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ASX Announcement

2 March 2016

## ACQUISITION OF 3 MINERAL LEASES NEAR HAYES CREEK PROJECT, NT

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- **Agreement for the purchase of 3 Mineral Leases in the Golden Dyke area, less than 3km to the west of the Hayes Creek project**
  - **Leases consolidate the Company's landholding in an area that has experienced considerable historic gold production**
  - **Consideration of 1 million PNX shares and 2% NSR royalty on any gold and silver production**
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PNX Metals Limited (**ASX:PNX**) is pleased to announce the signing of a Sale and Purchase Agreement with Newmarket Gold NT Holdings Pty Ltd ('Newmarket') to acquire 3 Mineral Leases adjacent to the Company's Hayes Creek Project in the Northern Territory.

The three mineral leases MLN 794, MLN 795, and ML 30936 (Figure 1) are located less than 3km to the west of the Mt Bonnie deposit, add to the Company's already significant tenure in the region, and provide opportunities for the Company to increase its current resource base of some 178,000 tonnes of zinc, 257,000 ounces of gold, 16.3 million ounces of silver, and 40,000 tonnes of lead.<sup>3</sup>

The acquisition will be completed following satisfaction of conditions precedent, which require entry into two Deeds of Assignment regarding uranium exploration rights (all leases) and a royalty right (part of one lease) with third parties. Approval for the transaction has been received from the Foreign Investment Review Board.

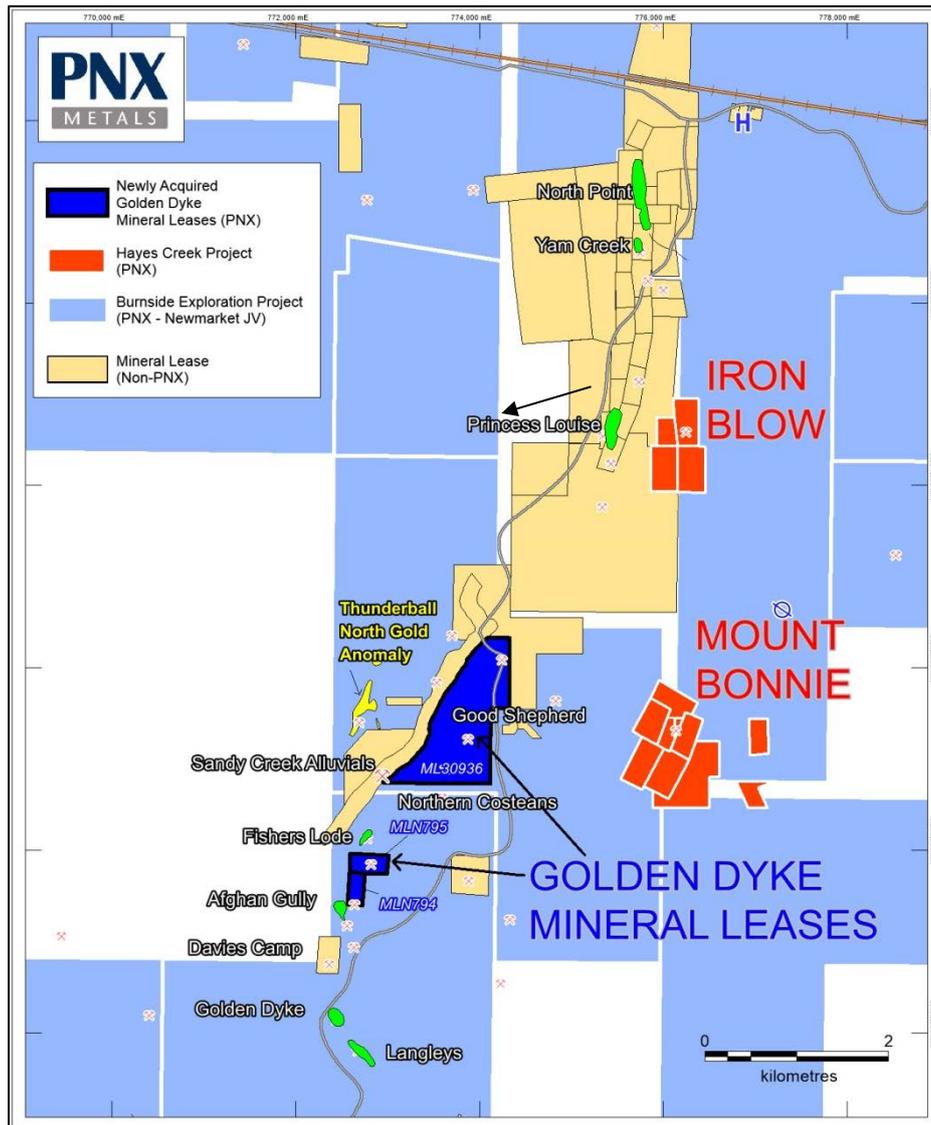
Consideration for the acquisition is 1 million ordinary shares in PNX, and the grant of a 2% Net Smelter Return royalty to Newmarket over any gold and silver production from the leases.

### Acquired Leases

The Mineral Leases acquired are within the Company's Burnside tenement package and are part of the Golden Dyke Dome, where a number of gold deposits were mined primarily for their oxide gold resources in the 1980s. The largest of these pits was the Golden Dyke deposit, which produced 110,000t @ 7.66 g/t Au to a depth of about 150m; it was the only open pit mined into primary mineralisation and ore was treated at the Mt Bonnie process plant in the 1980s. PNX have now consolidated tenure over the well mineralised western portion of the Dome, including the Golden Dyke, Good Shepherd, Fishers Lode, Davis Camp, Afghan Gully deposits and mineral occurrences. The Thunderball North discovery (PNX ASX release 29/10/15) also occurs just 1km to the west.

PNX is particularly interested in the Golden Dyke Dome because of its geological similarities with the Cosmo-Howley field (>2MozAu total) currently being mined by Newmarket. The Golden Dyke Dome is a doubly plunging anticline with mineralisation hosted within five ironstone units of the Koolpin Formation, intruded by Zamu Dolerite sills. Gold occurrences on the western limb of the Dome extend

over a strike length of approximately 4 km from Langley's in the south to Good Shepherd in the north (Figure 1).



**Figure 1:** Mineral leases acquired (navy blue) in proximity to Mt Bonnie and Iron Blow (orange)

PNX believes there is excellent potential to define additional mineralisation both adjacent to and below the numerous oxide gold deposits. Compilation of historical drilling and mining data will precede further exploration at these promising brownfields areas.

Gold was discovered in the area more than a century ago, and alluvial gold is still being profitably produced on adjacent leases. Furthermore, mining of the Princess Louise and Northpoint open pits occurred as recently as 2011, which are on the same line of lode to the north of the acquired tenements. However, little activity has occurred in the Golden Dyke Dome area for the last 30 years. Historical drilling records from the late 1980s illustrate the excellent remaining potential for economic gold mineralisation, including:

- 10m @ 5.7 g/t from 31.5m (Fisher's Lode diamond hole D7)
- 4m @ 4.1 g/t Au from 26m (Northern Costeans Prospect RC hole P41)
- 8m @ 2.06 g/t Au from 39m (Langley's South diamond hole KD6)
- 6m @ 1.72 g/t Au from 12m (Black Rock Prospect RC hole P15)
- 4m @ 3.09 g/t Au from 19m (Shady Camp Prospect airtrack hole SCD10).

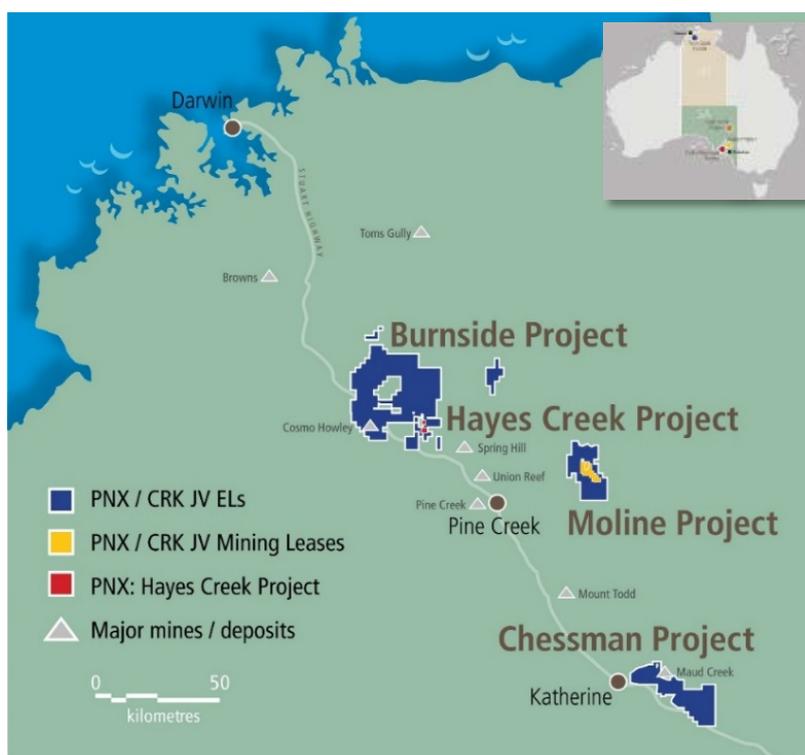
Furthermore, exceptional gold grades were reported in channel sampling at the base of the Golden Dyke pit floor, which indicates that there is good potential for extension of the mineralisation at depth.

## About the Hayes Creek Project

Mt Bonnie and Iron Blow are VMS-style deposits 100% owned by PNX<sup>1</sup>, located less than 3km apart, and form part of PNX's Hayes Creek Project within the Pine Creek region of the Northern Territory, 180km south of Darwin (Figure 2). The Project is well situated being close to major infrastructure, including rail, road, high voltage powerlines and water.

JORC 2012 compliant resources have been estimated at Iron Blow<sup>2</sup> and Mt Bonnie<sup>3</sup> and the total mining inventory for the Project now stands at approximately 178,000 tonnes of zinc, 257,000 ounces of gold, 16.3 million ounces of silver, and 40,000t lead.

Recent metallurgical test work<sup>4</sup> has resulted in the development of a practical and economic flow sheet to maximise recoveries of zinc, gold and silver into potentially saleable product streams. This information will provide the key processing input parameters for the Hayes Creek Scoping Study which is due for completion in March 2016.



**Figure 2:** Hayes Creek Project and the Burnside, Moline and Chessman Exploration Projects

### **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). 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 is a full time employee of PNX Metals Ltd and 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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<sup>1</sup> See ASX release 18 August 2014 for full details of agreement with Newmarket Gold

<sup>2</sup> See ASX release 3 November 2014 for full details of the Iron Blow Resource Estimate

<sup>3</sup> See ASX release 1 February 2016 for full details of the Mt Bonnie Resource estimate

<sup>4</sup> See ASX release 19 January 2016 for full details of Metallurgical test work