

March 2016 Quarterly Activities Report

Exploration:

- Hayes Creek Scoping Study completed and confirms a robust and profitable project across the commodity cycle capable of producing zinc concentrate and gold-silver doré from both open-pit and underground operations¹
- Highlights of the study include:
 - Pre-tax Net Present Value (NPV_{10%}) of **A\$109.4 million**²
 - Internal Rate of Return (IRR) of **58%** with a payback period of less than 2 years
- Pre-feasibility studies (PFS) are underway, including commencement of long lead-time items such as environmental studies
- A JORC 2012 compliant Mineral Resource estimate for the Mt Bonnie deposit was completed: **1.3 million tonnes @ 4.2% Zn, 1.3 g/t Au, 133 g/t Ag, 1.3% Pb, and 0.3% Cu**
- An agreement was signed for the acquisition of 3 Mineral Leases in close proximity to the Hayes Creek project in the Northern Territory
- Preparation for regional exploration is well underway with exploration activities planned to commence during the dry season

Corporate:

- \$0.3 million cash on hand at 31 March 2016
- \$0.25 million raised subsequent to quarter end (early April 2016)
- R&D claim lodged subsequent to quarter end, expected receipt of \$0.2 million in the June quarter
- PNX is currently in discussions with several parties regarding potential transactions related to funding the Hayes Creek Project. These discussions involve a range of funding options, in addition to equity, including joint venture, metal streaming and royalties

Planned Activities – June Quarter:

- Ongoing work associated with Hayes Creek PFS including metallurgical optimisation, groundwater and geochemical studies
- Regional exploration to commence at new gold and base metals targets

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 28/04/16:
502,880,134

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 28/04/16:

HSBC Custody Nominees	12.5%
Marlei International Limited	9.9%
Sochrastem SA	9.8%

Share Registry:

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Level 5 115 Grenfell Street
Adelaide South Australia 5000
Phone: 1300 305 232 (within Australia)
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¹ See Scoping Study ASX release 31 March 2016 for full details and assumptions used

² At published Consensus Forward Price Estimates compiled from a group of domestic and international mining analysts and financial institutions

Northern Territory Exploration Hayes Creek Project Scoping Study

The Hayes Creek Scoping Study (see ASX release 31 March 2016) provides a robust economic base case that confirms the potential for the Project to become an economically viable operation. The level of capital investment that has been scoped provides for a modest mining and ore throughput rate and demonstrates, at the metal prices assumed (and outlined in the 31 March ASX release) a fast Project payback period of under two years. This is likely to be attractive to stakeholders and/or other financiers, as is the inherent commodity mix of zinc, gold and silver. The Project is located in a favourable mining jurisdiction in the Northern Territory where the development scenario considers and utilises existing infrastructure that includes rail, road, high

voltage power lines and water, further enhancing project fundamentals and lowering development risks. The results from this Study will underpin the completion of a Pre-Feasibility Study, already underway, that aims to improve the certainty of the mining inventory and associated operating and development costs, and reduce the technical risk of the Project before a development decision.

The Iron Blow and Mt Bonnie Zn-Au-Ag deposits are situated on granted Mineral Leases wholly owned by PNX and form part of PNX Metals' Hayes Creek Project within the Pine Creek region of the Northern Territory, 180km south of Darwin (Figure 1)³.

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 Moz⁴. The Project licences and leases contain numerous historically mined deposits, unmined mineralisation and potential to discover new mineralisation.

Hayes Creek Project

Scoping Study

Hayes Creek Scoping Study was completed during the quarter and confirms the Project to be profitable across the commodity cycle and capable of producing zinc concentrate and gold-silver doré from both open-pit and underground operations.

Importantly, the focus of the Study was to consider options that provided opportunities to manage risk through minimising required capital, optimising development sequencing and utilising existing facilities and infrastructure.

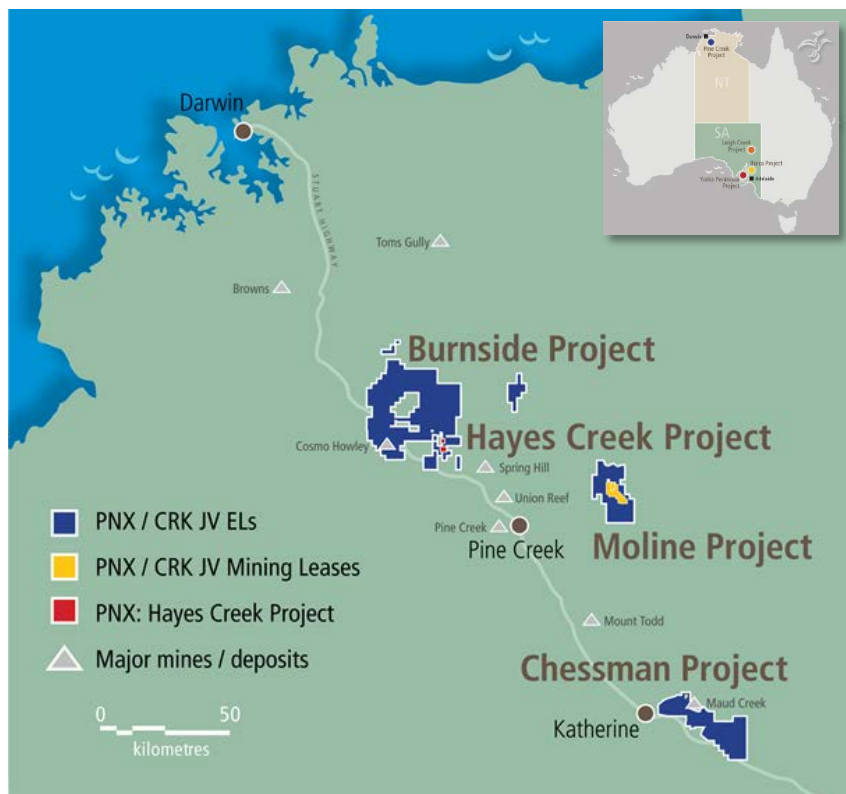


Figure 1: Project Location Plan

³ See PNX ASX release 18/08/14 for further details of agreement, including Newmarket's option to clawback up to 30% of the Project for 3 x PNX spend upon completion of a feasibility study

⁴ Ahmad and Munson, 2013 (Northern Territory Geological Survey Special Publication 5)

Highlights of the study include:

- A base case pre-tax project Net Present Value (at a 10% discount rate) of A\$109.4 million with an Internal Rate of Return of 58%, giving a payback period of less than 2 years⁵
- Initial capital expenditure of A\$54 million for processing plant and infrastructure, plus a further A\$10.9 million of underground development capital in year 2
- Estimated average annual payable metal sales of 13,700 tonnes of zinc in concentrate, 1,290,000 oz silver and 14,000 oz gold in doré from production of 400,000 tonnes of ore per year
- Indicative mine life of 7 years commencing in 2019 with total metal revenues of A\$631 million
- Annualised Life-of-Mine pre-tax net cash flows of A\$35 million (net of ongoing underground development capital) resulting in a total Life-of-Mine pre-tax net cash flow of A\$244 million
- Project revenues split between zinc (41%), silver (34%), and gold (25%), providing a natural hedge against fluctuations in individual commodity prices
- Opportunities for Project enhancement include: increasing the resource base through near mine and regional exploration, increasing metal recoveries through optimisation of the mineral processing route, and improving capital and operating cost efficiencies

Project development activities associated with the PFS will be ongoing during the June quarter including:

- Investigating the economic merit of processing historic oxide stockpiles that exist on the Iron Blow and Mt Bonnie Mineral Leases
- Commencing the approvals strategy and stakeholder engagement to reduce the risk of delay to the start of the Project
- Optimising the engineering of the processing plant and mine infrastructure, including reviewing tailings treatment facility location (and type), and location of waste dumps, to meet required Capital and Operating Cost estimate confidence levels

Mt Bonnie Resource estimate

As announced (ASX release 1st February 2016), PNX completed a Mineral Resource Estimate for the Mt Bonnie deposit (reported in accordance with JORC Code, 2012) containing:

- **1.3 million tonnes @ 4.2% Zn, 1.3 g/t Au, 133 g/t Ag, 1.3% Pb, and 0.3% Cu** (see Table 1 for details)

During the 2016 dry season PNX is planning on completing a drill program to:

- Infill geological data to increase confidence in the Mineral Resources to define a majority of mineral resources in the mining plans in the 'Indicated' category for both the Iron Blow and Mt Bonnie deposits
- Undertake exploration drilling to test for extensions to the mineralisation beyond the limit of current Mineral Resource boundaries

Both the Iron Blow and Mt Bonnie deposits (Tables 1 and 2) hold the potential to contain additional mineralisation external to the mineral resources already defined. At Iron Blow this includes a near-surface extension to the western lode where there is limited drilling, and the prospect of additional high grade gold mineralisation at depth as seen in drill hole IBDH007.

Drilling in 2015 at Mt Bonnie (see PNX ASX release 18 June 2015) highlighted the potential for high grade shoot(s) of mineralisation to extend underneath the current limit of drilling, and discovered a southerly extension to mineralisation in 2 drill holes (MBDH034 and MBDH036) which has not been defined or closed-off.

⁵ At published Consensus Forward Price Estimates compiled from a group of domestic and international mining analysts and financial institutions

Research & Development program – Metallurgy

A detailed metallurgical test work program is being designed by BHM Process Consultants to further optimise the processing route for the Hayes Creek Project. The test work and analysis is likely to take at least 6 months to complete and will include focus on the following:

- increasing recoveries of all payable metals to final products
- decreasing any potential penalty and/or deleterious elements
- investigating the benefits of installing a Merrill Crowe circuit on site to recover gold and silver doré (a key assumption of the Scoping Study)
- investigating the potential for establishing a revenue stream from the lead and/or copper in concentrate post extraction of the silver and gold to doré
- establishing baseline data for a mass balance and modelling of process variables

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 years⁶.

By the end of the March 2016 quarter, total expenditure for the purpose of the first stage of the farm-in was approximately \$1.4 million. A further \$0.6 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. During the wet season PNX has focussed on prioritising the exploration program for the coming dry season. This included digitising historical data and QA/QC of a large amount of historical drilling and geochemical soils information. As a result, a number of new previously unknown areas have been highlighted for both gold and base metals potential (Figure 2).

PNX is in the process of prioritising the exploration targets to proceed with heritage clearance and ground truthing in preparation for drilling activities.

⁶ See PNX ASX release 18/08/14 for further details of agreement

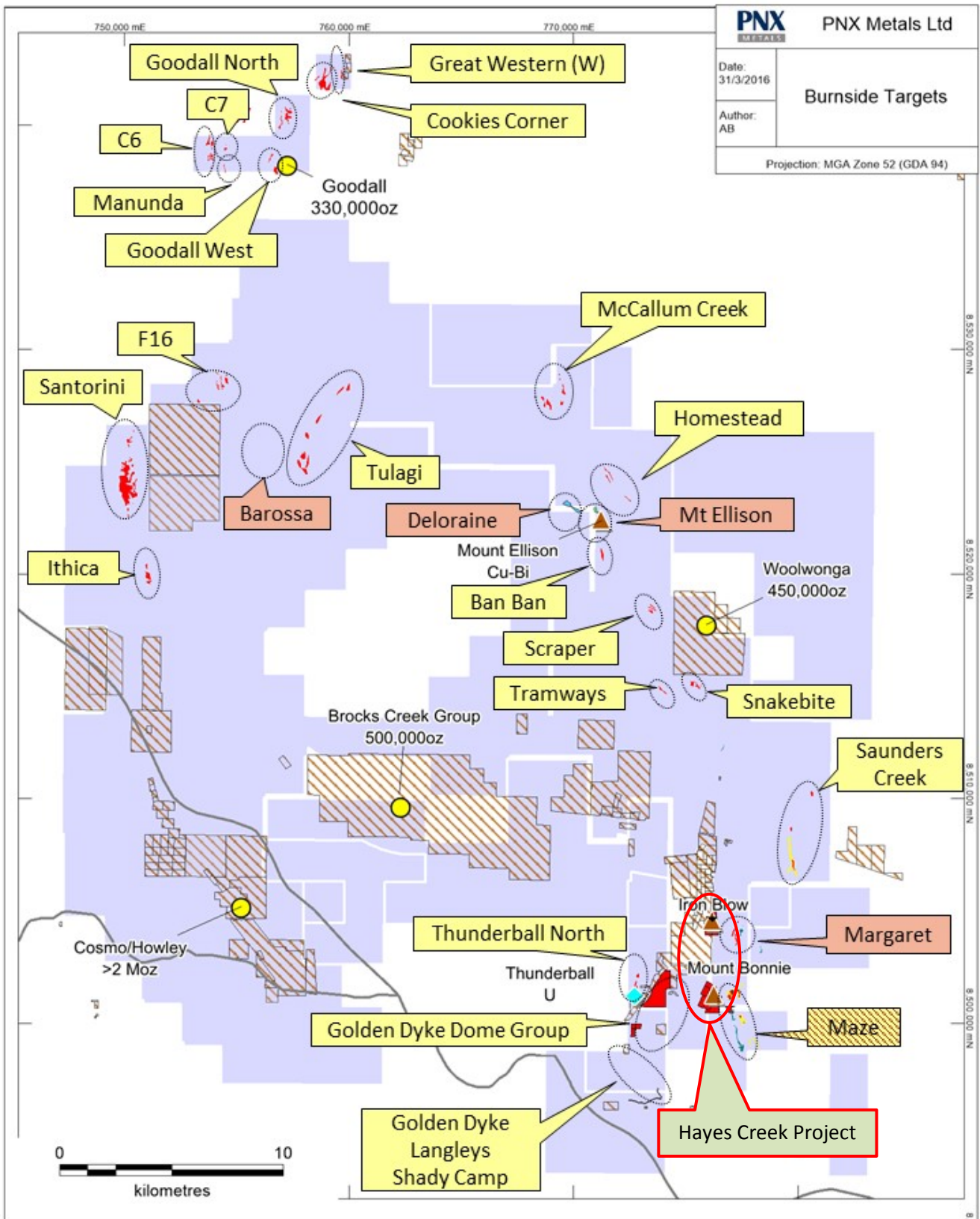


Figure 2: Burnside Exploration area, Yellow = gold targets, Pink = base metals targets, lined areas are excluded from exploration earn-in with Newmarket

South Australia Exploration

Yorke Peninsula & Adelaide Geosyncline Projects



Figure 3: South Australia Tenure

No on-ground exploration activities were undertaken during the quarter on the Company's Yorke Peninsula or Leigh Creek exploration tenements (Figure 3). A portable XRF survey is planned for next quarter over the Bagot Well copper prospect near Kapunda.

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.

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 1: Hayes Creek Project Mineral Resources

Deposit	Domain	Cut-off	Category	Ktonnes	Zn %	Pb %	Cu %	Ag g/t	Au g/t	ZnEq* %	AuEq* g/t
Iron Blow	> -90m RL	0.7 g/t AuEq	Inferred	2,200	4.9	1.0	0.3	140	2.4	11.8	6.7
	< -90m RL	3.0 g/t AuEq	Inferred	400	4.1	0.4	0.4	71	2.7	10.0	5.6
Mt Bonnie	>1% Zn		Indicated	456	5.63	1.26	0.32	151	1.15	9.14	5.46
	>1% Zn		Inferred	644	4.38	1.52	0.25	131	1.47	8.16	4.87
	>0.5g/t Au		Inferred	78	0.16	1.87	0.26	121	1.88	5.36	3.20
	>50g/t Ag		Inferred	107	0.26	0.06	0.04	70	0.04	1.60	0.96
TOTAL			Indicated & Inferred	3,885	4.59	1.05	0.30	130	2.05	10.29	5.91

Table 2: Hayes Creek Project Total Contained Metal Estimate Based on Total Mineral Resources

Contained Metal	Zn (t)	Au (oz)	Ag (oz)	Pb (t)	Cu (t)	ZnEq (t)	AuEq (oz)
Iron Blow	124,200	204,482	10,815,677	23,600	8,200	304,504	550,450
Mt Bonnie	54,283	52,149	5,470,469	17,057	3,315	102,803	197,382
Total	178,483	256,631	16,286,146	40,657	11,515	407,307	747,832

Notes relating to Tables 1 and 2

Due to effects of rounding, totals may not represent the sum of all components.

Mt Bonnie - zinc domains are reported above a cut-off grade of 1% zinc, gold domains are reported above a cut-off grade of 0.5 g/t gold and silver domains are reported above a cut-off grade of 50 g/t silver.

Iron Blow - a variable gold-equivalent cut-off grade was used corresponding to an RL at which mineralisation could be extracted with open cut versus underground methods.

In order to assess the potential value of the total suite of minerals of economic interest in the mineral inventory, formulae were developed to calculate metal equivalency for the gold and zinc (see below). Metal price assumptions were updated during the Mt Bonnie estimation to reflect average consensus forecasts for the period 2017 through 2021, (consensus forward price forecasts compiled from a group of domestic and international mining analysts and financial institutions).

Metallurgical recovery information for Iron Blow was assigned prior to any diagnostic testwork by PNX and was based on what was considered reasonable in similar operations. Metallurgical recovery information for Mt Bonnie was sourced from test work completed on diamond drill core from the Iron Blow deposit, and historical test work on the Mt Bonnie deposit. Mt Bonnie and Iron Blow have similar mineralogical characteristics and are a similar style of deposit; hence the assumption that metallurgical characteristics are similar between the two deposits is considered reasonable by the Competent Persons.

Price Assumptions:

Deposit	Zn Price \$USD/t	Pb Price \$USD/t	Cu Price \$USD/t	Ag Price \$USD/ troy oz	Au Price \$USD/ troy oz
Iron Blow	2350	2250	7000	20	1300
Mt Bonnie	2400	2000	6200	18	1250

Recovery Assumptions

Zn %	Pb %	Cu %	Ag %	Au %
70	70	70	90	90
80	60	60	75	55

The formulae below were applied to the estimated constituents to derive the metal equivalent values:

Gold Equivalent (field = "AuEq") (g/t) = (Au grade (g/t) * (Au price per ounce/31.10348) * Au recovery) + (Ag grade (g/t) * (Ag price per ounce/31.10348) * Ag recovery) + (Cu grade (%) * (Cu price per tonne/100) * Cu recovery) + (Pb grade (%) * (Pb price per tonne/100) * Pb recovery) + (Zn grade (%) * (Zn price per tonne/100) * Zn recovery) / (Au price per ounce/31.10348)

Zinc Equivalent (field = "ZnEq") (%) = (Au grade (g/t) * (Au price per ounce/31.10348) * Au recovery) + (Ag grade (g/t) * (Ag price per ounce/31.10348) * Ag recovery) + (Cu grade (%) * (Cu price per tonne/100) * Cu recovery) + (Pb grade (%) * (Pb price per tonne/100) * Pb recovery) + (Zn grade (%) * (Zn price per tonne/100) * Zn recovery) / (Zn price per tonne/100)

Iron Blow Resource - See ASX release 3 November 2014, '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 result in a material change to the October 2014 resource estimate.

Mt Bonnie Resource - See ASX release 1 February 2016, 'Mt Bonnie Resource Estimate Boosts Hayes Creek Project, NT' where further details are provided. All material assumptions and technical parameters underpinning the resource estimate announced on 1 February 2016 continue to apply and have not materially changed.

TENEMENTS

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
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
			1,417
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	3,512
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 March 2016 was \$0.3 million.

Subsequent to quarter end, the Company raised \$250,000 from placements to sophisticated investors at an issue price of 1 cent per share, with a 5% commission paid in shares.

Also subsequent to quarter end, the Company finalised its Research & Development claim for the 2015 tax year in the amount of \$246,000, which is expected to be received in the June quarter.

Capital Structure

At 31 March 2016, the Company had on issue 476,630,134 fully paid ordinary shares and 1,312,500 performance rights, unchanged from 31 December 2015. As noted above, share placements completed in early April 2016 resulted in the issue of a further 26.25 million shares.

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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