

ASX Announcement : 2 March 2016

Mt Bonnie Mineral Resource Estimate and Company Outlook

Open Briefing interview with Managing Director James Fox

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In this Open Briefing[®], MD James Fox discusses:

- **Mt Bonnie Resource Estimate**
- **Hayes Creek Global Resource**
- **Scoping Study Progress**
- **Overview and Outlook**

Record of interview:

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PNX Metals (ASX: PNX) recently announced an initial Resource Estimate for the Mt Bonnie deposit which, along with the nearby Iron Blow deposit, form the Company's key Hayes Creek Zinc-Gold-Silver Project (100%) located in the Pine Creek region of the Northern Territory, 180 km south of Darwin. The JORC 2012 compliant Mineral Resource was reported by independent mining consultancy CSA Global Pty Ltd (CSA Global).

Mt Bonnie now boasts 1.3 million tonnes at 4.2% Zn, 1.3g/t Au, 133 g/t Ag, 1.3% Pb and 0.3% Cu with 35% of the resource in the higher confidence Indicated category (see Table 1). What is the significance of the resource delineation for the project and what is the key mineral dominating the polymetallic makeup of the ore body?

Managing Director James Fox

With the inclusion of the Mt Bonnie resource, the Hayes Creek project now contains two deposits with the total contained metal increasing significantly.

This is a major step and we have now reached what we consider is the critical mass of resources for project development. Our energy can now be directed into optimising the project, rather than having to discover and define more resources. Clearly any additional resources that we do define in the process will be utilised.

We are very happy with the quality of the resource at Mt Bonnie, and its position near-surface with exceptional grades of zinc and silver in sulphides. Near-surface provides the potential for simple, efficient, inexpensive open-pit mining, and offers the opportunity for earlier cash flow and lower development and operating costs.

Approximately 90% of the in-ground value of the resources at Iron Blow and Mt Bonnie are in the zinc, gold and silver. 90% of our efforts to date have been around optimising the mining methods, the processing and the route to commercialisation of these three key metals. This information has been used to generate a scoping study, due for completion in March 2016.

Domain	JORC Classification	Tonnage (kt)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)	ZnEq (%)	AuEq (g/t)
Zinc >1%	Indicated	456	5.63	1.26	0.32	151	1.15	9.14	5.46
Zinc >1%	Inferred	644	4.38	1.52	0.25	131	1.47	8.16	4.87
Gold >0.5 g/t	Inferred	78	0.16	1.87	0.26	121	1.88	5.36	3.20
Silver >50 g/t	Inferred	107	0.26	0.06	0.04	70	0.04	1.60	0.96
Total Indicated + Inferred Mineral Resource		1,285	4.22	1.33	0.26	133	1.26	7.79	4.65
Total contained metal			54,300 t	17,100 t	3,300 t	5,470,000 oz	52,150 oz	100,000 t	192,000 oz

Table 1: Mt Bonnie Mineral Resources by JORC Classification as at 1 February 2016 (refer PNX ASX release 01/02/16 for full details).

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With a Global Mineral Resource for the greater Hayes Creek Project now measuring approximately 178,000 tonnes Zinc, 257,000 ounces Gold, 16.3 million ounces Silver and 40,000 tonnes Lead, the project is emerging as a sizeable polymetallic project, dominated by zinc, gold, and silver. Is this unusual? What are the benefits of such a mix of commodities and what challenges and benefits do you see in potential future production of this mix?

Managing Director James Fox

By their very nature multi-metal deposits are all different and typically complex. Iron Blow and Mt Bonnie are classified as base metal sulphide deposits with associated high-grade precious metals. The silver is higher than usual in this type of deposit, and gold is also high; we have identified several phases of gold mineralisation which may explain this.

Recoveries of individual metals to saleable products are typically lower in multi-metal deposits than single metal deposits due to the complex nature of the mineralogy, however this is well and truly offset by the much higher value of metal per tonne of ore we see at Iron Blow and Mt Bonnie than at most single metal deposits.

As the metal distribution is evenly split between the zinc, gold and silver the project provides somewhat of a natural hedge against adverse price movements in individual commodities. The Australian gold scene is currently proving to be a nicely profitable place at the moment. Zinc is forecast to continue to increase in price as the effects of the closures of Century and Lisheen mines are felt with very little new supply coming on stream in the short term. It may be too early to say, but certainly over the last month we have seen zinc increase over 20% from approximately US\$1,550/t to US\$1,750/t.

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Metallurgical results announced by PNX in January on Iron Blow massive sulphides determined a successful recovery of a readily saleable Zinc concentrate with high-grade Precious Metals, Copper and Lead concentrates. These results have helped with the

flowsheet development and are very encouraging. Is Mt Bonnie shaping up as a copy of the Iron Blow metallurgical makeup?

Managing Director James Fox

Our interpretation is that Iron Blow and Mt Bonnie were formed by the same geological event, or events. They are located close to each other, less than 3km apart, hosted in the same rocks and contain similar mineralisation. This of course doesn't mean that they are identical, but they will likely be treated in the same manner.

As I mentioned previously, all polymetallic deposits are different in their mineralogical make-up, and as such the metallurgical test-work is a very important step in the project development process. We have completed a systematic and comprehensive test-work program, the results of which have been very encouraging,

Further optimisation will increase potential revenues from the various product streams but for now we have taken a conservative approach to the flow sheet, including metal recoveries and costs.

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This resource estimate is a significant step in the Hayes Creek Project development pathway. What is your estimate of timing for the initial Scoping Study and what would your ideal resource picture consist of given what you are learning about the global resource? How does this project stack up in terms of economics which will impact your funding options?

Managing Director James Fox

The scoping study will present a base-case scenario for the Hayes Creek project and will be published later this month (March 2016), so not far away.

We are at the pointy end of the study, pulling together the various mining plans, looking at sensitivities, modelling a range of scenarios. We have gone through a rigorous process challenging the various inputs and are confident of their veracity. The Hayes Creek project is robust and likely to be profitable across the commodities cycle. We compare favourably with our peers, better in a number of cases, the economics are compelling.

As you would expect, the greatest sensitivities revolve around exchange rates and commodity prices, which are out of our control, recoveries of the various metals and CAPEX/OPEX costs, which to a degree we have control over. We continue to investigate various funding options that will allow us to continue to de-risk and optimise the project. As I said before, we have the potential to produce an attractive mix of commodities and this is assisting with those discussions.

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Commodities prices are weak at the moment and funding for resources projects has been scarce which has also created a situation where there are currently record low number of projects coming on stream for future production. How has the current funding environment impacted PNX and what opportunities has it stimulated for your funding options?

Managing Director James Fox

We are in the fortunate position that we have a very good project, supportive shareholders, and a great team of employees, contractors and consultants. That being said our share price clearly does not reflect the underlying value of the Hayes Creek project, nor the surrounding 1,700km² of exploration tenure we are earning into from Newmarket Gold.

There is every chance of us discovering similar deposits to Iron Blow and Mt Bonnie in the region, this is why we are earning into the surrounding ground, and why we are spending time, energy and resources on regional exploration.

The small incremental cost of mining additional resources and processing them through the same proposed facility as the Iron Blow and Mt Bonnie deposits has the potential to generate significant additional revenue for the project.

Clearly the challenges around funding for resource development projects such as the Hayes Creek project has slowed our development timetable. We are finding however that timelines and costs for major equipment, drilling, engineering, etc are all more favourable than in the past, so every dollar spent goes further.

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What are the current activities underway at Hayes Creek and can you outline your immediate priorities for the project? What can shareholders and investors look out for in the current quarter?

Managing Director James Fox

It's coming towards the end of the wet season in the NT and getting around the remote areas can still be challenging. We're taking the opportunity to complete the scoping study, due in March 2016, define the next stages of the metallurgical test work, and work our way through volumes of geological information on the Burnside, Chessman and Moline exploration projects.

We have defined a number of exciting exploration targets in close proximity to the Hayes Creek project, some of which we have already discussed publicly. Mostly gold targets, but also copper and other base metals, these will need to be followed up with on-ground exploration, and potentially drilling.

With Newmarket Gold operating the Cosmo underground mine and processing facility at Union Reefs there is a clear pathway to commercialization should we discover suitable gold resources. Lastly we plan on finalising the next stage of funding to allow the Hayes Creek development work to continue.

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Thank you James.

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.

For more information about PNX Metals Limited, visit www.pnxmetals.com.au or call Managing Director James Fox on (+61) 8 8364 3188

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