

Quarterly Activities Report

June 2017



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ASX: PNX

Issued Capital as at 31/07/17:
741,055,537

Board & Management:

Non Exec Chairman: Graham Ascough
Non Exec Director: Paul J Dowd
Non Exec Director: Peter J Watson
Non Exec Director: David Hillier
MD/CEO: James Fox
CFO/Co Secretary: Tim Moran

Top Shareholders as at 31/07/17:

BNP Paribas Nominees Pty Ltd 9.64%
Marilei International Limited 7.98%
Potezna Gromadka Limited 7.96%
Sochrastem SA 6.82%

Share Registry:

Computershare
Investor Services Pty Ltd
Level 5 115 Grenfell Street
Adelaide South Australia 5000
Phone: 1300 305 232
(within Australia)
+61 3 9415 4657
(outside Australia)

Hayes Creek Pre-Feasibility Study (PFS) Completed

- The PFS confirms the potential for the Hayes Creek Project to become a low-cost, high-margin Australian zinc and precious metals mine (see ASX release 12 July 2017).
- Net smelter revenues of \$628 million are forecast over a 6.5 year mine life, resulting in a pre-tax NPV_{10%} of \$133 million, an IRR of 73%, and a relatively short 15 month pay-back period.
- Low up-front capital of \$58 million is required to construct the 450,000tpa sulphide flotation processing plant and associated infrastructure to produce annually in concentrates 18,300t zinc, 14,700 oz gold, and 1.4M oz silver, or a combined total of 39,100t zinc equivalent.
- A Definitive Feasibility Study over the Project has commenced.

Corporate

- \$1.4 million cash on hand at 30 June 2017.
- The Company's 51% interest in the Burnside, Moline and Chessman tenements was registered. PNX is proceeding under its farm-in agreement with Newmarket Gold NT Holdings Pty Ltd toward earning a 90% interest in these tenements.

Planned Activities: September 2017 Quarter:

Definitive Feasibility Study (DFS) - Hayes Creek

- Studies related to the Environmental Impact Statement (EIS) have commenced and will continue.
- Notice of Intent (NOI) and Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) referral to be submitted.
- Drill program planning for the Mt Bonnie and Iron Blow deposits for mine planning, hydrology, and waste characterisation purposes.
- Finalisation of access to the Fountain Head mineral leases.

Regional Exploration (targets for pure gold opportunities and additional base metals for Hayes Creek)

- Completion of follow up drilling at Moline (see ASX release 17 July 2017) to extend existing mineralisation and test new soil anomalies identified by PNX fieldwork.
- Drilling at Cookies Corner (Burnside) where historic drilling, a strong 1km long gold-in-soils anomaly, and historic rock chip assays (up to 29.3 g/t gold) highlight the potential for a large, near-surface gold mineralised system.
- Ground geophysical testing of selected geochemical anomalies to identify new regional gold and base metals drill targets.

Northern Territory Project Development

Hayes Creek Zinc and Precious Metals Project

As announced on 12 July 2017, PNX has completed a PFS over its Hayes Creek Project (Project), which confirmed the Project to be a high value, relatively low risk and technically strong development opportunity for the Company. The Project contains the Iron Blow and Mt Bonnie Zn-Au-Ag deposits, which are located less than 3km apart on wholly owned Mineral Leases within the Pine Creek region of the Northern Territory, 170km south of Darwin (Figures 1 and 2)¹.

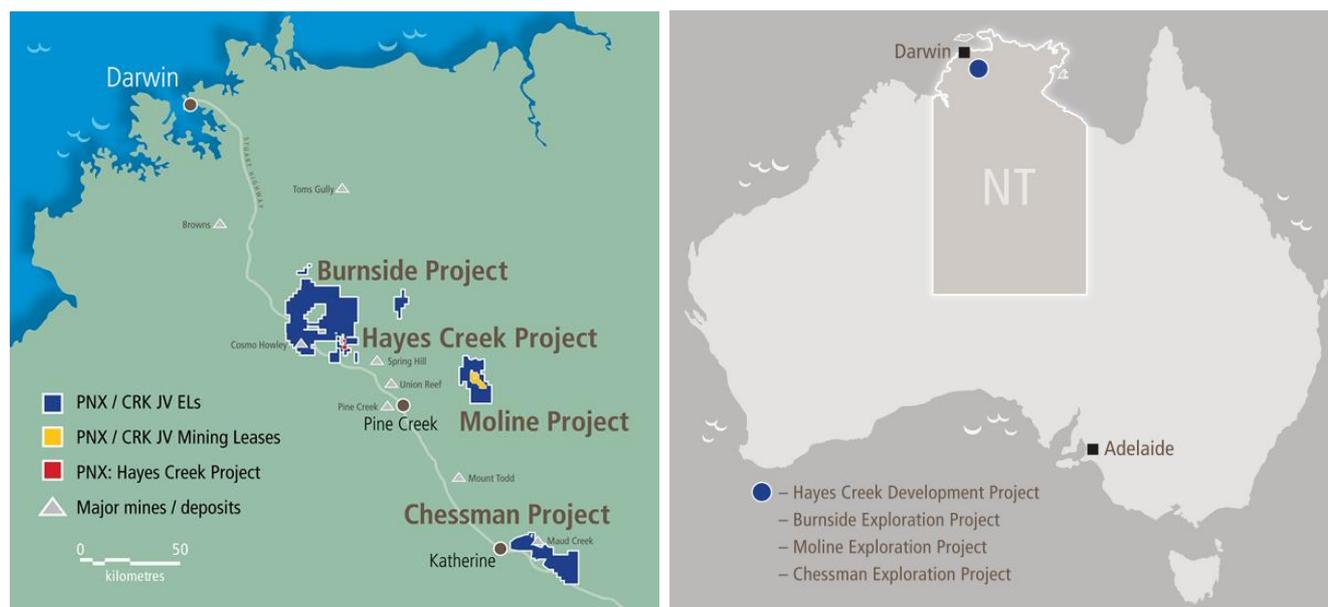


Figure 1: NT Project locations

The PFS forecasts the Project to generate an NPV_{10%} of \$133 million, based on net smelter revenue from the sale of zinc and precious metals concentrates of \$628 million over a 6.5 year mine life. With a low \$58 million of initial capital expenditure, the Project is forecast to have a 73% internal rate of return and pay-back period of just 15 months.

The proposed development at Hayes Creek is based on a steady state 450,000tpa processing rate with ore sourced from initial open pit mining operations at Mt Bonnie and subsequent underground mining operations at Iron Blow. In total, approximately 3 million tonnes of ore are forecast to be processed over a 6.5 year mine life of which 98% is classified as Indicated Mineral Resources and only 2% as Inferred.

The PFS assumes construction of a purpose built processing plant with crushing, grinding, and flotation circuits to generate two valuable product streams, a zinc concentrate and a precious metals concentrate. The concentrates will be trucked to the Port of Darwin and then shipped to international markets for sale and smelting and refining.

The Project is located in a favourable mining jurisdiction where the development scenario considers and utilises existing infrastructure that includes rail, road, high voltage power lines and water, further enhancing Project fundamentals and lowering development risks.

Given the positive outcomes of the PFS, the PNX Board has resolved to proceed with a DFS, the completion of which will be subject to required funding. In the meantime, baseline studies relating to long lead-time items relating to the environmental approvals process are underway. The Company is evaluating a number of options in

¹ See PNX ASX release 18/08/14 for further details of acquisition agreement, including Newmarket option, in certain circumstances, to clawback up to 30% of the Project for 3x PNX spend upon completion of a feasibility study

connection with funding of the DFS which is anticipated to take approximately 12 months to complete, and is expected to provide increased confidence in all aspects of the Project. The DFS will investigate opportunities to further improve overall Project economics increasing the prospect of favourable development finance terms and structure.



Figure 2: Mt Bonnie deposit aerial view (2011) looking east showing low grade stockpile in the foreground, historic open-pit centre, and water storage dam at the back of view

Environment and Approvals

Detailed scopes of work were developed and proposals have now been received from the various specialists for the technical studies required to deliver the EIS. The scopes of work have been developed based on the current understanding of the Project environment and NT Environmental Protection Authority's (NT EPA) requirements. The proposed studies are required to understand the issues and opportunities relating to the Project, to clarify design implications relating to materials handling, waste storage and construction, and to provide the NT EPA with confidence that the environmental risks are well understood and PNX have appropriate management strategies in place.

A Flora and Fauna survey was completed during the quarter over the Hayes Creek Project area with the results of the survey summarised in the PFS and for incorporation in the EPBC Act referral.

Additional studies required for incorporation into the EIS will include:

- Hydrology
- Geochemistry
- Flora and fauna
- Cultural heritage
- Air quality
- Noise and vibration
- Mine closure
- Socio-economic

Northern Territory Regional Exploration: Burnside, Moline & Chessman Projects

The Burnside, Moline and Chessman Projects form part of PNX's farm-in agreement with Newmarket Gold NT Holdings Pty Ltd (Newmarket), a subsidiary of TSX-listed Kirkland Lake Gold Inc. (TSX:KL). PNX currently holds a 51% interest (excluding uranium) in these Project areas, which consist of 19 Exploration Licences and 4 Mineral Leases covering approximately 1,700km² in the Pine Creek region of the Northern Territory (Figure 1).

PNX has proceeded to the second stage of the farm-in to earn a 90% interest (excluding uranium) in the tenements with expenditure of a further \$2 million by 15 December 2018. Approximately \$1 million had been spent toward the \$2 million as at 30 June 2017.

PNX's aim, through near-mine and regional exploration, is to delineate additional high-value gold and/or base metals deposits which can be treated through the proposed Hayes Creek processing plant, or through existing free-gold milling infrastructure in the region.

A 15 hole reverse circulation (RC) drill program commenced at the Moline Project subsequent to the end of the quarter to test three highly prospective targets that returned excellent intersections of gold and base metals mineralisation during drilling by PNX in 2016. The drill program is expected to be completed by the end of July, with assay results available shortly thereafter. The Moline Project (MLN1059) is located less than 1.5km from the Kakadu Highway, and approximately 65km to the east of the Hayes Creek Project.

PNX is also finalising approvals to drill 15 RC holes at the Cookies Corner prospect (Burnside Project) with drilling expected to commence in mid-August. Previous historic drilling at this prospect, a strong 1km long gold-in-soils anomaly, and historic rock chip assays (up to 29.3 g/t gold) highlight the potential for a large, near-surface gold mineralised system. Cookies Corner is located only 40km to the north-west of the Hayes Creek Project and is situated in a highly prospective structural zone where two of the most mineralised structures in the Pine Creek region converge - the Howley Anticline and Pine Creek Shear Zone (see ASX release 15 June for further details).

South Australia Exploration

Yorke Peninsula & Adelaide Geosyncline Projects

No on-ground exploration activities were undertaken during the quarter on the Company's Yorke Peninsula or Adelaide Geosyncline exploration tenements. The tenements remain in good standing.

PNX has granted an option to Ausmex Mining Group Limited (ASX: AMG) which if exercised will result in the commencement of a farm-in and joint venture agreement whereby AMG can earn up to 90% over two stages in PNX's Exploration Licences in and around the Burra area of South Australia.

Financial & Corporate

Cash on hand at 30 June 2017 was \$1.43 million. During the quarter, the Company received \$0.16 million from its Research & Development claim for the 2016 tax year. Expenditure during the quarter related primarily to finalisation of the Hayes Creek Project PFS (\$0.5 million).

Capital Structure

At 30 June 2017, the Company had on issue 741,055,537 fully paid ordinary shares, 65,450,000 unquoted options and 11,410,000 performance rights. During the quarter 3.4 million shares were issued to settle 6 monthly interest on convertible notes and a loan.

James Fox

Managing Director & CEO

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TENEMENTS

Northern Territory

Tenement	Name	Holder	Area Hectare
ML30512	Mt Bonnie	PNX Metals Ltd 100%	6.4
ML30589	Mt Bonnie	PNX Metals Ltd 100%	31.6
MLN1033	Mt Bonnie	PNX Metals Ltd 100%	4.8
MLN1039	Mt Bonnie	PNX Metals Ltd 100%	1.2
MLN214	Iron Blow	PNX Metals Ltd 100%	6.3
MLN341	Iron Blow	PNX Metals Ltd 100%	14.9
MLN342	Mt Bonnie	PNX Metals Ltd 100%	13.7
MLN343	Iron Blow	PNX Metals Ltd 100%	14.9
MLN346	Mt Bonnie	PNX Metals Ltd 100%	16.0
MLN349	Iron Blow	PNX Metals Ltd 100%	15.0
MLN405	Mt Bonnie	PNX Metals Ltd 100%	12.0
MLN459	Mt Bonnie	PNX Metals Ltd 100%	15.0
MLN811	Mt Bonnie	PNX Metals Ltd 100%	8.1
MLN816	Mt Bonnie	PNX Metals Ltd 100%	8.1
Total Hayes Creek			168.0
MLN794	Fishers-1	PNX Metals Ltd 100%	8.1
MLN795	Fishers-2	PNX Metals Ltd 100%	8.1
ML30936	Good Shepherd	PNX Metals Ltd 100%	106
Total Mineral Leases			290.2
EL31099	Bridge Creek	PNX Metals Ltd 100%	60.2km ²

Northern Territory - Farm-in Tenements*

Tenement	Name	Holder	(Area sq km)
Burnside Project			
EL10012	Mt Ringwood	PNX Metals Limited 51%, Newmarket 49%	14.9
EL10347	Golden Dyke	PNX Metals Limited 51%, Newmarket 49%	10.0
EL23431	Thunderball	PNX Metals Limited 51%, Newmarket 49%	13.4
EL23536	Brocks Creek	PNX Metals Limited 51%, Newmarket 49%	70.4
EL23540	Jenkins	PNX Metals Limited 51%, Newmarket 49%	16.7
EL23541	Cosmo North	PNX Metals Limited 51%, Newmarket 49%	3.3
EL24018	Hayes Creek	PNX Metals Limited 51%, Newmarket 49%	23.4
EL24051	Margaret River	PNX Metals Limited 51%, Newmarket 49%	86.9
EL24058	Yam Creek	PNX Metals Limited 51%, Newmarket 49%	3.3
EL24351	McCallum Creek	PNX Metals Limited 51%, Newmarket 49%	30.1
EL24405	Yam Creek	PNX Metals Limited 51%, Newmarket 49%	4.1
EL24409	Brocks Creek South	PNX Metals Limited 51%, Newmarket 49%	22.1
EL24715	Mt Masson	PNX Metals Limited 51%, Newmarket 49%	56.8

EL25295	Margaret Diggings	PNX Metals Limited 51%, Newmarket 49%	10.0
EL25748	Burnside	PNX Metals Limited 51%, Newmarket 49%	643.1
EL9608	Mt Bonnie	PNX Metals Limited 51%, Newmarket 49%	10.0
Chessman Project			
Tenement	Name		
EL25054	Maud	PNX Metals Limited 51%, Newmarket 49%	64.0
EL28902	Maud	PNX Metals Limited 51%, Newmarket 49%	288.2
ML30293	Chessman	PNX Metals Limited 51%, Newmarket 49%	1.1
Moline Project			
Tenement	Name		
EL28616	Moline	PNX Metals Limited 51%, Newmarket 49%	262.5
ML24173	Moline	PNX Metals Limited 51%, Newmarket 49%	31.3
MLN1059	Moline	PNX Metals Limited 51%, Newmarket 49%	4.2
MLN41	Mt Evelyn	PNX Metals Limited 51%, Newmarket 49%	0.1
			1669.9

*PNX has elected to proceed with the farm-in (under an agreement with Newmarket Gold NT Holdings Pty Ltd) toward earning a 90% interest in all tenements.

South Australia

Exploration Licences	Name	Holder	(Area sq. km)
Adelaide Geosyncline			
EL5382	Burra Central	PNX Metals Ltd 100%	84
EL5874	Burra West	PNX Metals Ltd 100%	69
EL4970	Burra North	PNX Metals Ltd 100%	300
EL5411	Mongolata	PNX Metals Ltd 100%	60
EL4809	Princess Royal	PNX Metals Ltd 100%	314
EL5473	Bagot Well	PNX Metals Ltd 100%	71
EL5910	Spalding	PNX Metals Ltd 100%	157
EL5557	Washpool	PNX Metals Ltd 100%	135
			1,190
Yorke Peninsula			
ELA281/12	Minlaton	Wellington Exploration Pty Ltd 100%	547
EL5491	Koolywurtie	PNX Metals Ltd 100%	255
EL4983	Weaver Hill	PNX Metals Ltd 100%	104
EL5196	Coonarie	PNX Metals Ltd 100%	254
			1,160