

PNX completes Mineral Lease acquisition near the Hayes Creek project, NT

Excellent potential to define additional gold mineralisation

PNX Metals Limited (**ASX: PNX**) is pleased to advise that it has completed the acquisition of three highly prospective Mineral Leases containing a number of gold prospects adjacent to its flagship Hayes Creek gold-silver-zinc project in the Northern Territory. The acquisition, which was originally announced to the ASX on 2 March 2016, is aimed at increasing the already established significant mineral resource base at Hayes Creek through the delineation of further economic gold mineralisation.

All conditions precedent to the transaction have been satisfied. Consideration for the purchase was 1 million PNX shares, which have been issued to the vendor Newmarket Gold NT Holdings Pty Ltd ('Newmarket'). PNX has also granted Newmarket a 2% Net Smelter Return royalty over any gold and silver production from the leases.

The three mineral leases acquired MLN 794, MLN 795, and ML 30936 (Figure 1) are located less than 3km to the west of the Hayes Creek project, where a Pre-Feasibility Study (PFS) is due for completion in mid-2017. The acquired mineral leases are also approximately 2km north of the Langleys gold prospect where PNX is due to shortly commence a drill program targeting high-grade primary gold mineralisation¹.

Historical drilling records from the late 1980s² illustrate the excellent potential for economic gold mineralisation in the immediate area, 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)**
- **4m @ 7.37 g/t Au from 25m (Langleys diamond hole KD57)**
- **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)**

PNX believes there are a number of opportunities 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.

PNX Managing Director James Fox said: "The low-cost acquisition of additional Mineral Leases with potential for economic gold mineralisation adjacent to the Hayes Creek project is an excellent strategic fit for PNX. Successful delineation of economic gold mineralisation along the Golden Dyke trend could provide additional feed to complement the existing resource base at Hayes Creek. Delineation of gold oxide mineralisation would also have the potential for toll treatment."

¹ See PNX ASX release 30/06/16

² See PNX ASX release 02/03/16

The Hayes Creek PFS will expand on the recently completed Scoping Study, which found that mining and processing ore derived from both open-pit and underground operations at Hayes Creek would generate strong financial returns for PNX.

PNX believes these returns can be increased further by increasing the mineral resource inventory through the drilling programs about to commence at Langleys and exploration at other brownfields prospects. The latest purchase of three Mineral Leases is part of this growth strategy.

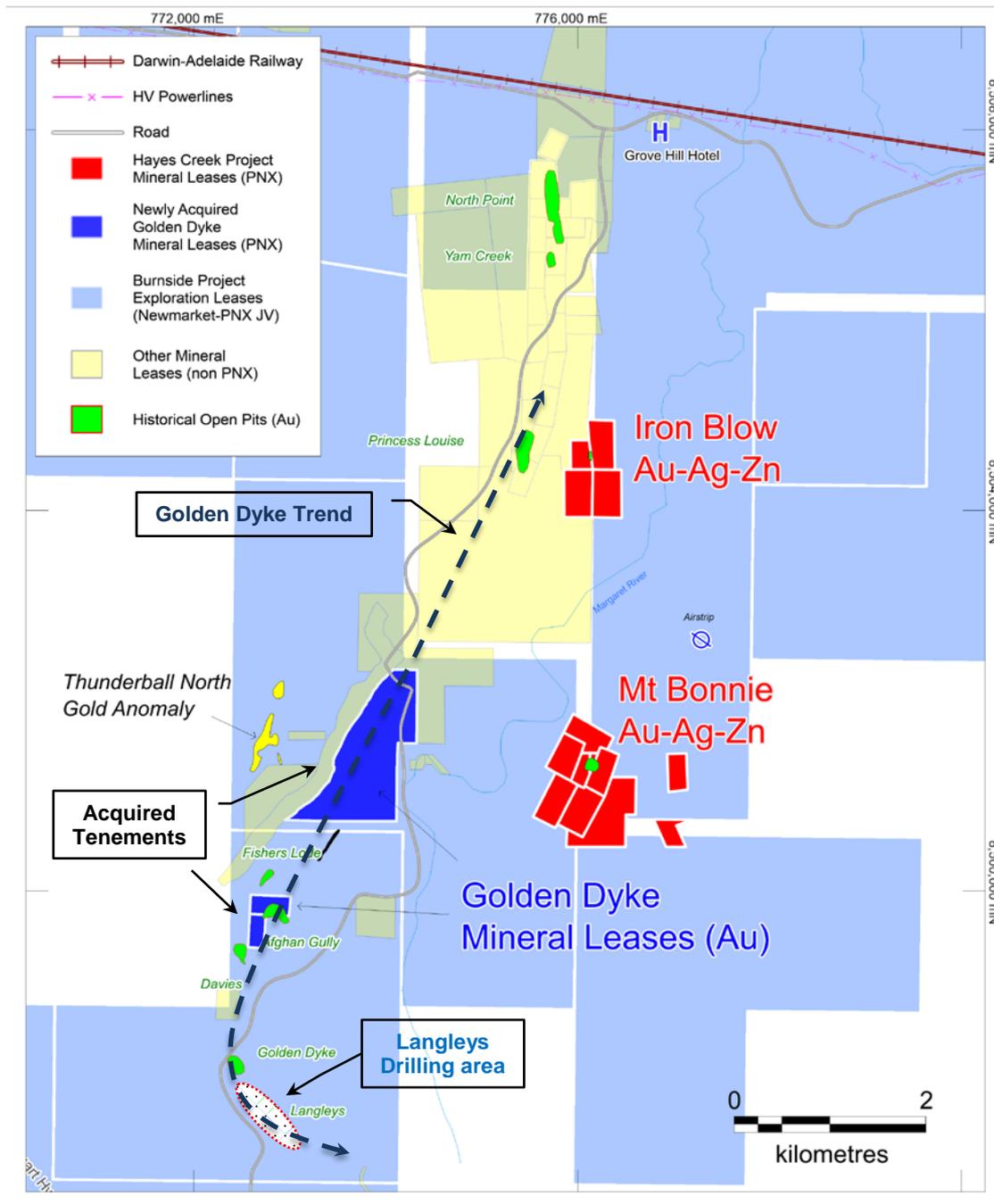


Figure 1: Mineral leases acquired (blue) in proximity to Hayes Creek (Mt Bonnie and Iron Blow) (red) & Langleys drilling area.

Hayes Creek is located in a favourable mining jurisdiction in the Pine Creek region of Northern Territory, less than two hours by road from Darwin (Figure 2). The development strategy includes the use of existing infrastructure, designed to boost economics and reduce Project risk.

Burnside, (including Langleys), Moline and Chessman are part of PNX’s farm-in agreement with Newmarket Gold NT Holdings Pty Ltd, a subsidiary of Newmarket Gold Inc. where PNX is earning up to 90 per cent, in two stages, of 19 Exploration Licenses and four Mineral Leases (see ASX release dated 18 August 2014 for further details of the agreement) covering approximately 1,700km².

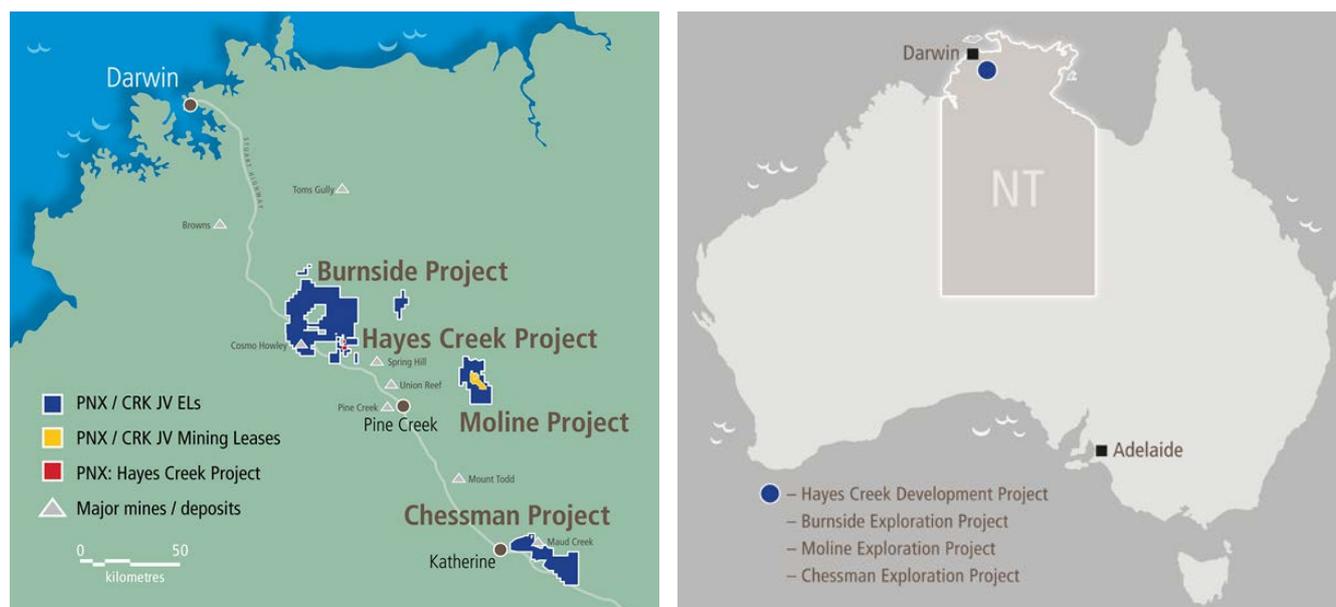


Figure 2: NT Project locations

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.

James Fox

Managing Director & CEO

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