

ASX Announcement

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



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\$40m JV proposal for development of gold processing infrastructure at PNX's Fountain Head Project, NT

- **PNX has signed a non-binding term sheet for a proposed financial commitment by private company Halifax Capital (HC) and joint venture (JV) with its subsidiary Bridge Creek Mining (BCM) to develop the Fountain Head Gold Project**
- **HC to fund up to A\$40m to cover the anticipated capital required for development of gold processing infrastructure and related costs necessary to fast track the Project**
- **Formal documentation for the proposed transaction is anticipated to be completed within 90 days with commercial gold production targeted for 2021 subject to receipt of Government and Environmental approvals which are well underway**
- **Clean technology to be clear focus for the JV with the aim of reducing negative environmental impacts through energy efficiency and sustainable use of resources**
- **PNX and BCM to share equally gold production generated from the treatment of mineral resources with operating costs to be paid in proportion to the production share**
- **PNX to be granted an option to acquire 100% of the infrastructure for an agreed future price subject to certain conditions precedent**

PNX Metals Limited (**ASX: PNX**) ("**PNX**", "the **Company**") is pleased to announce the signing of a non-binding term sheet with Halifax Capital Pty Limited (**HC**) and its subsidiary Bridge Creek Mining Pty Limited (**BCM**) for a proposed:

- capital investment of A\$40 million by HC (or nominee) via BCM to fund the acquisition, construction and commissioning of a fit-for-purpose gold Carbon-in-Leach (CIL) processing plant and associated infrastructure (**Project Infrastructure**) to be located at PNX's 100% owned Fountain Head Gold Project (**FH**) in the Pine Creek region of the Northern Territory to facilitate profitable treatment of certain PNX (including FH) and BCM gold mineral resources; and
- an unincorporated joint venture (**JV**) between PNX and BCM to mine and process those mineral resources through the Project Infrastructure and to share 50/50 the gold produced with agreed direct operating costs to be paid by PNX and BCM in the same proportion.

The term sheet contemplates that if HC's proposed capital commitment exceeds that required to fund the Project Infrastructure, the excess would be used to fund other pre-development and post development costs to be agreed and set out in the formal JV Agreement

It is expected that the CIL process route contemplated would deliver material operating and environmental benefits related to increased rate of recovery and stable and earlier cashflow, as well as increased overall recovery in comparison to the previously envisaged gold Heap Leaching by PNX at Fountain Head.

The proposed capital commitment and JV represent a unique and significant opportunity to establish the Project Infrastructure necessary to fast track the development of Fountain Head (without any capital investment by PNX) and to generate a continuous pipeline of gold mineral resources through which both PNX and BCM will benefit equally.

PNX will update the market as it works towards establishing binding documentation with HC and BCM, aimed to be completed within a 90-day period unless agreed otherwise. The parties are bound by exclusivity arrangements in respect of certain projects (including the Fountain Head project) until the earlier of 90 days has passed from the execution of the term sheet or the binding documentation is executed. During this period PNX will continue to work on the various technical studies to maintain the development timeline with any direct Project expenditure incurred by PNX, and agreed in advance by the Management Committee, to be reimbursed by the JV.

Subject to receipt of Government and environmental approvals PNX anticipates gold production from Fountain Head could commence in the latter part of 2021. A development schedule would be finalised during the period of formal documentation.

The Company also intends to advance exploration activities on gold targets within the agreed Project areas and PNX's broader tenure within the Pine Creek region (Figure 1). The aim would be to provide a continuing series of gold mineral resources to process through the JV infrastructure.

Investors should note that the term sheet is non-binding except for exclusivity and confidentiality and whilst all parties intend to negotiate a binding Joint Venture Agreement in good faith, there can be no certainty that such an agreement will be achieved.

PNX MANAGEMENT COMMENTS

PNX Managing Director James Fox said: "Through the proposed JV the Company would have a clear path to monetising the Fountain Head gold resource and certainty around a funding solution that minimises dilution for PNX shareholders and significantly de-risks the project. Halifax and Bridge Creek are motivated and experienced partners and their involvement as initial owners and experienced operators of the Project Infrastructure will allow PNX to focus on generating a pipeline of additional gold resources for processing through regional exploration within its' significant tenure in the NT. We look forward to working with Halifax and Bridge Creek to finalise the formal JV Agreement and to jointly benefiting from the development of the Fountain Head Gold Project."

BRIDGE CREEK/ HALIFAX CAPITAL COMMENTS

Bridge Creek Director Joseph Mills said: "The deal sets a good foundation for both groups, and a clear pathway to capitalise on the strength in the gold market for years to come. The opportunity also allows the JV to establish a key piece of infrastructure in the area to not only service our pipeline, but other companies that have stranded assets that haven't been able to access a gold mill. We will be engaging closely with local indigenous and non-indigenous contractor groups for the creation of new jobs, both directly and indirectly throughout the life of the projects."

Key to our parent's strategy (Halifax) is to innovate in the sector with a strong environmental and sustainability focus. 'Create indigenous opportunity and real jobs with a 'do no harm' ethos is key to the Halifax PNX investment'.

We very much look forward to working with PNX, for years to come.

ABOUT HALIFAX CAPITAL AND BRIDGE CREEK MINING

Halifax is a single-family office based in Sydney, with a strong portfolio of investments across multiple asset classes throughout Australia, including construction, property, manufacturing and finance. It has recently taken a strategic long-term approach to investing in gold and gold mining businesses. Our investment in Bridge Creek, a privately owned gold mining company was a strategic opportunity given our other investments in the Northern Territory. Bridge Creek's operational team is one of the most experienced in gold mining in the Northern Territory and was a key investment driver to build a much larger operation throughout the Territory. The company has current mining and exploration operations in the Pine Creek and Bridge Creek regions of the NT, where it is focused on growing its gold and base metals resources.

FURTHER INFORMATION RELATED TO THE PROPOSED JV

POTENTIAL BENEFITS FOR PNX

Significant potential benefits of the proposed transaction for PNX and its shareholders include:

- Removal of execution risk associated with funding uncertainty;
- Minimisation of prospect of future shareholder dilution from equity placements to cover Project capital;
- Increased certainty around construction and production timeframes due to funding commitment;
- Earlier and more reliable cash flow from a CIL process, as opposed to Heap Leach;
- Increased project scale and therefore project life, through the inclusion of BCM gold projects;
- Reduces the requirement to engage, employ and train the requisite mining and processing staff for the project;
- PNX to focus on regional exploration, and assessing additional value-adding gold opportunities;
- Provision of a platform for growth through monetising possible additional stranded assets and lowers development hurdles for future discoveries.

KEY TERMS OF THE TERM SHEET

- HC to provide an unconditional and legally binding commitment at the time of the Formal JV Agreement being executed to fund up to \$40m of direct pre-development and development costs associated with the gold Project Infrastructure
- BCM to be operator of the JV under the direction of the Management Committee (with equal PNX and BCM representation) that will be responsible for the co-ordination and delivery of the Project Infrastructure, operating performance, distribution of production share and invoicing of related costs
- The Project Infrastructure is to be owned by HC and located on PNX's tenure at Fountain Head with the Parties to contribute the following projects to the JV;
 - PNX to contribute the Fountain Head gold Project, host to a JORC compliant Mineral Resource Estimate of 156,000 oz Au (ASX release 16 June 2020); the Santorini exploration Project and, under certain terms (see below) the Hayes Creek zinc-gold-silver deposits;
 - BCM to contribute the Bridge Creek gold deposit that hosts historical gold resources that are to be updated and reported in accordance with the JORC Code 2012
- PNX is to be granted an option to acquire the Project Infrastructure on payment of an agreed amount or an independent market value subject to;
 - processing of Mineral Resources has occurred for at least 7 years after commencement of commercial production; or
 - all gold Mineral Resources from the PNX and BCM Projects having been mined, whichever occurs first.
- PNX may, in its absolute discretion, at any time after 12 months from the date of commercial production at Fountain Head grant BCM an option to provide the full capital for the development of the Hayes Creek Infrastructure on the same terms as capital for the Project Infrastructure with PNX giving BCM notice that it wishes to commence Hayes Creek Infrastructure development. BCM will have 60 days to accept this notice
 - Mining and processing at Hayes Creek would be under the JV and production and operating expenses to be shared between PNX and BCM equally
 - If the Hayes Creek option is not accepted PNX will have access to the aspects of the Project Infrastructure that could be utilised for Hayes Creek e.g. water, power, tailings

- PNX would retain sufficient capacity in the FH mined out pit for future Hayes Creek tailings disposal
- The JV Agreement is expected to contain customary warranties and representations by each party

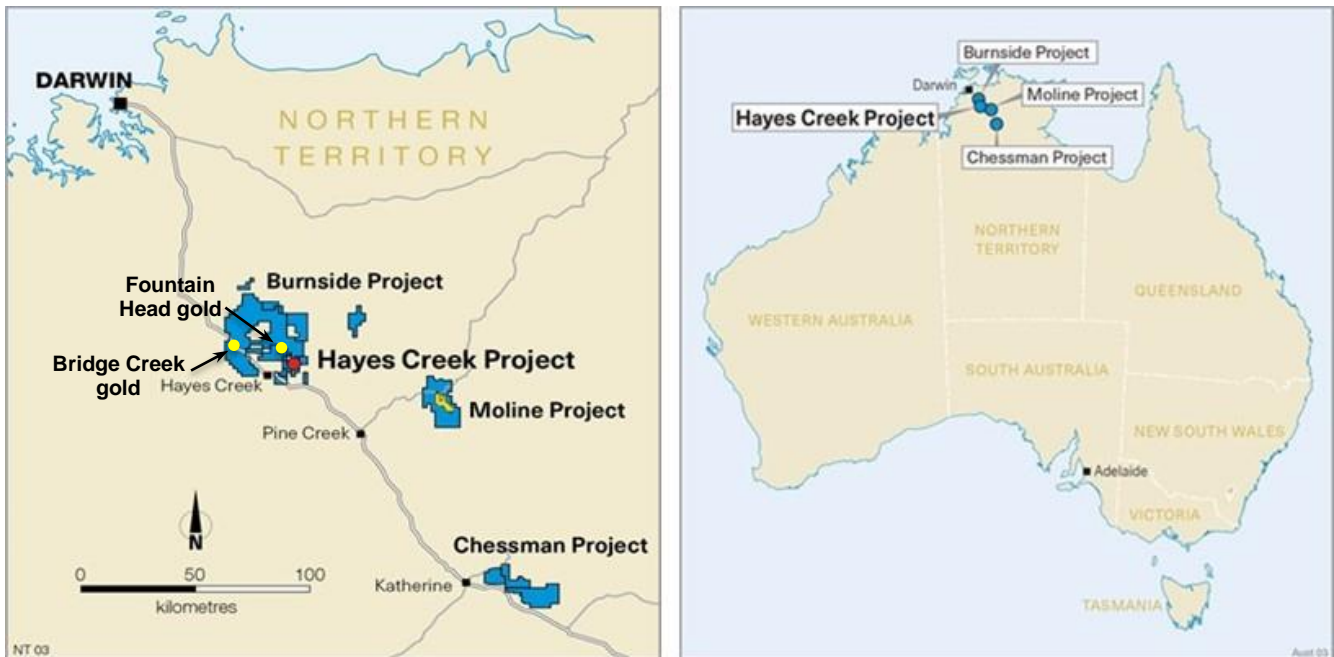


Figure 1: Project Locations

Competent Person’s Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Charles Nesbitt, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy (AusIMM). Mr Nesbitt 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 Nesbitt is a full-time contract Exploration Manager with 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:

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Managing Director & CEO

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