

ASX Announcement

12 December 2019

This announcement has been authorised to be lodged with the ASX by the Board of Directors of PNX Metals Limited.



Level 1, 135 Fullarton Road
Rose Park, SA 5067
Australia

Telephone +61 (0) 8 8364 3188
Facsimile +61 (0) 8 8364 4288

info@pnxmetals.com.au
www.pnxmetals.com.au

PNX to target near-term gold production from Fountain Head

- **PNX to prioritise near-term gold production from Fountain Head by accelerating heap leach studies and development plans**
- **New 8,000m RC and diamond drilling program has commenced to support metallurgical testwork, increased resource confidence and mine development planning**
- **Completion of the Hayes Creek zinc-gold-silver Definitive Feasibility Study deferred to the prospect of mining Fountain Head**
- **Aim to complete Fountain Head feasibility and environmental approvals applications by March 2020**
- **Subject to receipt of necessary approvals and funding mining would commence in approximately twelve months' time with first gold production in H1 2021**

PNX Metals Limited (**ASX: PNX**)¹ ("**PNX**", "**the Company**") is pleased to announce a significant step-change by the Company that will result in its immediate priority being near-term gold production from the Fountain Head Project ("Fountain Head") in the Pine Creek region of the Northern Territory.

Heap leaching is currently being assessed as a low-cost, scalable option for rapidly monetising, and generating early cashflow from, existing gold resources at Fountain Head, whilst preserving the future value of Hayes Creek. This strategy may also provide an opportunity to enhance overall Hayes Creek Project economics and extend the project mine life with the mined-out Fountain Head pit available for use as tailings storage from subsequent sulphide flotation of ore from the Mt Bonnie and Iron Blow deposits at Hayes Creek.

Near-term development of gold resources also capitalises on a supportive high gold price environment and preserves the in-ground value of the Hayes Creek zinc-gold-silver project in a low zinc price environment.

Managing Director Comment

PNX Managing Director James Fox said: "After careful and comprehensive consideration of all options, the Board has resolved to focus on establishing a gold heap leach operation at Fountain Head with the expectation that it will provide valuable early cashflow and also aid in the development of the broader Hayes Creek project. The strategy makes sense given the strength of the Australian dollar gold price, and will position the Company to make best use of its growing resource base"

PNX recently released a Mineral Resource estimate for Fountain Head of **2.58Mt at 1.7g/t Au for 138,000 oz Au** (Table 1) (reported in accordance with the JORC Code, 2012, see ASX release 11 July 2019 for full details including JORC tables), and has since completed drilling of a further 16 holes with numerous mineralised intercepts confirming good high-grade continuity at depth and along strike, directly adjacent to the current resource

envelope (see ASX release 21 November 2019). This drilling has increased confidence in the geological model and highlighted the potential for further resource growth.

Recent metallurgical test work on samples from Fountain Head resulted in excellent gold recoveries with low reagent consumption (see ASX release 7 November 2019). Heap leach specific column tests for use in scaled-up modelling and materials handling studies are now underway.

With these factors in mind the Company has accelerated studies and the approvals process for the development of a gold heap leach operation at Fountain Head (Figure 1).

The Company has commenced a new 8,000m program of reverse circulation (RC) and diamond drilling aimed at increasing geological confidence in the Fountain Head resource, particularly in the western part of the deposit where development is expected to begin. The program will also provide drill core for additional geotechnical and metallurgical test work (Figure 2).

Successful gold heap leach as a low-cost gold processing method may also lead to the development of other gold deposits in the region, many of which lie within PNX's project areas. Some of these deposits are currently considered "stranded assets" due to their modest grades and distance from existing processing infrastructure. PNX's longer-term aim is to evolve Fountain Head into a regional processing hub capable of monetising a pipeline of gold and base metals assets.

Funds will be re-allocated from the Hayes Creek Definitive Feasibility Study (DFS) to accelerate activities at Fountain Head. As such, the majority of DFS activities will be deferred until, at least, the completion of the Fountain Head studies. Should mining at Fountain Head proceed the DFS may be further delayed so that its completion can be funded from cash flow from the gold heap leach operation.

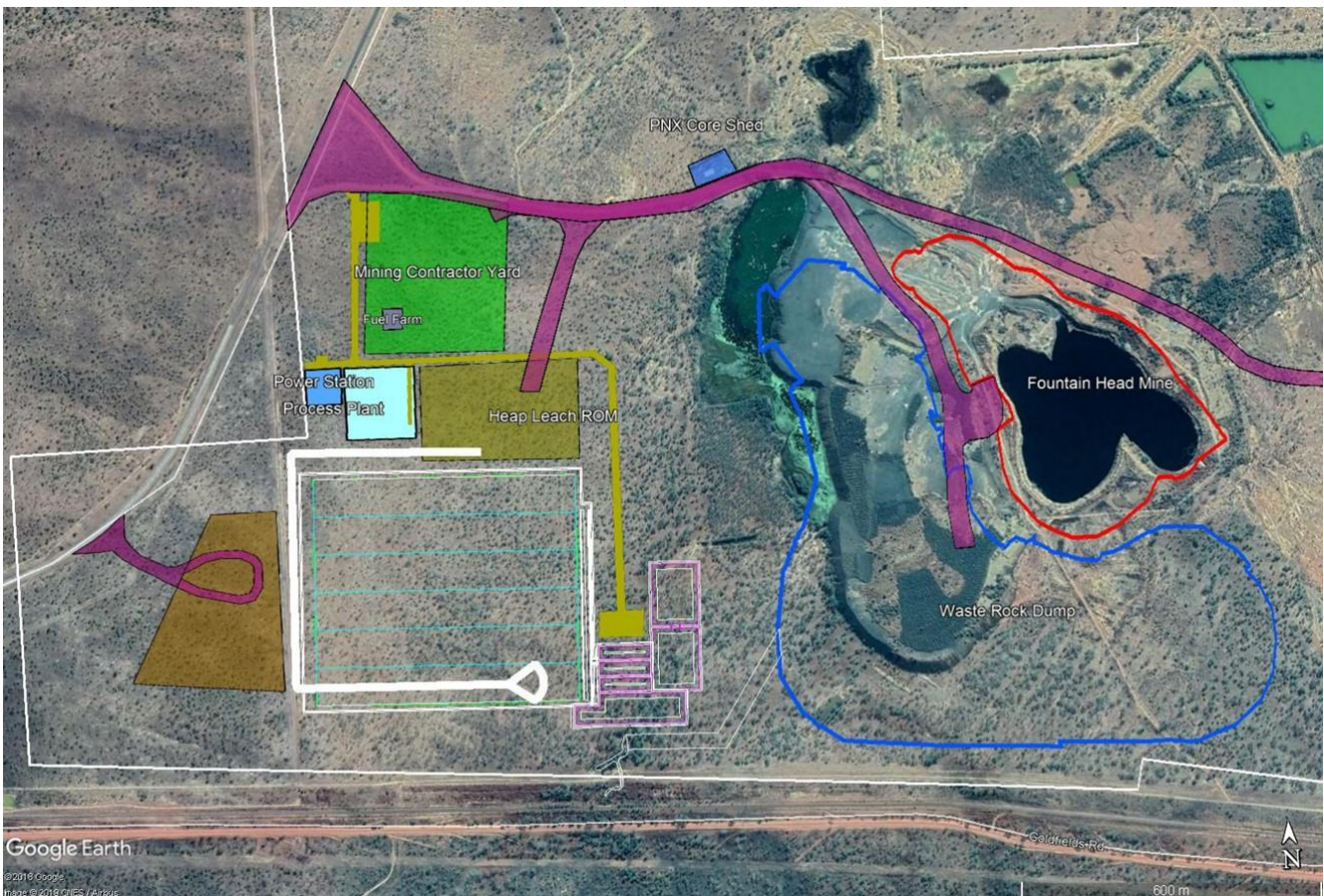


Figure 1: Plan view of the Fountain Head Project showing proposed heap leach infrastructure, waste rock stockpile (blue), existing resource projected to surface (red), and mineral leases (white)

Projected Works Timeline

- RC and diamond drilling is underway and scheduled for completion by March 2020 subject to any unplanned weather delays over the Northern Territory wet season. Initial assays from the drilling program are expected from January 2020 (Figure 2)
- This drilling is designed to increase geological confidence in the Fountain Head mineral resource model, extend the known gold mineralisation, and identify new areas with the potential to augment the current mineral resource
- The gold mineral resource estimate will be updated on completion of drilling and receipt of assays and will be used for final pit optimisation and scheduling
- Ongoing metallurgical test work and analysis will be completed on samples from the RC drilling and surface trenching to confirm gold recoveries, reagent consumption and other heap leach design criteria
- Notice of Intent in respect of a heap leach operation at Fountain Head will be submitted to the northern Territory Environment Protection Agency (NT EPA) in December 2019
- Environmental approvals submission to NT EPA for Fountain Head is planned for March 2020
- Subject to receiving necessary approval, dewatering of the Fountain Head pit, would commence from mid-2020
- If technical studies, capital funding and various Government and Environmental approvals are successful, mining activities could start from late 2020 with first gold production in H1 2021

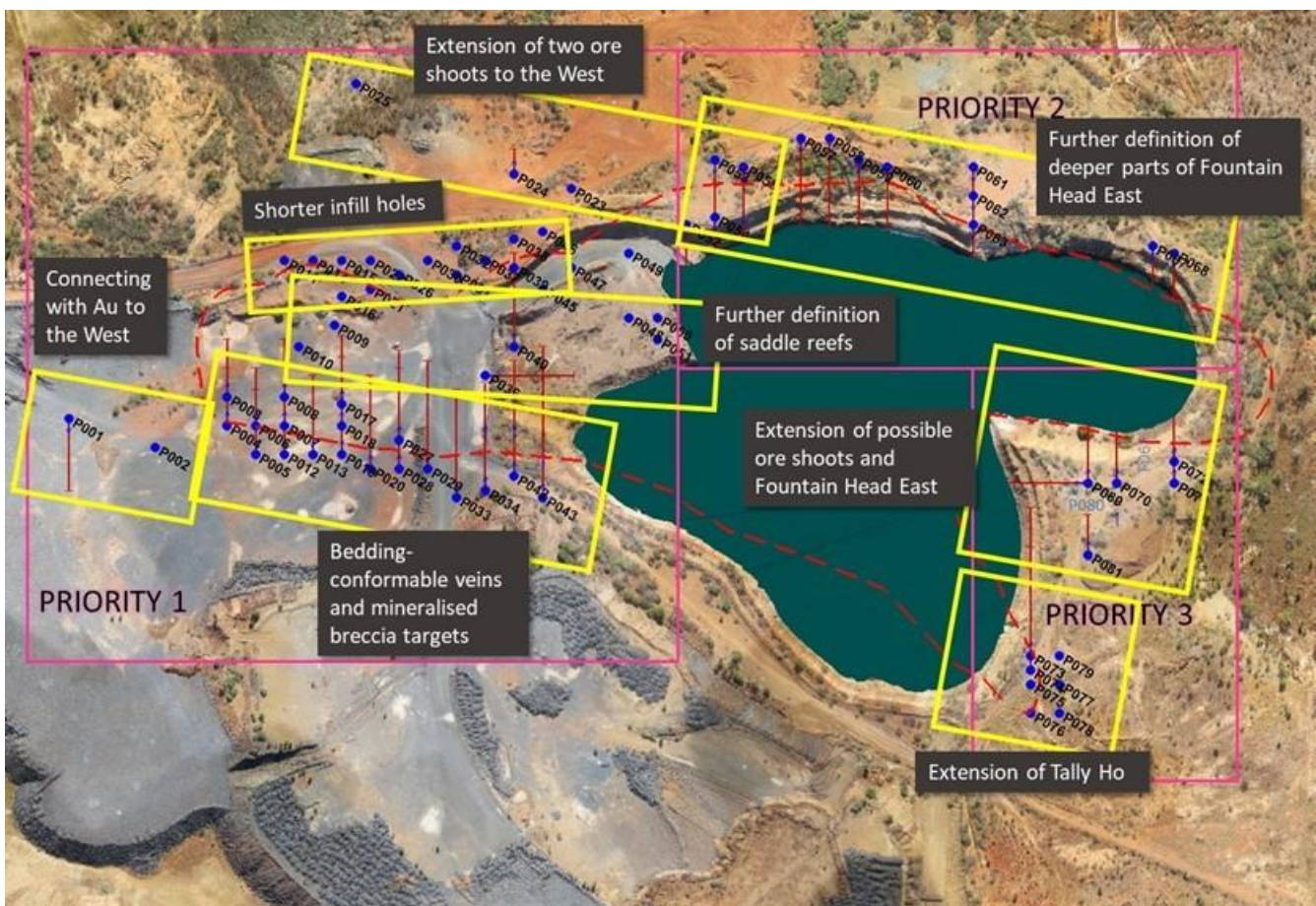


Figure 2: Planned drilling at Fountain Head in relation to existing pit and resource (red outline shows current resource projected to surface) showing areas of priority and aim of drilling.

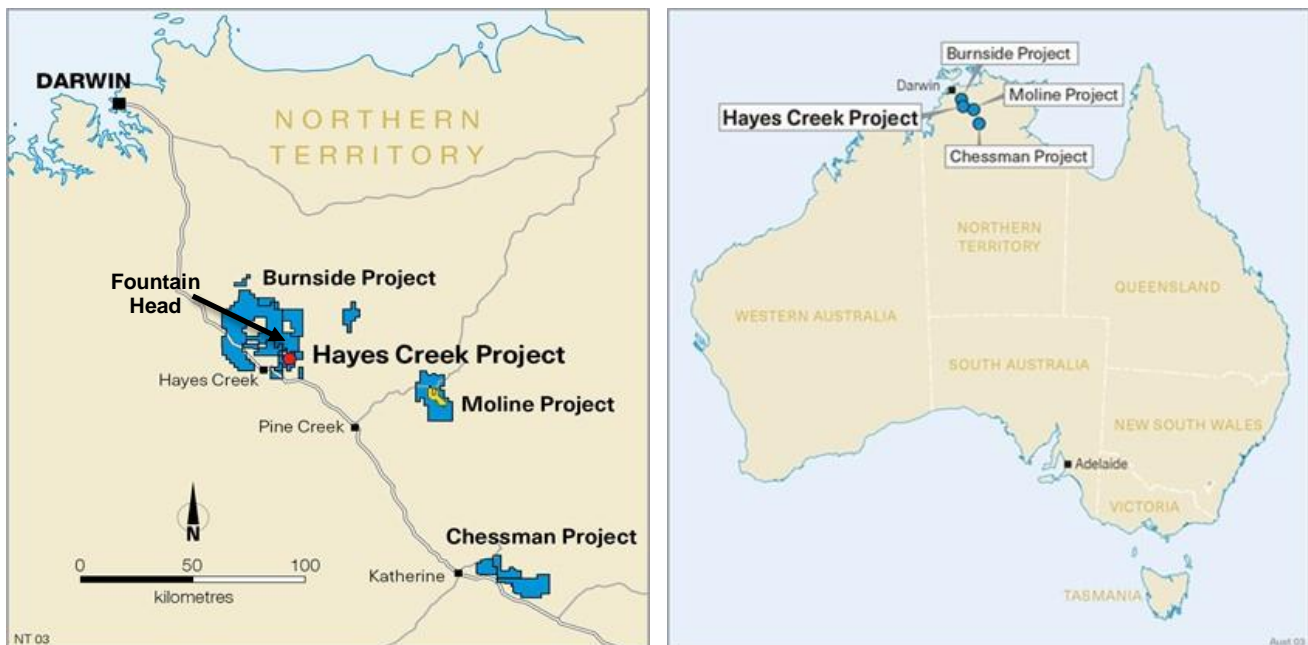


Figure 3: NT Project locations

Competent Person’s Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Bradley Ermel, a Competent Person who is a Member of the Australian Institute of geoscientists (AIG)). Mr Ermel 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 Ermel 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 us:

James Fox

Managing Director & CEO

Telephone: +61 (0) 8 8364 3188

Fountain Head Resource Estimate

Independent mining consultants CSA Global Pty Ltd (“CSA Global”) have estimated the Mineral Resource in accordance with the JORC Code¹, which is summarised in Table 1.

Table 1: Fountain Head and Tally Ho Mineral Resources by JORC Classification as at 11 July 2019 estimated utilising a cut-off grade of >0.7 g/t Au which is consistent with the assumed open cut mining method (see PNX ASX release 11 July 2019).

| JORC Classification | Tonnage (Mt) | Au (g/t) | Ounces (Koz) |
|--|--------------|------------|--------------|
| Tally Ho | | | |
| Indicated | 0.94 | 2.0 | 59 |
| Inferred | – | – | – |
| Total | 0.94 | 2.0 | 59 |
| Fountain Head | | | |
| Indicated | 0.50 | 1.5 | 23 |
| Inferred | 1.15 | 1.5 | 55 |
| Total | 1.64 | 1.5 | 79 |
| Total Fountain Head + Tally Ho* | | | |
| Indicated | 1.43 | 1.8 | 83 |
| Inferred | 1.15 | 1.5 | 55 |
| Total | 2.58 | 1.7 | 138 |

* Due to the effects of rounding, the total may not represent the sum of all components

ⁱ The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements referenced in this release continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcements.

¹ Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The JORC Code, 2012 Edition. Prepared by: The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).