New Hayes Creek drilling program underway

- New diamond drilling at Iron Blow has commenced, targeting the eastern and western massive sulphide zones
- Fountain Head gold mineralisation model being finalised, along with structural interpretation to assist with generating a Mineral Resource estimate
- Studies underway to inform the Hayes Creek DFS including those required for the Government and environmental approvals

PNX Metals Limited (ASX: PNX) (“PNX”) is pleased to advise that it has commenced diamond drilling at the Iron Blow VMS deposit which along with the Mt Bonnie VMS deposit, and the Fountain Head gold prospect collectively comprise the Hayes Creek zinc-gold-silver project (“Hayes Creek”) in the Pine Creek region of the Northern Territory.

Two diamond drill holes are planned for approximately 500 metres at Iron Blow (Figure 1) to provide:
- Representative samples of the eastern and western massive sulphide lodes to finalise Definitive Feasibility Study (DFS) level metallurgical flotation testwork for offtake and marketing purposes, and
- Additional geotechnical information and assay data relating to stope design and scheduling for the proposed underground development

Drilling is expected to take up to three weeks with assays available thereafter once all technical information has been collected from the core.

Hayes Creek DFS update

The DFS on the Hayes Creek Project has re-commenced, following the successful completion of a Pre-Feasibility Study (PFS) in July 2017 which confirmed the Hayes Creek Project to be a promising future low-cost, high margin zinc and precious metal mine that could create significant value for the Company’s shareholders. The DFS is expected to provide increased confidence in all aspects of the Hayes Creek Project as well as investigate opportunities to improve mine life and overall project economics thereby increasing the prospect of favourable development finance terms and structure. Activities include:
- Environment Protection and Biodiversity Conservation (EPBC) referral of the development of the Hayes Creek project, lodged in February 2019, and completion of the public consultation period. The Company is awaiting feedback
- Progression of Environmental Impact Statement (EIS) related studies and addressing feedback from the NT DPIR on the Notice of Intent (NOI) lodged in August 2018
- A site visit with the NT EPA and DPIR occurred on the 14th of March to assist with the EIS, in particular relating to the large historical disturbance and minimal footprint within the granted MLs proposed by the Hayes Creek project
- Additional assays are being completed for a new Mt Bonnie updated mineral resource estimate, due in late April

**Fountain Head gold prospect update**

Modelling of the newly delineated gold mineralisation identified by PNX in its recent drill programs is being finalised. The relative values of mining the gold mineralisation versus using the historic open pits as the (in-pit) tails location for the Hayes Creek project is currently being assessed, and whether the two strategies might be combined.

Separately, CSA Global is finalising a structural model that will help understand controls around the gold mineralisation at Fountain Head, Tally Ho and Banner for future drill targeting and mineral resource estimation.

**Managing Director Comment**

*PNX Managing Director James Fox said:* “We are very pleased to have resumed drilling at Hayes Creek. This drilling together with progressing Project approvals and assessment of new gold mineralisation at Fountain Head, is critical path work for the company at present. We look forward to advancing the DFS and continuing to demonstrate that Hayes Creek is a technically, environmentally and financially viable project.”

**Figure 1:** Iron Blow drill planned strings (Holes #1 & 2) with underground stope design (green) and proposed decline looking toward the west
NT Project Development - Hayes Creek Zinc and Precious Metals Project

The Hayes Creek Project is comprised of the Iron Blow and Mt Bonnie zinc-gold-silver deposits, and the Fountain Head gold prospect, located less than 3km apart on wholly owned Mineral Leases within the Pine Creek region of the Northern Territory, 170km south of Darwin (Figure 2).

In July 2018, the agreement with Newmarket to acquire four mineral leases at Fountain Head was completed, thereby securing the preferred site for the Project’s proposed processing plant and tailings facility.\(^1\)

During the 2018 field season there was a renewed focus on regional exploration and as such the DFS progression was limited to studies relating to the NOI, EIS and ongoing metallurgical flotation test work. With increased investor interest in the project, in particular from new sophisticated investors the DFS has re-commenced. The longest lead-time items still relate to environmental and regulatory approvals with the submission of the EIS proposed for mid-2019. These approvals and finalisation of the DFS are expected to take until at least the first quarter of 2020, subject to any unplanned delays.

The PFS forecast that the Hayes Creek Project would generate an NPV\(_{10}\) of $133 million, is based on net smelter revenue from the sale of zinc and precious metals concentrates of $628 million (based on consensus views as to future metals prices and exchange rates) over a 6.5 year mine life through annual production of 18,200t zinc, 14,700oz gold, and 1.4Moz silver (39,100t of zinc equivalent). With a low estimated $58 million initial capital expenditure requirement, the Project is forecast to have a 73% IRR, and very short pay-back period of 15 months.\(^2\)

The Hayes Creek 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.

For further information please visit the Company’s website [www.pnxmetals.com.au](http://www.pnxmetals.com.au) or contact us:

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\(^1\) Refer ASX announcement 31 January 2018 for further detail  
\(^2\) Refer ASX announcement 12 July 2017 for full details. The material assumptions underpinning the production targets, and the forecast financial information derived from the production targets, continue to apply and have not materially changed.