

Chairman's Address – 2016 Annual General Meeting

On behalf of the Board of Directors, it is my pleasure to welcome you to the 2016 Annual General Meeting of PNX Metals Limited ('PNX' or 'Company').

The year under review has been exciting and progressive for PNX with a number of significant milestones achieved. James Fox, the Company's Managing Director and CEO, will be presenting a project update at the end of today's meeting so I won't go into a great amount of detail here.

Some of the highlights for the year include:

- excellent drilling results at the Hayes Creek zinc-gold-silver Project ('Project');
- a new Mineral Resource Estimate for the Mt Bonnie Deposit; and
- the completion of a Scoping Study, and the commencement of a now substantially progressed fully funded Preliminary feasibility Study (**PFS**) on the Hayes Creek project.

While the Company's share price performance has improved significantly over the past twelve months owing to these strong results and the efforts of the PNX team, the Directors are of the view that it does not yet reflect the Company's true potential.

Significantly, the Scoping Study found that mining and processing ore derived from both open-pit and underground operations at Hayes Creek could generate strong financial returns for PNX and its shareholders. The multi-commodity focus of the Project means that the Company is also strongly leveraged to improving metal prices in zinc, gold and silver.

We are making considerable progress on our objective to develop a profitable mining operation at Hayes Creek, with the PFS due for completion by mid- CY2017. The PFS aims to build on the strong results of the Scoping Study, improving on the certainty of the mining inventory and associated operating and development costs, and reducing the technical risk of the Project before a development decision is made. The development strategy includes the use of existing infrastructure including rail, road, high voltage power lines and water, designed to boost economics and reduce project risk. Additionally, the current Scoping Study includes a capital construction cost estimate – to be confirmed, or otherwise by the PFS, that would appear to lower the funding risks to within the expected capabilities of a junior developer.

In support of the PFS, infill and extensional drilling programs are currently ongoing at the Iron Blow deposit and have been completed at Mt Bonnie. The objective is to define additional near-surface mineralisation to complement the already significant Mineral Resources outlined at both deposits. I'm pleased to say that excellent drilling results have continued at Mt Bonnie as demonstrated by the high grade intersections recently released from this program.

The Board and management remain confident that the continued work and completion of studies on the Hayes Creek project in 2017 will deliver a robust development opportunity.

The Company continues to receive strong support from its shareholders, and in 2016, PNX completed a number of successful fundraisings to new professional investors as well as to existing shareholders. The Company also raised \$1.6 million in June 2016 under novel metal streaming and royalty agreements with two investors. The forward sale, at this early stage, of a small amount of the total silver that we believe may be produced from the Hayes Creek Project is an important step and allows PNX to continue to execute on its development strategy by providing funds to complete the technical components of the PFS without diluting shareholders.

In the near term our priority will continue to be the advancement of Hayes Creek towards development; however, we are also pursuing gold and base metals exploration programs in the Pine Creek region of the Northern Territory with the aim of diversifying our opportunities. To this end, a number of high quality gold and base metals targets have been generated and are being drill tested at our Burnside, Moline and Chessman projects.

In closing, I would like to take this opportunity to express my thanks to my fellow directors, management and staff for their dedication and work during the past 12 months. We are committed to progressing the Company and advancing our flagship Hayes Creek project towards development for the benefit of all shareholders.

I also take this opportunity to thank all shareholders for your continued support of PNX and we look forward to providing further updates as our activities advance in 2017.

Graham Ascough
Chairman
PNX Metals Limited