate a simple tabular north-west dipping zone of massive sulphides. A halo of brecciated and carbonate altered rocks containing primarily gold-rich mineralisation was intersected directly below the massive sulphide zone, and a zone of silver-rich supergene mineralisation occurs in a flat-lying zone near surface. The lateral and vertical extents of this gold and silver mineralisation is currently undefined, but as it is outside of the massive sulphide envelope it was likely not identified by ground and downhole EM surveys and therefore provides considerable potential upside.

Results have been compiled and are being used in conjunction with previous drilling data to estimate an initial JORC-compliant mineral resource. This, along with the significant resource that already exists at Iron Blow, will be used to supplement the total project resource and complement the Scoping Study due for completion in March 2016.

Hayes Creek Research & Development program - Metallurgy

A series of more detailed laboratory metallurgical testing was completed on Iron Blow massive sulphides during the quarter, including grind variability, reagent optimisation, concentrate regrind and cleaning flotation. Metallurgical investigations have identified a practical and low cost flow sheet to maximise recoveries of the most valuable minerals in the resource, being zinc, gold and silver. These metallurgical results, along with historical analyses, will provide key processing input parameters for the Scoping Study as noted earlier.

Ten reagent optimisation tests were completed at a relatively coarse grind size of -75µm with various collectors and depressants trialled to find the best combination of reagents to maximise recoveries. Regrind and subsequent re-cleaning flotation tests were performed on the bulk rougher/scavenger lead/copper and zinc concentrates to determine grades and recoveries of the various minerals. See Table 1 for results of optimum reagent conditions in T10.

Table 1 – Reagent optimisation results

Bulk Rougher		ASSAYS (g/t, %)					RECOVERY (%)				
T10 p80: 75µm	Mass (%)	Au	Ag	Cu	Pb	Zn	Au	Ag	Cu	Pb	Zn
Pb/Cu Con	23.0	7.3	661	1.6	3.4	8.0	64.0	82.7	71.4	70.5	20.0
Zn Con	21.9	2.2	85.6	0.5	0.7	28.7	18.8	10.2	20.5	13.7	76.7
Tails	55.1	0.8	23.9	0.1	0.3	0.5	17.3	7.2	8.0	15.8	3.4
Feed	100.0	2.6	184	0.5	1.1	8.2	100.0	100.0	100.0	100.0	100.0

Results of regrinding the zinc rougher concentrate at a p80 of -38 µm and subsequent re-cleaner open-cycle tests show the zinc cleaners performing very well with zinc upgrading from 28.7% zinc (in rougher concentrate) to 43.8% zinc at an overall 70.3% recovery. Iron and arsenic rejection was also successful.

By recirculating zinc recleaner tails (as would occur in a standard flowsheet), further improvements in zinc recovery (82.24%) and grade (46.84%), and further rejection of iron and arsenic is likely (see mass balance calculations in Table 2). These concentrate regrind and cleaning tests demonstrate successful flotation of zinc to a potentially saleable concentrate.

Table 2 – Zinc rougher and cleaner flotation results

	Mass %	ASSAYS					RECOVERY (%)				
		Au ppm	Ag ppm	Cu %	Pb %	Zn %	Au %	Ag %	Cu %	Pb %	Zn %
Zn Rougher Con	21.9	2.2	85.6	0.5	0.7	28.7	18.8	10.2	20.5	13.7	76.7
Zn Cleaner Con (recirc)	12.7	2.1	112.8	0.7	0.8	46.8	12.1	8.8	17.4	9.8	82.2

The copper/lead concentrate regrinding and cleaning circuit tests were performed at a p80 of -28 µm and provided an upgrade ratio of approximately 9 times for precious and base metals into the cleaner concentrate. Regrinding also assisted in liberating and rejecting zinc from the lead/copper concentrate for circulation to the head of the zinc concentrate regrind circuit, and rejection of iron and arsenic to tails. Likewise, the zinc cleaner tails were recirculated to the head of the lead/copper concentrate regrind circuit to recover additional gold/silver.

The metal distributions with re-circulating cleaner tails (Table 3) are calculated from the above analysis. Complete locked-cycle laboratory tests will need to be conducted to fully understand overall recoveries when recycling streams; these will be part of the ongoing optimisation program.

Table 3 – Precious metals concentrate results

	ASSAYS					RECOVERY (%)					
	Mass	Au	Ag	Cu	Pb	Zn	Au	Ag	Cu	Pb	Zn
	%	ppm	ppm	%	%	%	%	%	%	%	%
Pb/Cu Cleaner Con	6.8	18.2	1960	4.6	9.8	5.2	47.2	72.5	60.2	60.5	4.3

Optical and QEMSCAN analysis on the leach residues to determine the gold and silver associations will further assist with increasing recoveries of the precious metals into concentrates. Historical test-work on Hayes Creek sulphide ore suggests an overall gold recovery of 92.5% can be achieved in the sulphide zones³.

Full concentrate specifications have been produced and are being used to generate indicative pricing structures from smelters for inclusion into the Scoping Study.

Regional Exploration - Burnside, Chessman and Moline Projects

Regional exploration projects at Burnside, Chessman and Moline (Figure 1) are under joint venture with Newmarket, with PNX earning up to a 90% interest in two stages through total expenditure of \$4 million over four years. By the end of the December 2015 quarter, total expenditure for the purpose of the first stage of the farm-in was approximately \$1.3 million. A further \$0.7 million is required to be spent by December 2016 to achieve the 51% stage one earn-in.

The Burnside, Moline and Chessman Projects contain exciting opportunities for brownfields discoveries with undeveloped mineralisation and promising new conceptual targets. Exploration during the 2015 dry season was aimed at identifying new gold and base metal targets in the vicinity of the Hayes Creek Zn-Au-Ag development project. Further geological mapping, rock chip sampling and geochemical soil data were collected to complement the already significant datasets inherited from Newmarket.

High-grade gold results in soils and in rock chips have already been reported from the new **Thunderball North** prospect⁴ and a further three prospective areas have been identified at **Maze, Tramways, and Mt Ellison North**, each providing excellent opportunity for economic mineralisation, as announced to the ASX on 16 Dec 2015.

Of particular interest is the **Tramways** area (Figure 4) where a gold-in-soil anomaly at greater than 0.1g/t Au over a 1.2km strike length has been defined.

Supporting shallow historical RAB drilling returned up to:

- 3m @ 30.5 g/t Au from surface,
- 2m @ 6.09 g/t Au from 2m, and
- 1m @ 5.4 g/t Au from 16m

The Scraper and Snakebite prospects also contain similar gold-in-soils anomalies along with supporting drill and rock chip data.

³ 'Metallurgical test work on Mt Bonnie Ore' for Zapopan NL by IML Pty Ltd, June 1991

⁴ PNX ASX release 29/10/2015

At **Mt Ellison North**, a strong Pb and Zn anomaly discovered by PNX soil sampling occurs northwest of the Mt Ellison copper workings. This anomaly occurs in the fold hinge of a northwest trending anticlinal axis, extends to over 250m in length, and is open to the north, south and west.

Other significant results are being assessed in the historical datasets at prospects including **Goodall, Santorini, Mt Paqualin and Moline**. Mineralisation previously discovered in all of these areas appears to have been overlooked during times of low gold prices, and PNX sees this as an opportunity to define additional resources to complement the Hayes Creek project.

All of these prospects will be evaluated and prioritised at desktop level over the next quarter to formulate a focussed field program of testing new mineralisation and verifying quantities of previously identified mineralisation during the dry season.

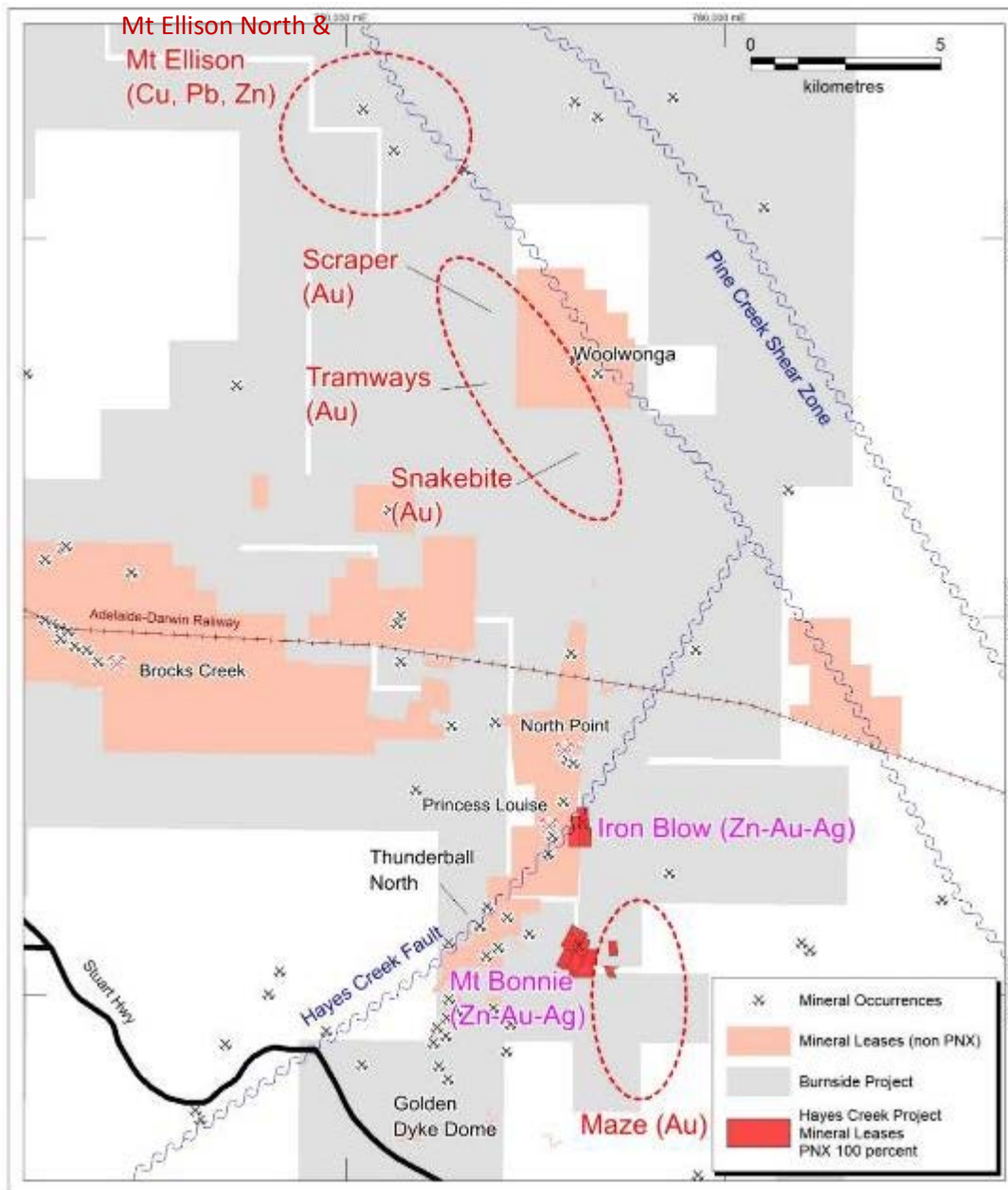


Figure 4: Exploration Prospects – Burnside East

South Australia Exploration

Yorke Peninsula & Adelaide Geosyncline Projects



Figure 5: South Australia Tenure

At the Burra Project, the Mullaby target north-east of Burra was investigated, with a small magnetic and geochemical survey undertaken by a TAFE student. Access to the main anomaly was restricted by cropping, but useful information was obtained.

No on-ground exploration activities were undertaken during the quarter on the Company's Yorke Peninsula, or Leigh Creek exploration tenements (Figure 5).

LEIGH CREEK COPPER MINE

Resilience Mining Australia Limited ('RMA', previously Hillsgold Resources Pty Ltd) continues to hold an option to acquire Leigh Creek Copper Mine Pty Ltd (**LCCM**) as well as two exploration licences held by PNX in the vicinity of Leigh Creek. The option was granted to RMA in return for preparing and submitting to the State government updated environmental plans (PEPRs) for the three mining leases, and also preparing certain feasibility studies on the leases. This work has been completed, with one PEPR still to be approved by the State government (expected in the March 2016 quarter).

The option must be exercised within one month of the approval of the final PEPR. Should RMA exercise the option, it will acquire LCCM, and the two exploration licences mentioned, from the Company for nil up-front consideration (other than the assumption of the rehabilitation obligations at Mountain of Light) and a contingent payment to the Company of \$100,000 if and when 3,000 tonnes of copper are produced from future operations at any of the three mining leases.

Resources Table and Tenement Schedule

Table 4: Iron Blow Inferred Mineral Resource Estimate as at 8th October 2014*

Depth	AuEq cut-off (g/t)	Tonnes	AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	ZnEq %
> -90 mRL	0.7	2.2Mt	6.7	2.4	140	0.3	1.0	4.9	11.8
< -90 mRL	3.0	0.4Mt	5.6	2.7	71	0.4	0.4	4.1	10.0
Total Inferred Mineral Resource		2.6Mt	6.5	2.4	130	0.3	0.9	4.8	11.5
Total Contained Metal			543,000 oz	203,000 oz	10,700,000 oz	7,000 t	23,000 t	125,000 t	300,000 t

* See ASX release 3 November 2014 for details, 'High Grade Mineral Resource Estimate for Iron Blow Deposit', where further details are provided. All material assumptions and technical parameters underpinning the resource estimate announced on 3 November 2014 continue to apply and have not materially changed. Results of drilling by PNX since October 2014 have not been included in the estimate but if they were, they would not likely have a material change on the October 2014 resource estimate.

Northern Territory

Tenement	Name	Holder	Area Hectare
ML30512	Mt Bonnie	PNX Metals Ltd 100%	6.4
ML30589	Mt Bonnie	PNX Metals Ltd 100%	31.6
MLN1033	Mt Bonnie	PNX Metals Ltd 100%	4.8
MLN1039	Mt Bonnie	PNX Metals Ltd 100%	1.2
MLN214	Iron Blow	PNX Metals Ltd 100%	6.3
MLN341	Iron Blow	PNX Metals Ltd 100%	14.9
MLN342	Mt Bonnie	PNX Metals Ltd 100%	13.7
MLN343	Iron Blow	PNX Metals Ltd 100%	14.9
MLN346	Mt Bonnie	PNX Metals Ltd 100%	16.0
MLN349	Iron Blow	PNX Metals Ltd 100%	15.0
MLN405	Mt Bonnie	PNX Metals Ltd 100%	12.0
MLN459	Mt Bonnie	PNX Metals Ltd 100%	15.0
MLN811	Mt Bonnie	PNX Metals Ltd 100%	8.1
MLN816	Mt Bonnie	PNX Metals Ltd 100%	8.1
			168.0

Northern Territory - Farm-in Tenements*

Tenement	Name	Holder	(Area sq km)
Burnside Project			
EL10012	Mt Ringwood	Newmarket Gold NT Holdings Pty Ltd 100%	14.9
EL10347	Golden Dyke	Newmarket Gold NT Holdings Pty Ltd 100%	10.0
EL23431	Thunderball	Newmarket Gold NT Holdings Pty Ltd 100%	13.4
EL23536	Brocks Creek	Newmarket Gold NT Holdings Pty Ltd 100%	70.4
EL23540	Jenkins	Newmarket Gold NT Holdings Pty Ltd 100%	16.7
EL23541	Cosmo North	Newmarket Gold NT Holdings Pty Ltd 100%	3.3
EL24018	Hayes Creek	Newmarket Gold NT Holdings Pty Ltd 100%	23.4
EL24051	Margaret River	Newmarket Gold NT Holdings Pty Ltd 100%	86.9
EL24058	Yam Creek	Newmarket Gold NT Holdings Pty Ltd 100%	3.3
EL24351	McCallum Creek	Newmarket Gold NT Holdings Pty Ltd 100%	30.1

EL24405	Yam Creek	Newmarket Gold NT Holdings Pty Ltd 100%	4.1
EL24409	Brocks Creek South	Newmarket Gold NT Holdings Pty Ltd 100%	22.1
EL24715	Mt Masson	Newmarket Gold NT Holdings Pty Ltd 100%	56.8
EL25295	Margaret Diggings	Newmarket Gold NT Holdings Pty Ltd 100%	10.0
EL25748	Burnside	Newmarket Gold NT Holdings Pty Ltd 100%	643.1
EL9608	Mt Bonnie	Newmarket Gold NT Holdings Pty Ltd 100%	10.0
Chessman Project			
Tenement	Name		
EL25054	Maud	Newmarket Gold NT Holdings Pty Ltd 100%	64.0
EL28902	Maud	Newmarket Gold NT Holdings Pty Ltd 100%	288.2
ML30293	Chessman	Newmarket Gold NT Holdings Pty Ltd 100%	1.1
Moline Project			
Tenement	Name		
EL28616	Moline	Newmarket Gold NT Holdings Pty Ltd 100%	262.5
ML24173	Moline	Newmarket Gold NT Holdings Pty Ltd 100%	31.3
MLN1059	Moline	Newmarket Gold NT Holdings Pty Ltd 100%	4.2
MLN41	Mt Evelyn	Newmarket Gold NT Holdings Pty Ltd 100%	0.1
			1669.9

*PNX's beneficial interest in all farm-in tenements as of the date of this report is zero

South Australia

Exploration Licences	Name	Holder	(Area sq. km)
Adelaide Geosyncline			
EL5382	Burra Central	PNX Metals Ltd 100%	84
EL4807	Burra West	PNX Metals Ltd 100%	69
EL4970	Burra North	PNX Metals Ltd 100%	300
EL5411	Mongolata	PNX Metals Ltd 100%	60
EL4809	Princess Royal	PNX Metals Ltd 100%	314
EL5601	Red Banks	PNX Metals Ltd 100%	396
EL4711	Burra Creek Plain	PNX Metals Ltd 100%	68
EL5473	Bagot Well	PNX Metals Ltd 100%	71
EL4626	Bagot Well North	PNX Metals Ltd 100%	99
EL5169	Tarnma	PNX Metals Ltd 100%	128
EL4886	Spalding	PNX Metals Ltd 100%	157
EL5557	Washpool	PNX Metals Ltd 100%	135
			1,881
Yorke Peninsula			
ELA281/12	Minlaton	Wellington Exploration Pty Ltd 100%	547
EL5491	Koolywurtie	PNX Metals Ltd 100%	255
EL4983	Weaver Hill	PNX Metals Ltd 100%	104
EL5196	Coonarie	PNX Metals Ltd 100%	254
			1,160
Leigh Creek			
EL5264	Nantawarrinna	PNX Metals Ltd 100%	317

EL5300	Mt Elkington	PNX Metals Ltd 100%	618
			935
		TOTAL ELs - South Australia	3,976
Mineral Leases	Name	Holder	(Area Hectare)
ML5467	Mountain of Light	LCCM 100%	250
ML5741	Mount Coffin	LCCM 100%	200
ML5498	Lorna Doone	LCCM 100%	122

Financial & Corporate

Cash on hand at 31 December 2015 was \$0.84 million.

During the quarter, the Company raised \$0.58 million from share placements at 1.3 cents to existing shareholders, sophisticated investors and Company directors, approved by shareholders at the Company's Annual General Meeting (AGM) on 4 November 2015. The Company also issued 4.5 million shares to settle a total of \$60,000 of 6-monthly interest on convertible notes and a loan.

During the quarter, the Company's new name, PNX Metals Limited, came into effect following shareholder approval of the change at the AGM and the updating of ASIC's registers.

Capital Structure

At 31 December 2015, the Company had on issue 476,630,134 fully paid ordinary shares and 1,312,500 performance rights. During the quarter 187,500 performance rights lapsed as the vesting conditions were not met.

Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Andrew Bennett, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and a full-time employee of PNX Metals Limited. Mr Bennett has sufficient experience relevant to the style of mineralisation and the type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Bennett consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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