

STRONG GOLD ANOMALIES DEFINED AT BURNSIDE EAST, NT

- **Regional exploration program defined three distinct areas containing strong gold and base metals anomalies in close proximity to the Hayes Creek development project**
 - **At the Tramways and Scraper prospects historical gold values up to 5.09g/t in soils, up to 3.14g/t in rock chips, and up to 3m at 30g/t from surface in RAB drilling**
 - **Maze anomaly defined over a 2km mineralised trend consistent with well-known associations of gold deposits and anticlinal fold hinges in the Pine Creek region such as Newmarket's Cosmo-Howley deposits (>2Moz Au)**
 - **Drilling results from Mt Bonnie at the Hayes Creek project are expected this week and an initial resource estimate for the Mt Bonnie deposit is underway**
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PNX Metals Limited (**ASX: PNX**) is pleased to provide an update on its regional exploration program which has been primarily focussed at the Burnside project in the Northern Territory.

The Burnside Project is situated within the Pine Creek Orogen, one of the most prospective geological regions of Australia, with recorded gold production of over 3.2 Moz and known resources of approximately 9 Moz¹. PNX is earning up to a 90% interest in 19 Exploration Licenses and 4 Mineral Leases covering approximately 1,700km² from Newmarket Gold Inc² (**TSX: NMI**).

Exploration during the 2015 dry season was aimed at identifying new gold and base metal targets to complement (by increasing the prospective project life) the Hayes Creek Zn-Au-Ag development project located in the south-east corner of the Burnside project area (Figure 1). Geological mapping, rock chip sampling and geochemical soil data was collected to compliment the already significant datasets inherited from NMI.

High-grade gold results in soils and in rock chips have already been reported from the new Thunderball North prospect³ and a further three further prospective areas have emerged that all provide excellent opportunities for economic mineralisation. These will be evaluated, prioritised and tested over the next twelve months. PNX is progressing a pipeline of gold and base metal prospects in accordance with the Company's vision to be a successful explorer and sustainable and profitable gold and base metals producer.

Amongst many exciting targets, PNX has identified the Tramways prospect as being of particular interest. Shallow rotary air blast (RAB) drilling by previous explorers intersected near-surface high-grade gold (3m @ 30 g/t Au) that remains untested at depth.

There are several other prospects in the area all with high gold grades in near-surface RAB drilling that also remain underexplored.

¹ Ahmad and Munson, 2013 (Northern Territory Geological Survey Special Publication 5)

² See PNX ASX release 18/08/14 for further details of agreement

³ PNX ASX release 29/10/2015

Detailed descriptions of the priority targets outlined to date are provided in the main body of this announcement.

Statutory approvals will be sought (where required) for further exploration, including drill testing of the most prospective areas, scheduled for the 2016 dry season.

Final assay results from recent drilling at Mt Bonnie are still pending and are expected within the next week. Delays were due to the laboratory experiencing a significant increase in workload. An initial resource estimate for Mt Bonnie is underway and will be announced when complete.

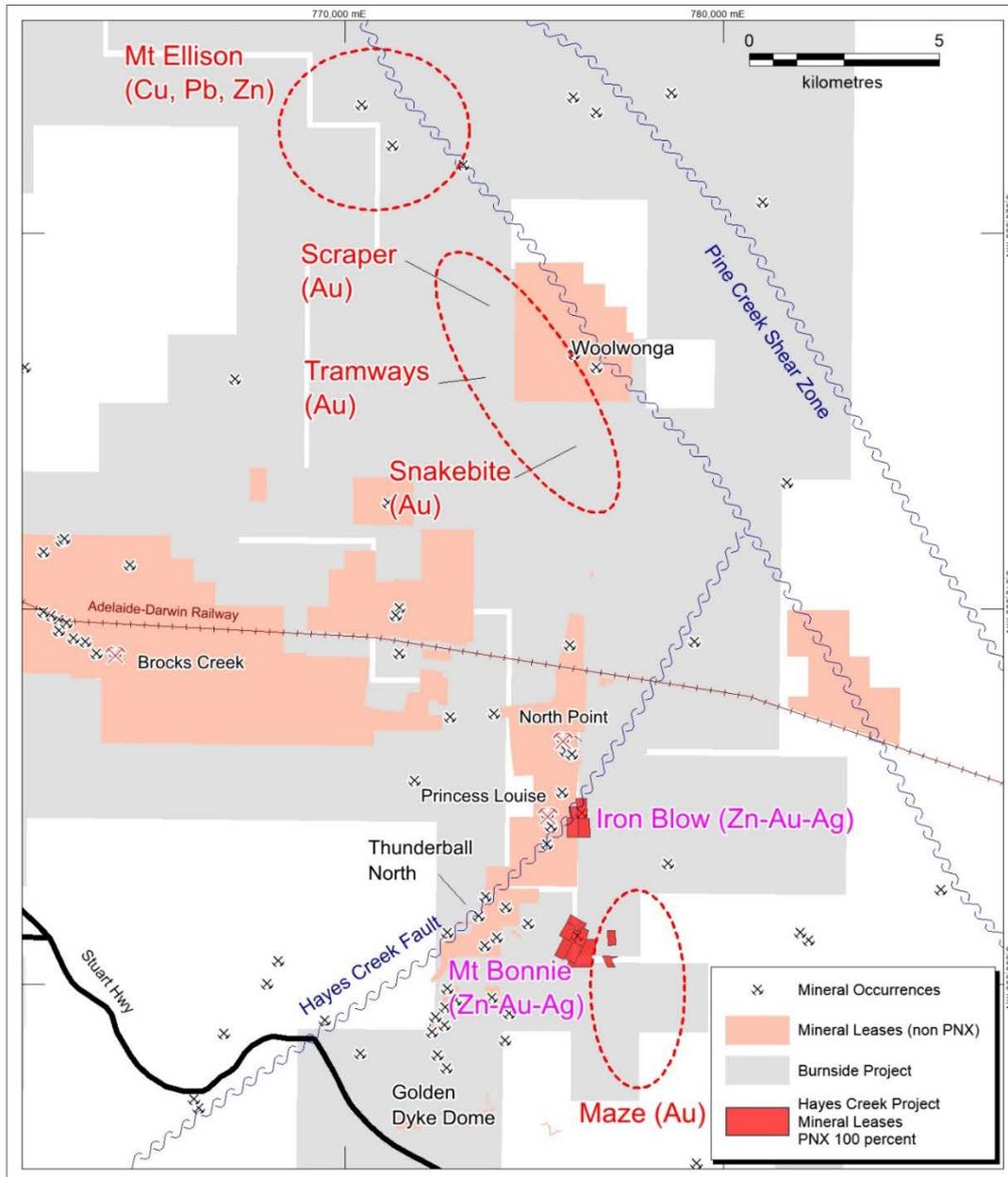


Figure 1: Exploration Prospects – Burnside East

TARGET SUMMARIES

Tramways – Scrapper – Snakebite (Au)

The Tramways, Scrapper and Snakebite gold prospects lie approximately 10km north of the Hayes Creek project, adjacent to Newmarket’s Woolwonga mineral leases and within the northern extension of the Pine Creek Shear Zone. The historical Woolwonga open pit produced more than 130,000oz Au up to 1995, with oxidised ore averaging 27 g/t Au and primary ore averaging 2.8 g/t Au.

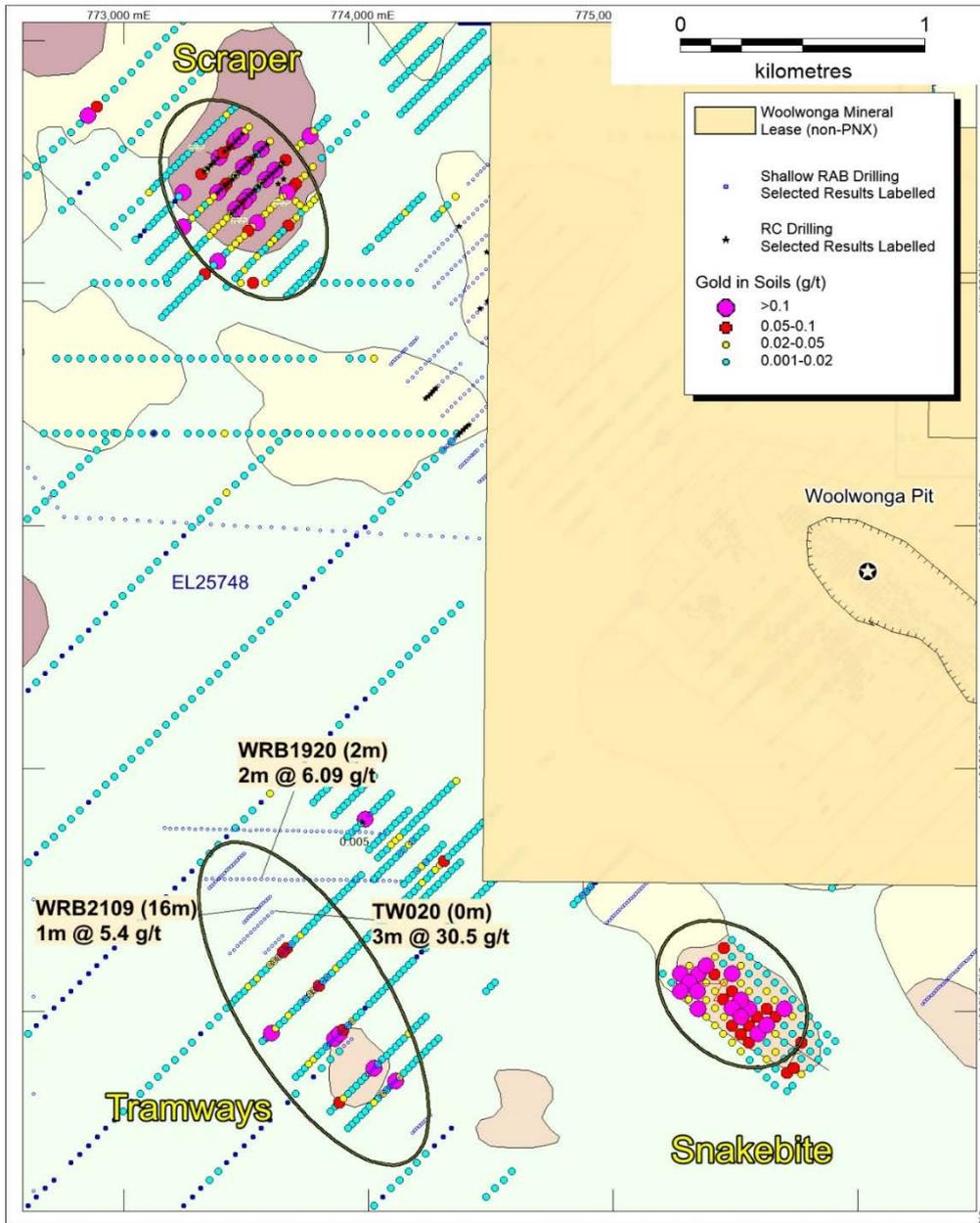


Figure 2: Tramways – Scraper – Snakebite prospects

The **Tramways** prospect is located to the southwest of Woolwonga and contains a gold-in-soils anomaly at greater than 0.1g/t Au over a 1.2km strike length. Shallow historical RAB drilling returned up to 3m @ 30.5 g/t Au from surface, with other supporting intersections of 2m@ 6.09 g/t Au from 2m and 1m @ 5.4 g/t Au from 16m, these intersections occur along strike from the gold-in-soils anomaly (Figure 2).

Similarly, **Scraper** lies along the northwestern extension from Woolwonga (Figure 2). Historical soil sampling and costeaning defined a greater than 0.1g/t Au anomaly approximately 500m in length. This is supported by three sections of historical near-surface drilling with a number of promising results including 3m @ 2.47 g/t Au from 12m, 4m @ 3.01 g/t Au from 15m, and 2m @ 4.37 g/t Au from 13m. The anomaly is open to the southeast. Importantly, the extent of mineralisation identified is confined to an outcropping area – there is no drilling information in the area where the anomaly is projected to continue under cover.

Snakebite (Figure 2) is an open-ended gold-arsenic anomaly over 600m in strike length. Sampling by Newmarket in 2012 returned results up to 5.09 g/t Au in soils and rock chip results of 3.14 g/t and 2.43 g/t Au from extensively altered rocks with visible pyrite-arsenopyrite. An RC drill program was designed to follow up the encouraging results, but did not occur prior to the commencement of PNX's earn-in agreement.

Each of these prospects has the potential to emerge as a new discovery of near-surface economic gold mineralisation. Historical drilling has only focused on the outcropping area, yet the excellent results from shallow RAB drilling under cover at Tramways is a good indication that mineralisation extends well beyond the surface expression of soil geochemistry. The close proximity of this area to the Hayes Creek project and to Newmarket's mill at Union Reef would allow any resources defined to be incorporated into existing development projects.

Maze (Au)

Mapping and sampling at the **Maze** prospect, less than 1km to the east of Mt Bonnie (Figure 3) has identified a 2km NNW/SSE trending mineralised structure containing three zones of gold-arsenic anomalism in surface soil sampling. Gold and arsenic anomalism occurs together in several places along the contact of Zamu Dolerite within the Koolpin Formation and concentrated within fold hinges of a prominent NNW trending anticlinal structure. The geology is interpreted to be directly analogous with the Cosmo-Howley gold deposit (NMI), being situated within an anticlinal fold hinge at the dolerite contact.

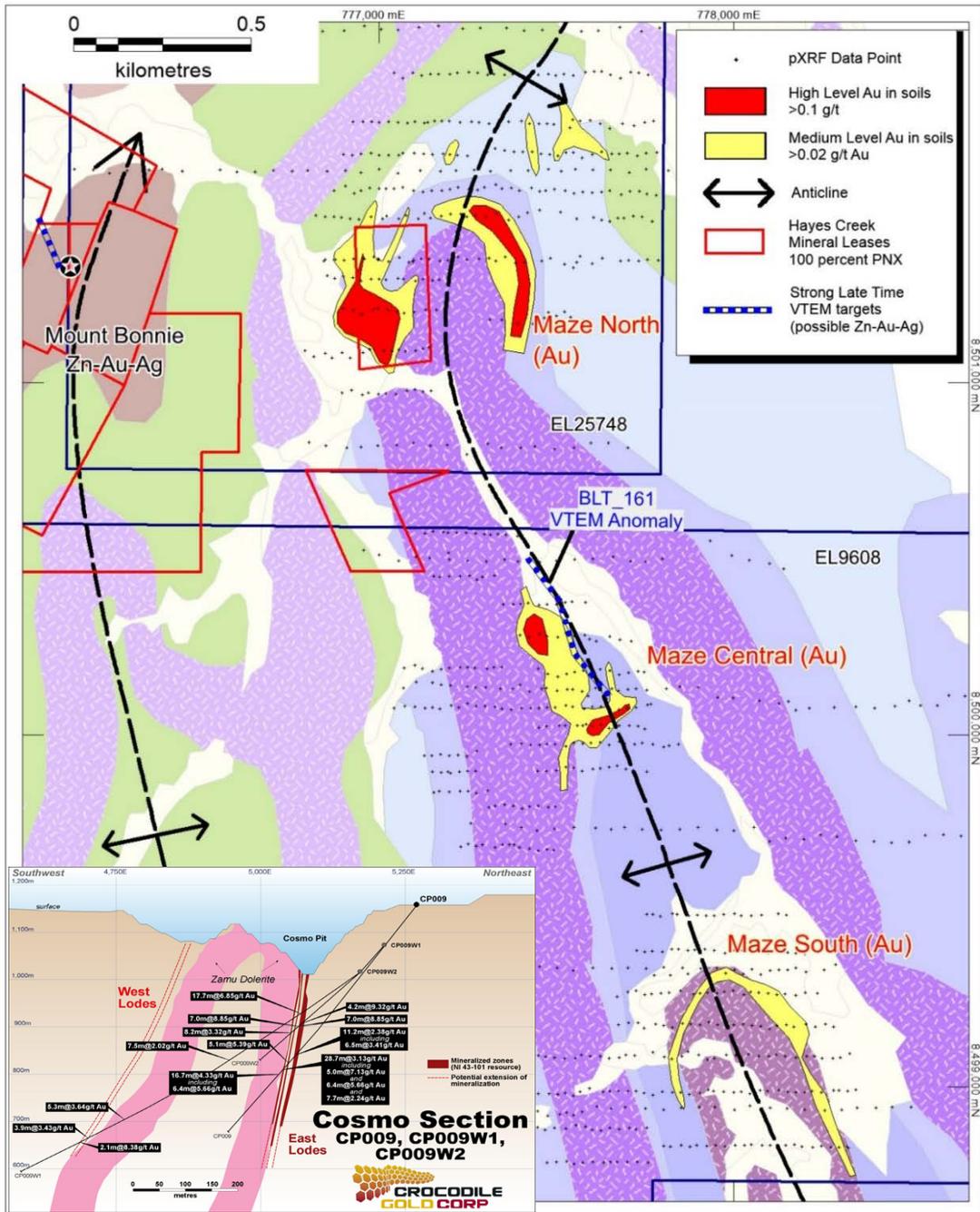


Figure 3: Maze Prospect Geochemical Anomalies shown with Newmarket Gold Cosmo mine cross-section

At Maze North, a strong gold-in-soils anomaly has been identified in the nose of a fold hinge. PNX's 100% owned Mineral Lease MLN816 partly covers the anomalous zone.

The Maze Central anomaly, also strongly anomalous in gold, lies just to the south and is adjacent to a late time VTEM anomaly "BLT_161" which was ranked as a top priority by NMI but never tested.

Mt Ellison (Cu) & Mt Ellison North (Pb+Zn)

The historical Mt Ellison mine is located on EL25748, approximately 20km to the north of the Hayes Creek project. During the period 1891-1911, Mount Ellison produced approximately 3,300t of copper-bismuth ore averaging approximately 20% Cu and 0.1% Bi.

Along strike from the old workings (Figure 6), a conductive body has been identified and modelled from 2011 VTEM survey data. It is not known yet to what extent this may have been tested by historical work, but it is considered unlikely that the primary zone received much attention during small-scale mining activities more than 100 years ago. Elevated copper in soils has been defined along strike to the north from the mine trend (Figure 4) which may represent a northerly extension to the mined lode. There is good potential to discover both lateral and depth extensions to the Mt Ellison mineralisation and PNX will be undertaking research into the old mine records to better evaluate this opportunity prior to further fieldwork next dry season.

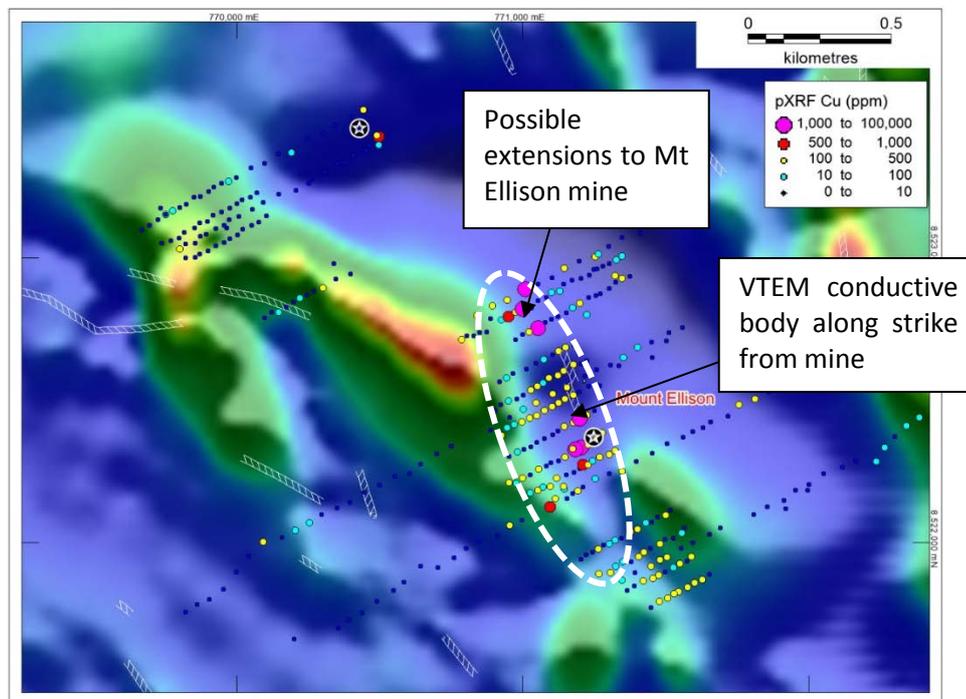


Figure 4: Mt Ellison area Cu geochemistry and VTEM targets (white) on RTP magnetic image

A new strong Pb and Zn anomaly has been defined by soil sampling to the northwest of Mt Ellison (Figure 5). 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. The anomaly is located in the aureole of Burnside Granite and in a favourable setting for localisation of metal bearing hydrothermal fluids. Work will continue in the next dry season to evaluate this new potentially mineralised area.

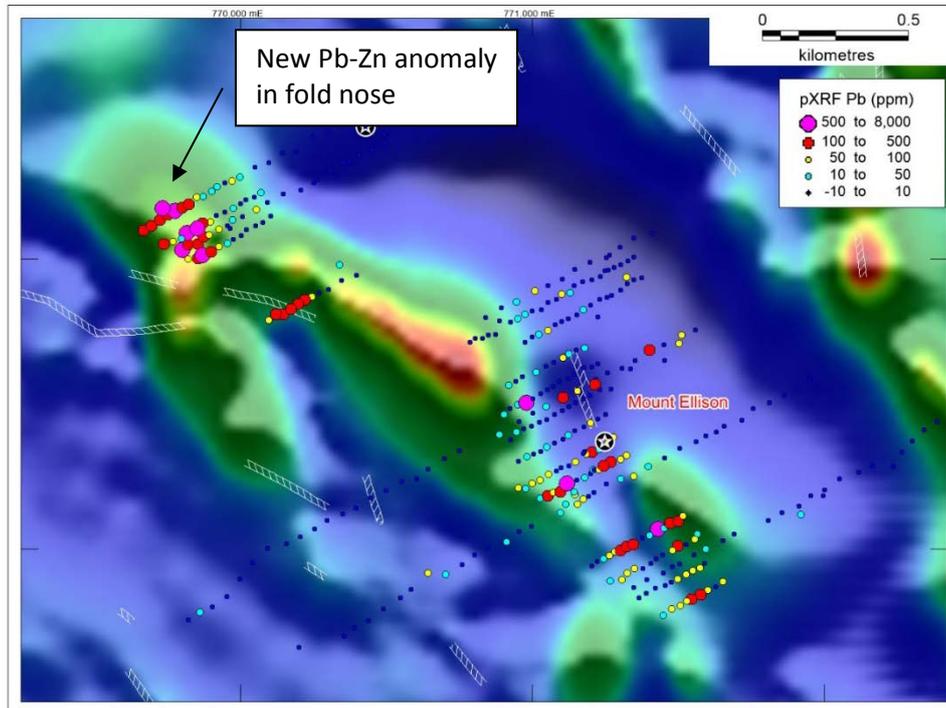


Figure 5: Mt Ellison area Pb geochemistry and VTEM targets (white) on RTP magnetic image



Figure 6: Mt Ellison area - historically mined copper lode at surface

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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JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as downhole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information. 	<ul style="list-style-type: none"> A hand held Niton field portable X-ray fluorescence (XL3T-500) analyser (fpXRF) was used to obtain soils analysis. Sampling was carried out under PNX protocols and QAQC procedures. Factory QC of the instrument was performed on 10/6/2015 and calibration tests were completed on an ongoing basis during survey. fpXRF analysis were performed on sieved soil media in the field to provide a consistent -80 mesh sampling media. Laboratory samples were obtained by collecting approximately 200g of -80 mesh sieved soil media in small sample sachets and sent to NAL Laboratory in Pine Creek for 50 gram Fire Assay. Historical soil and drilling samples were sent to the laboratory for low level Fire Assay. Results have been inherited from previous databases and have not been verified.
Drilling techniques	<ul style="list-style-type: none"> Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<ul style="list-style-type: none"> No drilling was completed by PNX.
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<ul style="list-style-type: none"> No drilling was completed by PNX.
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> No drilling was completed by PNX.

Criteria	JORC Code explanation	Commentary
<i>Sub-sampling techniques and sample preparation</i>	<ul style="list-style-type: none"> • <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i> • <i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i> • <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i> • <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i> • <i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i> • <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i> 	<ul style="list-style-type: none"> • No new drilling was completed by PNX. • Soils samples were dry-sieved to -80 mesh, with approximately 200g retained for analysis. • -80 mesh is an appropriate size for exploration soils fpXRF analysis. • Standards, blanks and duplicate analyses indicated acceptable analytical accuracy. • Soils samples were appropriately sized.
<i>Quality of assay data and laboratory tests</i>	<ul style="list-style-type: none"> • <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i> • <i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i> • <i>Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</i> 	<ul style="list-style-type: none"> • XRF is a total analytical technique suitable for base metal analyses. Anomalous soils concentrations are well above the lower detection limit of the instrument. • Instrument used was a Niton XL3T-500. Reading time was set at 50 seconds with measurements taken in soil mode. No calibration factors have been applied. • QAQC data includes standards, blanks and duplicates introduced at start of program and after every 50 samples. Standards, blanks and duplicate analyses indicated acceptable analytical accuracy.
<i>Verification of sampling and assaying</i>	<ul style="list-style-type: none"> • <i>The verification of significant intersections by either independent or alternative company personnel.</i> • <i>The use of twinned holes.</i> • <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> • <i>Discuss any adjustment to assay data.</i> 	<ul style="list-style-type: none"> • No drilling was completed by PNX. • No drilling was completed by PNX. • Primary data was collected using fpXRF. Data was downloaded, validated by PNX geologist and compiled in MS EXCEL.
<i>Location of data points</i>	<ul style="list-style-type: none"> • <i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i> • <i>Specification of the grid system used.</i> • <i>Quality and adequacy of topographic control.</i> 	<ul style="list-style-type: none"> • Sample location points are collected using a Trimble Juno 3D GPS with autonomous accuracy of +/- 5 meters. • The Grid system is MGA_GDA94, Zone 52. • Appropriate topographic and aerial imagery was used in navigation and to verify point locations.
<i>Data spacing and distribution</i>	<ul style="list-style-type: none"> • <i>Data spacing for reporting of Exploration Results.</i> • <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral</i> 	<ul style="list-style-type: none"> • The Maze prospect had fpXRF measurements taken typically at 50m intervals on lines spaced at 400 metres on a north-south grid. Infill readings were taken at 25 meter intervals on 100 meter spaced lines

Criteria	JORC Code explanation	Commentary
	<p><i>Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></p> <ul style="list-style-type: none"> <i>Whether sample compositing has been applied.</i> 	<p>where anomalous. Gold soil samples were taken at 25 meter intervals at 100 meter spaced lines on a North South grid.</p> <ul style="list-style-type: none"> Mt Ellison prospect had fpXRF measurements taken typically at 50m intervals on lines spaced at 400 metres on a north-west grid. Infill is still underway and readings are being taken at 25 meter intervals on 100 meter spaced lines where anomalous. Scraper prospect had gold soil samples taken at 25 meter intervals on 100 meter spaced lines on a north-west grid. Three sections of vertical RC drilling, typically to 30 meters depth, were completed by Dominion Gold with 25 meter spacing on a 100 meter line spacing on a north-west grid. Tramways prospect had gold soil samples taken at 25 meter intervals on 200 meter spaced lines on a north-west grid. Irregular vertical RAB drilling, typically to 20 meters depth, were completed by Dominion Gold with 20 meter spacing on a 200 meter line spacing on a north-west grid. The Snakebite prospect had gold soil samples taken at 50 meter intervals on 50 meter spaced lines on a north-west grid. Data spacing was deemed appropriate for the size of target. No sample compositing has been applied.
<p><i>Orientation of data in relation to geological structure</i></p>	<ul style="list-style-type: none"> <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i> 	<ul style="list-style-type: none"> Sample lines were oriented perpendicular to interpreted strike of strata. Line and sample spacing are adequate to define sizeable geochemical anomalies of any orientation with confidence.
<p><i>Sample security</i></p>	<ul style="list-style-type: none"> <i>The measures taken to ensure sample security.</i> 	<ul style="list-style-type: none"> Soils samples stored for reference or further testing at Brocks Creek's secured compound.
<p><i>Audits or reviews</i></p>	<ul style="list-style-type: none"> <i>The results of any audits or reviews of sampling techniques and data.</i> 	<ul style="list-style-type: none"> No audits or reviews undertaken at this time.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a license to operate in the area. 	<ul style="list-style-type: none"> This report refers to the area within areas MLN 816, EL29748, EL9608 and EL25748. MLN816 is wholly owned and operated by PNX. EL29748, EL9608 and EL25748 are held by Newmarket Gold Inc. Incorporated and being explored by PNX as part of an earn-in arrangement. See PNX ASX release 18 August 2014 for full details of agreement. All leases are in good standing and no known impediments to exploration exist.
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> The Tramways, Maze, Scraper, Mt Ellison and Snakebite prospects have been held by numerous previous explorers. Newmarket Gold Inc. conducted exploration in the Snakebite area during 2012. Dominion Gold carried out significant shallow RAB and RC drilling in the years 1990-1995. Data has been inherited from previous databases and is yet to be verified.
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> Mineralisation is typically hosted in carbonaceous mudstones of the lower Koolpin Formation. The Maze prospect displays gold- arsenic anomalism at the contact of the Koolpin Formation and Zamu Dolerite with anomalism concentrated within fold hinges of a prominent NNW trending anticlinal structure.
Drill hole Information	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length. If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly 	<ul style="list-style-type: none"> No new drilling has been undertaken by PNX. Historic drilling was carried out by Dominion Gold and has yet to be verified. All drilling was vertical. RAB drilling depths were typically 20m.

Criteria	JORC Code explanation	Commentary
	<i>explain why this is the case.</i>	
<i>Data aggregation methods</i>	<ul style="list-style-type: none"> <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.</i> <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i> <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> 	<ul style="list-style-type: none"> No averaging techniques or cut-offs used.
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> <i>These relationships are particularly important in the reporting of Exploration Results.</i> <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i> <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').</i> 	<ul style="list-style-type: none"> No new drilling was undertaken by PNX.
<i>Diagrams</i>	<ul style="list-style-type: none"> <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i> 	<ul style="list-style-type: none"> Refer to main announcement for maps.
<i>Balanced reporting</i>	<ul style="list-style-type: none"> <i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i> 	<ul style="list-style-type: none"> All matters of importance have been included.
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> <i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i> 	<ul style="list-style-type: none"> No other data to report at this time.
<i>Further work</i>	<ul style="list-style-type: none"> <i>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<ul style="list-style-type: none"> The likely method of follow up to these results will be RC and diamond drilling at selected points into the geochemical targets. Should this discover significant mineralisation, close spaced infill drilling, possibly with RC may be appropriate depending on target depths.