

\$0.8 Million Secured from Additional Forward Sale of Silver

- Pursuant to the June 2016 silver forward sales transaction undertaken by PNX, the two options for a second silver tranche have been exercised
- The exercised options are for an aggregate of 112,000oz silver to be produced from the Hayes Creek project for which a further \$0.8 million upfront payment to PNX are to be received
- Total forward sales of Silver are now 336,000oz deliverable over the first three years of production from the Project
- Deliveries will equate to less than 8.5% of the estimated silver production over that period, and less than 4% over the life of mine as per the recently published Hayes Creek PFS
- Funds will be used for ongoing cost effective regional exploration and to advance the Environmental and Government approvals process

PNX Metals Limited (**ASX: PNX**) is pleased to advise that existing Silver Stream Investors Potezna Gromadka Ltd and Societe Civile ESA (collectively, 'Investors') have elected to exercise their options to each acquire a further 56,000oz silver to be produced from the Hayes Creek Project ('Project' or 'Hayes Creek') for an upfront payment of \$0.4 million each.

Under the existing Silver Streaming and Royalty Agreements ('Agreements') entered into with the two parties (refer ASX release 8 June 16 for full terms), each party had the option to purchase an additional 56,000 troy ounces of silver within 3 months of the completion of a pre-feasibility study over the Project.

Together the Agreements require PNX to deliver 168,000 troy ounces of silver to each party over a 3 year period once commissioning and ramp up at Hayes Creek is complete. In the event the Project is not developed the forward payments will be converted into shares of PNX.

Managing Director Comment

PNX Managing Director James Fox said *"This further increase in commitment to the Hayes Creek Project underscores the financial viability demonstrated through the recently announced PFS results (see ASX release 12 July 2017). The simple and non-equity dilutive funding allows for advancing the Environmental and Government approvals and ongoing exploration."*

Key Terms of Agreement

The key terms of the Metal Stream Agreement are as follows as originally announced to ASX on 8 June 2016:

- PNX originally completed a forward sale of 224,000 troy ounces of silver for \$1.6 million paid in cash
- Silver is to be delivered at a rate of 28,000oz per quarter (112,000oz per year) for 2 years once commissioning and ramp up of the Project is complete

- The Investors have now exercised their option to acquire a further 112,000oz deliverable over the third full year of production post the Project commissioning and ramp periods up at the same quarterly delivery rate
- Each Investor will pay \$0.4 million as the purchase price for this additional silver
- Once the Metal stream is completed a total Net Smelter Royalty (NSR) over the gold and silver produced from the Project of 0.72% is to be payable to the Investors for a 5 year period
- The NSR can be bought back by PNX prior to the production commencing for \$1.2 million; and
- If production from the Project does not commence by 7 June 2021 (within 5 years of the Agreement) the forward payments made totalling \$2.4 million would convert to fully paid ordinary shares in PNX at the 30 day VWAP. If shareholder approval is required but not granted then the deposit to be repaid in cash) and a 5 year NSR royalty over gold and silver of 0.72% is to be granted over the Company's Hayes Creek tenements.

Background to the Hayes Creek Project

PNX recently completed a Preliminary Feasibility Study (PFS) over the Project which confirmed the Project as a promising future low-cost, high-margin zinc and precious metals mine (see ASX release 12 July 2017).

The PFS was based on the Iron Blow and Mt Bonnie Zn-Au-Ag deposits in the Project area, 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 (Figure 1).

The PFS forecasts the Project to generate an NPV₁₀ 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 initial capital expenditure requirement, the Project is forecast to have a 73% IRR, and very short pay-back period of 15 months.

Hayes Creek 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.

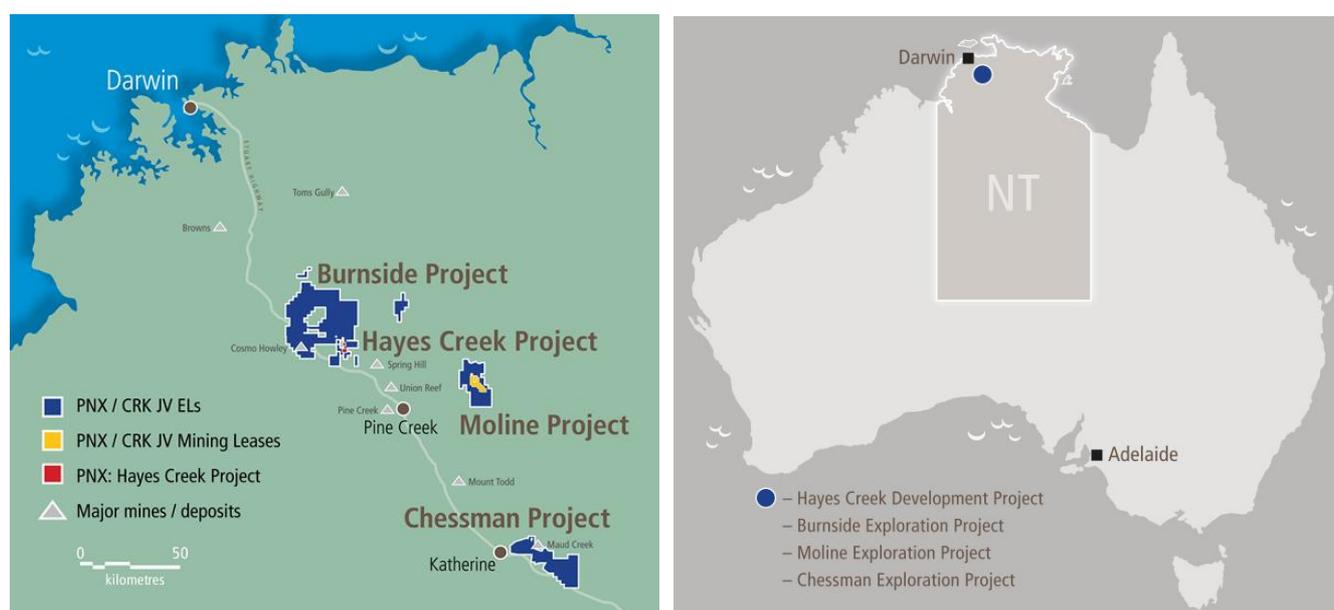


Figure 1: NT Project Locations

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For further information please visit the Company's website www.pnxmetals.com.au or contact:

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