

Acquisition of Kilfoyle Project, Northern Territory

PNX has entered into a binding term sheet to acquire a 90% interest in a new exploration project, Kilfoyle, 80km to the west of PNX's zinc-gold-silver Hayes Creek Project

- **Kilfoyle area is highly prospective for a range of commodities:**
 - **Zinc-lead-silver – high-grade VMS deposits situated immediately to the south of the project area**
 - **Lithium – surface sampling along a consistent 4km trend has returned high values of Li₂O (up to 7.25%)**
 - **Nickel-copper-cobalt – elevated Ni-Cu-Co in soils coincident with favourable host rocks for nickel-cobalt sulphide mineralisation**
 - **Gold – surface rock chip sampling returned high gold values (up to 23.1 g/t Au)**
- **Ground-based fieldwork to commence immediately**

Drilling also set to commence at Fountain Head (Hayes Creek), following up historic high-grade gold intersections that remain open:

- **26m @ 17.0 g/t Au from 139m (THRC069)**
- **7m @ 9.3 g/t Au from 144m (THRC079)**

PNX Metals Limited (**ASX: PNX**) is pleased to announce that it has signed a binding term sheet ('**Agreement**') to acquire via farm-in, a 90% interest in three exploration licenses (ELs) in the Litchfield area of the Northern Territory (Kilfoyle Project) located 130km SSW of Darwin, and less than 80km to the west of PNX's zinc-gold-silver Hayes Creek Project.

The Kilfoyle exploration project (Figure 1) is an excellent strategic fit with, and complements PNX's growing NT landholding which will cover approximately 1,950 km² in one of Australia's most prospective yet underexplored mineral provinces.

The Kilfoyle project is considered to be highly prospective for:

- **Zinc-Lead-Silver:** The Project area encompasses the northern extension of the Daly River mineral field, host to several zinc-rich VMS, and copper deposits and contains untested geochemical and geophysical anomalies in favourable host stratigraphy.
- **Lithium:** Previous sampling within the Goosewing pegmatite trend has reported numerous high-grade lithium assays of up to 7.25% Li₂O, and lepidolite-rich rocks assaying up to 2.39% Li₂Oⁱ. The Goosewing trend hosts multiple historic tin and tantalum pegmatite workings along its 4km strike and

exhibits strong similarities to the Lithium-rich Bynoe pegmatite field located to the north. The area has seen little exploration.

- **Nickel-Copper-Cobalt (+/-PGE):** The Woolianna Gabbro, a favourable host for nickel sulphide mineralisation outcrops on the Project, and the tectonic setting is analogous to the Savannah nickel-copper-cobalt deposit to the southwest. Soil sampling data highlights a consistent trend of anomalous Ni-Cu-Co-PGE coincident with the gabbro and its possible extension undercover. There has been no drilling in the area to date.
- **Gold:** High grade gold (3.1 g/t Au and 23.1 g/t Auⁱⁱ) was returned from surface rock chip samples of epithermal quartz veins. These results have not been fully assessed.

Structurally, Kilfoyle is located at the domain boundary between the Litchfield Province and the Central Domain of the Pine Creek Orogen. The Giants Reef Fault, a major crustal structure extending from the Halls Creek Mobile Zone, has formed on this boundary and transects the eastern portion of the Project. Regionally the Giants Reef Fault is spatially associated with numerous significant deposits including the Savannah Ni-Cu-Co mine, the Argyle diamond mine, the Browns Pb-Cu-Co-Ni deposit, and the Woodcutters Zn-Pb mine (Figure 2).

Exploration Program

Fieldwork at Kilfoyle is to commence immediately, and will include:

- Ground truthing including field mapping, soil and rock-chip sampling across a range of existing targets;
- A detailed airborne EM survey to be flown over the Woolianna Gabbro and northern extension of the Daly River mineral field to detect massive sulphide accumulations; and
- A combined RC and diamond drilling program to investigate the Ni-Cu-Co (+/- PGE) mineralisation and Zn-Pb-Ag VMS potential.

Managing Director Comment

PNX Managing Director James Fox said:

“We are pleased to have secured this highly prospective exploration tenure within trucking distance of our Hayes Creek Zn-Au-Ag development project. The variety of opportunities presented, both in terms of commodities that can enhance our existing development plans at Hayes Creek, as well as the potential for important battery minerals such as lithium and nickel-cobalt, are significant. Ground based exploration is to commence immediately with airborne geophysics to assist with targeting massive sulphide mineralisation through RC and Diamond drilling planned thereafter.”

Key terms of the Agreement:

PNX has the right to earn a 90% interest in Exploration Licences 29731, 28462 and 30521 by spending \$1,200,000 on in-ground or on-ground exploration activities by May 2021 and through an up-front payment of \$50K in cash. PNX may withdraw at any time but must ensure minimum annual expenditure commitments (being a total of \$60,500 for 2018) are met and the tenements are maintained in good standing.

After PNX has earned a 90% interest in the tenements an unincorporated contractual joint venture will be formed where the vendor will be free carried until a decision to mine. Thereafter the vendor must either contribute 10% of the costs of the joint venture activities or its 10% interest will convert to a 2% net smelter return royalty over minerals produced from the tenements.

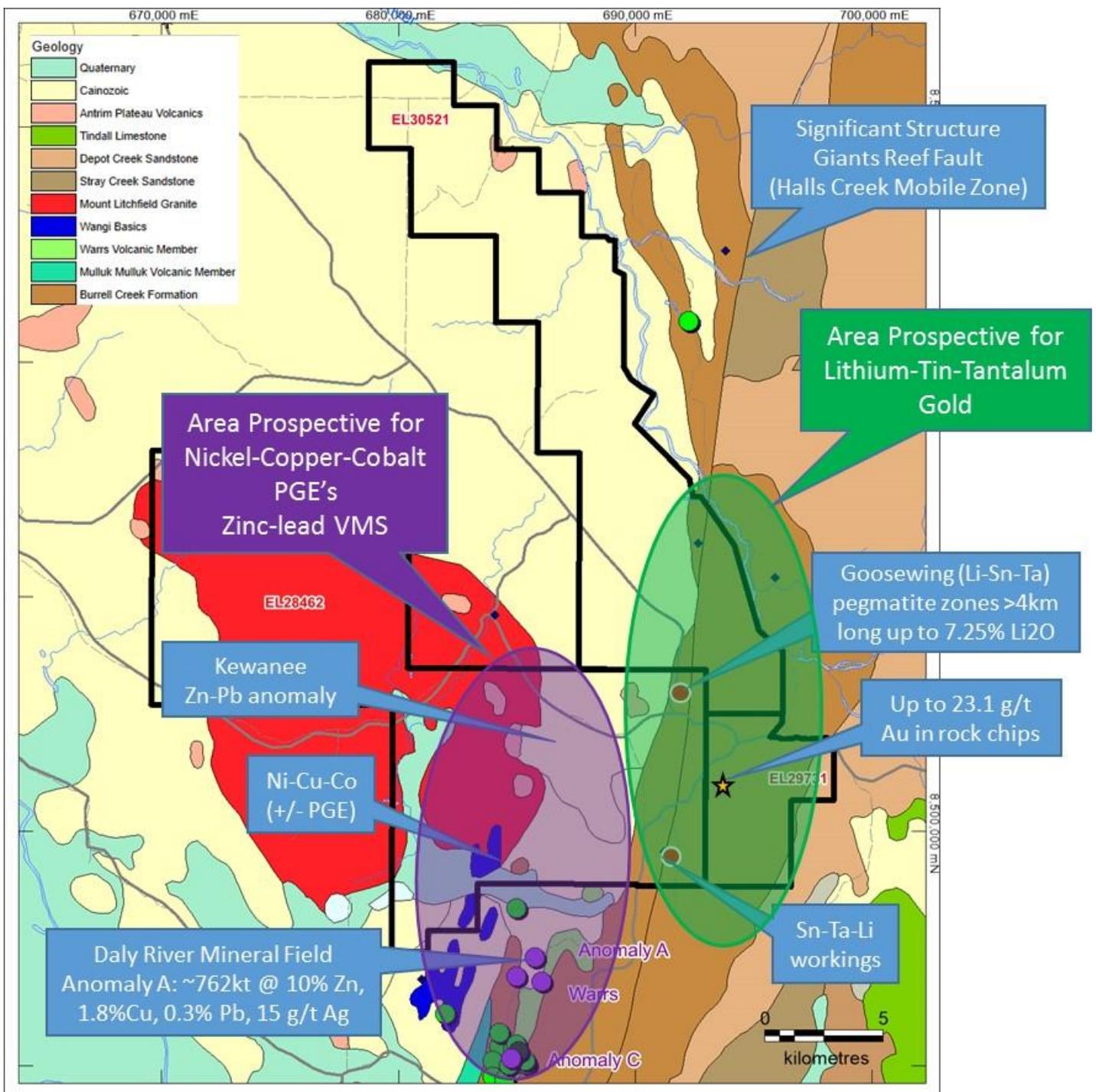


Figure 1: Kilfoyle Project – Showing Prospective Areas and zones of interest. Green dots = copper deposits, Purple = VMS, Red = Lithium-Tin-Tantalum, Star = gold

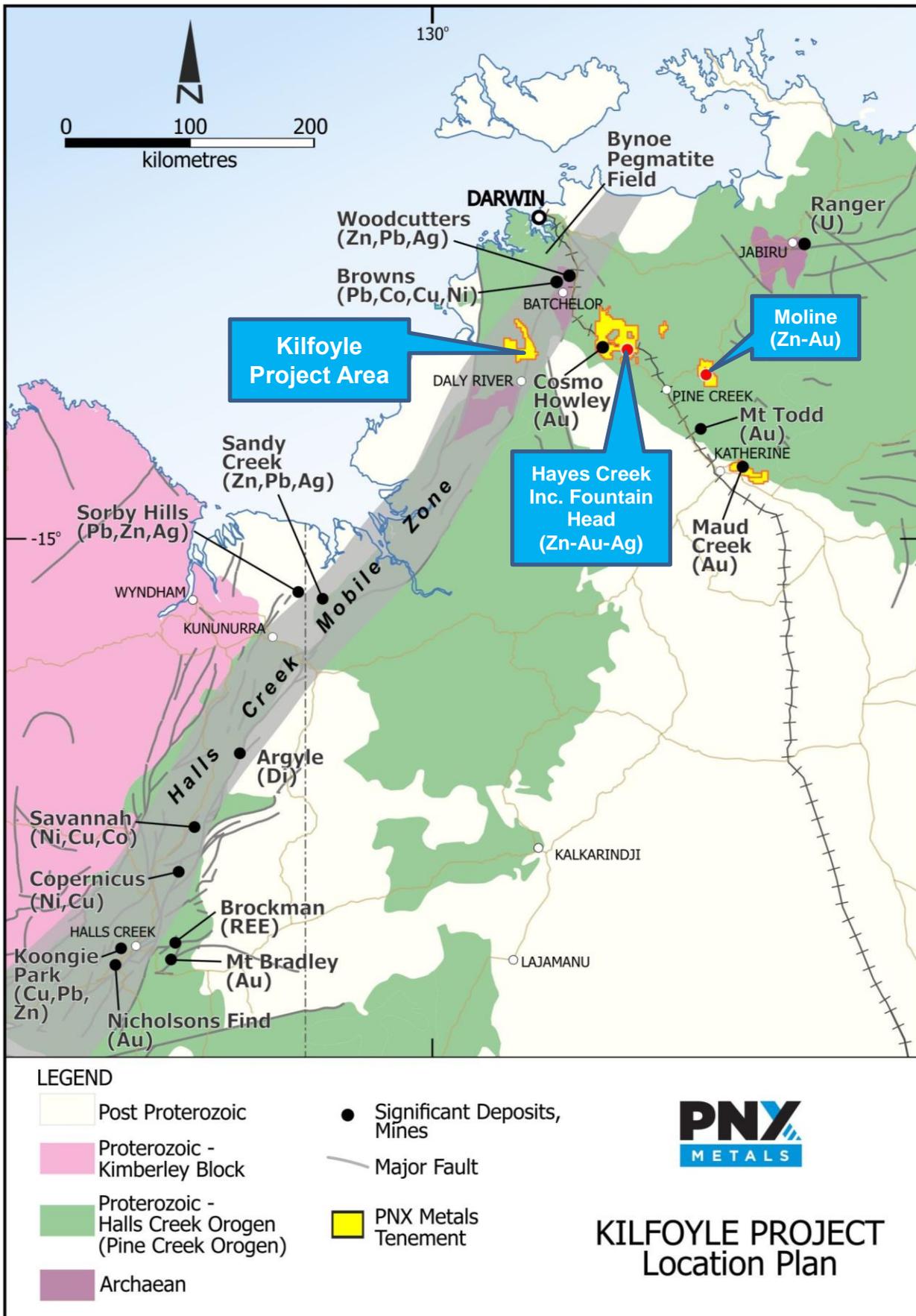


Figure 2: NT Project locations

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

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ⁱ Monax Mining Ltd 2016

ⁱⁱ Troy Resources 2006