

Quarterly Activities Report March 2019



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ASX: PNX

Issued Capital as at 30/04/19:
1,522,055,020

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: Angelo Gaudio

Top Shareholders as at 30/04/19:

Delphi Unternehmensberatung	18.5%
Marilei International Limited	10.3%
BNP Paribas Nominees	6.5%
Sochrastem SA	6.2%
Potezna Gromadka Limited	5.9%

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)

Quarterly Highlights:

NT Regional Exploration (Pine Creek region, in vicinity of Hayes Creek Project)

Completion of diamond drilling at Hayes Creek – Iron Blow deposit

- Drilling at Iron Blow completed comprising two diamond holes has intersected thick intervals of massive sulphide mineralisation as predicted by the geological model (see ASX release 20 March 2019). First assays are due shortly
- Modelling of the Fountain Head and Tally Ho mineralisation is ongoing with a structural assessment completed and being used to assist with resource estimation
- Successful metallurgical testwork at Hayes Creek identifies new processing route to materially increase gold and silver recoveries (*reported subsequent to quarter end, ASX release 10 April 2019*)

Corporate

- \$1.06 million cash on hand at 31 March 2019
- Subsequent to quarter end, capital raising to fund the Definitive Feasibility Study at Hayes Creek via underwritten non renounceable three (3) for five (5) rights issue to raise up to approximately \$5.48 million before costs (*ASX release 18 April 2019*)

Activity during the Quarter

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, 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).

In July 2018, the agreement with Newmarket NT Holdings (a subsidiary of Kirkland Lake Gold) to acquire four mineral leases at Fountain Head was completed, thereby securing the preferred site for the Project's proposed processing plant and tailings facility¹.

A Definitive Feasibility Study (DFS) is currently underway on the Hayes Creek Project, 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

¹ Refer ASX announcement 31 January 2018 for further detail

Project as well as investigate opportunities to improve overall project economics thereby increasing the prospect of favourable development finance terms and structure.

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 Notice of Intent (NOI), Environmental Impact Statement (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 for the Hayes Creek project 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 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.

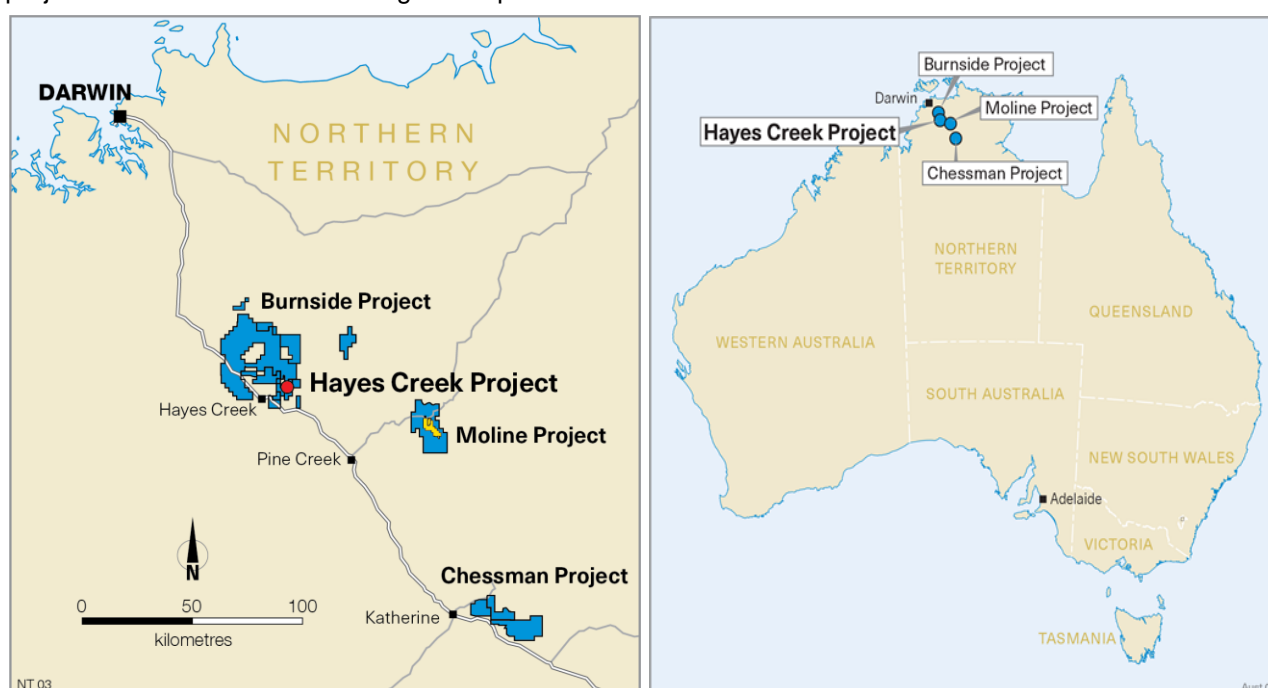


Figure 1: NT Project locations

Hayes Creek Project Development

A revised Schedule and Budget was developed with planned completion of the DFS during Q1 2020.

The proposed metallurgical program developed by BHM Process Consultants has been updated and the Scope of Works and outcomes have been agreed with GR Engineering Services which will be undertaking the DFS Engineering and report delivery. Test work will recommence when samples from the recent Iron Blow drilling become available.

A NOI was submitted to the Northern Territory Environment Protection Authority (EPA) in August 2018. The NOI is the first step in the environmental approval process in the Northern Territory and provides a description of the project including the options that have or are being considered together with a background environmental description. As expected, the EPA has determined that the appropriate level of assessment of the project should be an EIS. Terms of Reference have been developed by the EPA which will be provided to PNX once feedback from the Commonwealth on the Environment Protection and Biodiversity Conservation Act (EPBC) referral (see below).

Geochemical and Hydrological Studies

A project referral was submitted to the Commonwealth Department of Environment and Energy in accordance with the EPBC. The referral was released for public comment for a period of two weeks during March 2019. The referral is currently being reviewed by the department to determine if the project will require approval by the Commonwealth. Feedback is expected to be received shortly.

During the quarter technical studies to support the EIS continued with completion of an aquatic survey during the quarter. Column leach tests utilising waste rock collected during drilling have continued to collect water quality data which will be used in modelling of groundwater both during and post completion of mining.

Metallurgy and Process Design

Innovative leaching test work on Iron Blow tailings stream indicates potential for the recovery of approximately 13koz of gold and 1Moz of silver that would otherwise be lost to tails (*see ASX release 10 April 2019*). This test work will be advanced as part of the DFS and has the potential to increase the already robust economics of the Hayes Creek project demonstrated by the 2017 PFS. Modelling of additional deleterious elements including Al, As, Ca, Fe, Mg, and Si, to be incorporated in the Iron Blow resource model has also been completed. This information will now be used to develop a more representative geo-metallurgical and mining model where the production output will also include potential deleterious elements as well as the payables.

Two diamond holes were completed at Iron Blow during the quarter, with one testing the eastern lode and the second testing the western lode in order to obtain the required mass of samples for larger-scale milling and a number of locked cycle flotation tests essential for the DFS (Table 1 and Figure 2). A third hole was abandoned part way through drilling due to it deviating from its target zone.

The drill core is in the process of being logged and sampled. Samples will be assayed for base metals and gold mineralisation and half core will be sent for metallurgical test work as part of the Hayes Creek DFS. Initial assays are due shortly.

Hole ID	Purpose	Drill Method	Depth Drilled	Easting (GDA94, z52) (m)	Northing (GDA94, z52) (m)	Collar Dip (degrees)	Azimuth (GDA94, z52) (degrees)
IBDH61	Eastern MSU	Diamond Core, PQ3	209.8	776119.1	8504497	-60	161
IBDH62	Western MSU	Diamond Core, PQ3	117.8	776081.6	8504573	-63	150
IBDH63 (redrill of IBDH062)	Western MSU	Diamond Core, PQ3	296.75	776088.0	8504583	-63	150

Table 1: Iron Blow diamond drilling

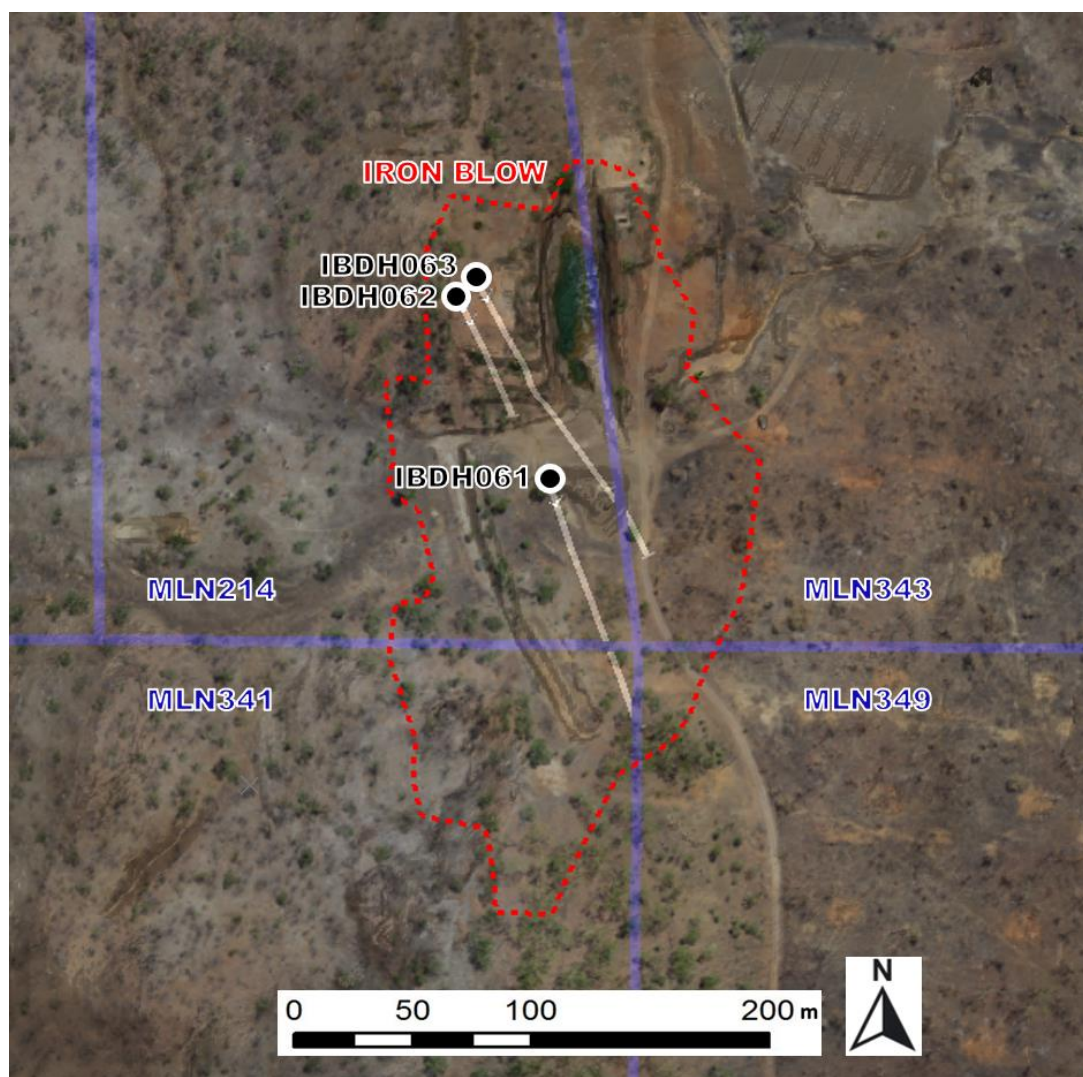


Figure 2: Location of Iron Blow drilled diamond holes and outline of mineralisation projected to surface (red)

Power and Transport

The cost of ore haulage for Mt Bonnie and Iron Blow was evaluated with a request for quotation (RFQ) presented to market, for transport companies to review the required work and submit an indicative prices to evaluate the three potential ore haulage routes to identify the most cost-effective route which considers the capital cost of road construction and the operating cost of haulage over various distances. The preferred route has now been identified through this work and will be incorporated in the DFS model.

An expression of interest (EOI) document was distributed to evaluate the power hub for the Hayes Creek project. It is intended that this EOI will source business partners that will build, own and operate a power hub for the project and that this power hub will comprise a combination of elements to include PV solar, battery storage and gas fired reciprocal base load power. This should provide the lowest cost of power generation and with a significantly reduced carbon footprint.

There is the potential that the Iron Blow underground operation could reduce diesel consumption by utilising battery/electric powered mining equipment, which is now readily available. This will not only reduce equipment operating costs but also significantly reduce the ventilation requirements and could have significant employee health benefits. Further assessment will be completed during the DFS.

NT Regional Exploration: Fountain Head, Burnside, Moline & Chessman Projects

Successful exploration during the 2018 field season at the Fountain Head gold project, and the Cookies Corner gold prospect has reinforced the Company's belief in the significant untapped scale potential of these areas. The Company looks forward to re-commencing exploration activity in the 2019 field season.

PNX is pursuing regional exploration targeting gold and base metals mineralisation that has the potential to either

- complement and enhance the Hayes Creek Project, or
- be of sufficient scale to:
 - warrant being processed via existing infrastructure in the region capable of treating free-milling gold ore; or
 - support a standalone mine development.

Fountain Head project

The Fountain Head Mineral Leases (MLs) are located less than 15km from the Hayes Creek Project and provide PNX with the ideal location for the proposed Hayes Creek Project process plant and associated infrastructure.

The scale of the mineralised envelope at the Fountain Head project is significant. Drilling has intersected gold mineralisation from the south-eastern corner of the existing historic open-pits to the Banner prospect which amounts to an approximate 1.6km strike, and down to a vertical depth of ~250m. **Almost the entire strike extent remains open.**

A structural assessment has recently been completed and indicates the Fountain Head and Tally Ho deposits are more structurally complex than modelled by previous owners. An updated mineral resource estimate is expected to be completed by end of June incorporating this new knowledge.

A desktop conceptual mining study is ongoing to determine the relative values of:-

- initial development of the Fountain Head gold mineralisation versus,
- initial development of the Iron Blow & Mt Bonnie deposits, using the existing historic open pits as the in-pit tails location, or
- a combination of both for the Hayes Creek project.

Processing options are being assessed that will include third party treatment scenarios. This study will assist with the development strategy for the project.

Additional screen fire assays of nuggetty gold intercepts are also planned to be completed prior to the commencement of any new drilling during the 2019 dry season.

Cookies Corner prospect (Burnside project)

No significant activity has taken place on the prospect during the quarter.

Moline project

No significant activity has taken place on the project during the quarter.

Kilfoyle Farm-in - Litchfield Area NT

Due to the Hayes Creek DFS and Fountain Head activities being prioritised, little work has been completed at Kilfoyle. It is unlikely that the NT government co-funded drilling will be completed by June 2019 and as such the project will no longer qualify for the co-funding this year.

South Australia Exploration

Yorke Peninsula & Adelaide Geosyncline Projects

No on-ground exploration activities were undertaken during the quarter by PNX on the Company's Yorke Peninsula or Adelaide Geosyncline exploration tenements. Ausmex Mining Group Limited has commenced a farm-in over PNX's 8 exploration licences in the Burra area, to earn up to a 90% interest over 2 stages (60% and 90%) by spending a minimum of \$300,000 in each stage on diamond drilling or other agreed exploratory work. The first stage must be completed by 30 September 2019. All South Australian tenements remain in good standing.

See Ausmex Mining Group ASX releases for further information on work completed during the quarter on some or all of the area subject to the above farm-in.

Financial & Corporate

Cash on hand at 31 March 2019 was \$1.06 million.

On 18 April 2019 the Company announced the launch of a three (3) for five (5) underwritten non-renounceable pro-rata rights issue at an issue price of \$0.006 per share to raise approximately \$5.48 million (before costs and expenses) (see ASX releases 18 April 2019 for further detailed information)

With strong support from key shareholders, and engagement of Hartleys Limited as Lead Manager to the offer, PNX has secured commitments and underwriting for the full amount of the Rights Issue (subject to the terms of the underwriting agreements).

The proceeds of the offer will be used to undertake significant activity at PNX's flagship Hayes Creek zinc-gold-silver project, including completion of the DFS, and ongoing assessment of the high-grade Fountain Head gold project.

As at 30 April 2019 the Company has 1,522,055,020 fully paid ordinary shares on issue, and;

- 433,125,000 unquoted options (as described above)
- 65,450,000 unquoted options with a 5.0 cent exercise price expiring 31 May 2019
- 20,000,000 unquoted options with a 1.47 cent exercise price expiring 30 October 2020; and
- 14,080,000 performance rights

Planned Activities June 2019 Quarter:

Hayes Creek DFS

- Completion of updated mineral resource estimate for Mount Bonnie to include results of 2018 drilling
- Decision by the Commonwealth on EPBC referral of the development of the Hayes Creek project
- Receipt of terms of reference related to submission of NOI and progression of EIS related studies
- Commencement of locked cycle flotation at Iron Blow to confirm design parameters and provide technical information for marketing and offtake.

NT Regional Exploration

- Given the successful drilling at Cookies Corner in 2018, modelling of the gold mineralisation will occur to determine the mineral resource potential, and assist with finalising the balance of the planned drilling
- A new mineral resource estimate relating to the Fountain Head and Tally ho gold deposits is expected to be completed
- A conceptual mining study will be completed for the Fountain Head project to determine 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, and whether the two strategies might be combined

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		31.6
MLN1033	Mt Bonnie		4.8
MLN1039	Mt Bonnie		1.2
MLN214	Iron Blow		6.3
MLN341	Iron Blow		14.9
MLN342	Mt Bonnie		13.7
MLN343	Iron Blow		14.9
MLN346	Mt Bonnie		16.0
MLN349	Iron Blow		15.0
MLN405	Mt Bonnie		12.0
MLN459	Mt Bonnie		15.0
MLN811	Mt Bonnie		8.1
MLN816	Mt Bonnie		8.1
Total Hayes Creek			168.0
MLN794	Fishers-1	PNX Metals Ltd 100%	8.1
MLN795	Fishers-2		8.1
ML30936	Good Shepherd		106.0
Total Other			122.2
ML31124	Fountain Head	PNX Metals Ltd 100%	33.5
MLN1020	Fountain Head		12.0
MLN4	Fountain Head		529.9
MLN1034	Fountain Head		304.2
Total Fountain Head			879.6
Moline			
ML24173	Moline	PNX Metals Ltd 100%	3126.0
MLN1059	Moline		418.7
MLN41	Mt Evelyn		8.9
Total Moline			3,553.6
Total Mineral Leases			4,723.4
EL28616	Moline	PNX Metals Ltd 100%	262.5 km ²
EL31099	Bridge Creek	PNX Metals Ltd 100%	60.2km ²
EL31893	Ringwood Station	PNX Metals Ltd 100%	23.4km ²
Total Exploration Licences			346.1km²

Northern Territory – Farm-in Tenements

Tenement	Name	Holder	(Area sq km)
Burnside Project *			
EL10012	Mt Ringwood	PNX Metals Ltd 90%, Newmarket 10%	14.9
EL10347	Golden Dyke		10.0
EL23431	Thunderball		13.4
EL23536	Brocks Creek		70.4
EL23540	Jenkins		16.7
EL23541	Cosmo North		3.3
EL24018	Hayes Creek		23.4
EL24051	Margaret River		86.9
EL24058	Yam Creek		3.3
EL24351	McCallum Creek		13.4
EL24405	Yam Creek		4.1
EL24409	Brocks Creek South		22.1
EL24715	Mt Masson		56.8
EL25295	Margaret Diggings		10.0
EL25748	Burnside		584.5
EL9608	Mt Bonnie	10.0	
Chessman Project *			
Tenement	Name		
EL25054	Maud	PNX Metals Ltd 90%, Newmarket 10%	64.0
EL28902	Maud		104.5
ML30293	Chessman		1.1
Kilfoyle Project **			
EL29731	Kilfoyle	PNX Metals Ltd 0%, May Drilling Pty Ltd 100%	51.5
EL28462	Kilfoyle		360.6
EL30521	Kilfoyle		157.8
Total Exploration Licences			1,682.7

*PNX Metals Ltd earned a 90% interest under a farm-in agreement with Newmarket Gold NT Holdings Pty Ltd

**PNX Metals Ltd earning 90% interest under a farm-in agreement with May Drilling Pty Ltd

South Australia

Exploration Licences	Name	Holder	(Area sq. km)
Adelaide Geosyncline ***			
ELA2018/00175	Burra Central	PNX Metals Ltd 100%	84
EL5874	Burra West		69
EL6150	Burra North		300
ELA2018/00176	Mongolata		60
EL5918	Princess Royal		314
ELA2018/00177	Bagot Well		71
EL5910	Spalding		157
EL5557	Washpool		135
Yorke Peninsula			
ELA2018/00013	Minlaton	Wellington Exploration Pty Ltd 100% #	509
ELA2017/00169	Point Pearce	PNX Metals Ltd 100%	38
EL5491	Koolywurtie		255
EL5196	Coonarie		254
			1,059
Total Exploration Licences			2,249

*** Ausmex Mining Group earning up to 90% in these tenements over 2 stages under a farm-in agreement

Wellington Exploration Pty Ltd is a wholly owned subsidiary of PNX

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

PNX METALS LIMITED

ABN

67 127 446 271

Quarter ended ("current quarter")

31 MARCH 2019

Consolidated statement of cash flows	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(314)	(2,282)
(b) development	-	-
(c) production	-	-
(d) staff costs*	(138)	(407)
(e) administration and corporate costs	(97)	(549)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	23
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(542)	(3,215)

*excluding costs included in exploration expenditure

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(20)
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other	-	-
2.6 Net cash from / (used in) investing activities	-	(20)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	3,465
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(30)
3.5 Loan repayment	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other	-	-
3.10 Net cash from / (used in) financing activities	-	3,435

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,602	860
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(542)	(3,215)

Consolidated statement of cash flows		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(20)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	3,435
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,060	1,060

5. Reconciliation of cash and cash equivalents	Current quarter	Previous quarter	
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000	
5.1	Bank balances	54	601
5.2	Call deposits	1,006	1,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,060	1,601

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter
\$A'000
98
-

Transactions during the current quarter include:

- 1) Non-executive Director fees and superannuation of \$49k.
- 2) Legal costs of \$17k was paid to a firm associated with a director (Peter Watson).

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-*
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

*None other than those payments described in Item 6 above.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	800
9.2 Development	-
9.3 Production	-
9.4 Staff costs (net of outflows included in item 9.1 exploration)	130
9.5 Administration and corporate costs	155
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,085

Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced.		-		
10.2	Interests in mining tenements and petroleum tenements acquired or increased.	EL 31893 (Northern Territory)	Grant of tenement.	0%	100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:


 Company secretary

Date: 30 April 2019.

Print name: Angelo Gaudio

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.