

Quarterly Activities Report

December 2020

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



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ASX: PNX

Issued Capital as at 31/12/20:
3,449,904,885

Board & Management:

Non-Exec Chairman: Graham Ascough
Non-Exec Director: Paul J Dowd
Non-Exec Director: Peter J Watson
Non-Exec Director: Hansjörg Schmidt
Non-Exec Director: Hansjörg Plaggemars
MD/CEO: James Fox
CFO/Co Secretary: Angelo Gaudio

Top Shareholders as at 31/12/20:

Delphi Unternehmensberatung 47.0%
Sochrastem SA 6.1%
Marilei International Limited 5.1%

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:

Northern Territory Project Development

- Significant improvements in the Fountain Head Gold and Hayes Creek Zinc-Gold-Silver Project economics and improved metal prices prompted PNX to revert to sole ownership and full control over the future development of both projects.
- Fountain Head Gold Project Environmental Impact Assessment (EIS) to be submitted and Project feasibility to be completed in early Q2 2021.
- Multiple high-priority gold exploration targets identified at the Burnside exploration Project. Field work underway with rock chip sampling of exploration targets returning up to 7.21g/t gold from outcrop.
- Potential new gold lode position identified adjacent to the Fountain Head Gold resource. Drilling to commence in February 2021
- PNX to acquire the Glencoe Gold Project located less than 3km from Fountain Head which holds the potential to significantly expand overall Project resources

Corporate

- Placement and Rights Issue (including the subsequent placement of the shortfall) completed to raise \$6.65 million to advance the Fountain Head Gold Project and PNX's NT Exploration Strategy.
- First payment made of \$0.5 million in relation to the acquisition of the Glencoe Gold Project
- \$5.4 million cash on hand at 31 December 2020
- Subsequent to the quarter end PNX received the placement funds of 202,288,626 Rights Issue Shortfall Shares for a total of \$1,213,732 (before costs)

DECEMBER QUARTERLY ACTIVITIES REPORT

PNX Metals Limited (ASX: PNX) ("**PNX**", "**the Company**") is pleased to present its quarterly activities report for the period ended 31 December 2020.

Fountain Head Gold Project

During the December quarter the Company advised that the exclusivity period for the negotiation of a proposed Joint Venture for the funding of gold processing infrastructure at PNX's 100% owned Fountain Head Gold deposit

(FH or Project) and production sharing agreement with Halifax Capital Pty Limited and its subsidiary Bridge Creek Mining Pty Limited had been allowed to lapse.

As no agreement satisfactory to PNX had been reached, the Company elected not to extend the negotiations and will retain 100% of the project. There has been significant improvement in the Fountain Head and Hayes Creek Projects economics during CY2020, particularly related to silver and zinc prices, with forecasts for metal prices remaining strong. In addition, the evaluation of additional gold prospects is progressing that the Company believes may have the potential to augment overall Project returns. The Fountain Head Gold Project Feasibility Study and development approvals process is being fast-tracked.

Permitting and Approvals

The FH EIS has been completed with regard to heap leaching, however, with the proposed change in process route to milling and CIL, further technical inputs will be required to inform the EIS under the same Terms of Reference. It is expected that this work will be completed in the current March 2021 quarter with the EIS to be submitted early in Q2 2021. Similarly, the Mine Management Plan is also being updated to reflect the potential change in processing route.

Fountain Head Gold Project feasibility remains on schedule to be completed at or around the same time as the EIS submission.

Northern Territory Exploration

During the quarter, a number of high-priority gold exploration targets were identified at the Burnside Project and scheduled for immediate follow-up (refer to ASX release 9 October 2020). The Burnside Exploration Project (90% PNX) is a highly prospective and under-explored area which hosts a historic gold endowment in excess of 3Moz. The majority of regional exploration at Burnside took place in the period between the late 1980s and early 2000s when low gold prices prevailed.

Field work undertaken at Burnside during the quarter returned rock chip samples at new exploration targets (including Medusa and Western Arm North) of up to 7.21g/t gold from outcrops (refer ASX release 15 December 2020). A further regional exploration program will re-start in the current quarter with drilling of priority targets expected to commence after the wet season from mid-2021.

The Company has been systematically reviewing the broader Burnside area, along with other exploration areas, to identify targets with the potential to host significant “standalone” gold deposits, and to supplement and extend proposed gold processing operations at FH.

In November, the Company announced a new untested gold lode position adjacent to the FH Project (refer ASX release 23 November 2020). The Mine Management Plan for exploration in this area has now been approved with drilling expected to commence in late February/ early March.

During the quarter, the Company announced its intention to acquire the Glencoe Gold Project located less than 3km from the FH Project. Finalisation of the Sale and Purchase Agreement is progressing and is expected to be complete by the end of January 2021 along with a staged payment of \$675,000. The Company has completed a comprehensive assessment of historic drilling and has remodelled the deposit to allow for an update to JORC 2012 compliance. Final reporting of the updated Mineral Resource Estimate is planned to be completed during February 2021.

Impacts of COVID-19

The safety of PNX employees and contractors is paramount and appropriate measures regarding COVID-19 are being taken in-line with government advice.

Planned Activities March 2021 Quarter

Fountain Head Gold Project

- Ongoing technical work relating to the Fountain Head Gold Project Feasibility

- Finalisation of the EIS with submission in early Q2
- Commence drill testing potential new gold lode position at Fountain Head
- Systematic follow-up of exploration targets identified at the Burnside and Fountain Head Projects
- Execute Sale and Purchase Agreement for the Glencoe Gold Project and publish an updated Mineral Resource Estimate for Glencoe deposit.
- Commence further drilling at Glencoe with the objective of increasing the initial Mineral Resource Estimate in due course

Corporate

Cash on hand at 31 December 2020 was \$5.4million.

The Quarterly Cashflow Report (Appendix 5B) for the current period provides an overview of the Company's financial activities.

- Exploration expenditure for the reporting period was \$398,969
- A \$500,000 deposit was paid in relation to the acquisition of the Glencoe Gold Project
- Corporate and other expenditure amounted to \$260,207
- Included in item 6.1 of the Appendix 5B is an amount of \$35,079 for directors' fees paid to non-executive directors of the entity and further \$44,441 for legal fees paid to a firm associated with Peter Watson for work in respect of the now aborted HC/BCM transaction.

A placement to professional and sophisticated investors and subsequent non-renounceable rights issue (NRRI) was announced 30 November 2020. and completed on 2 December 2020. A 72% take-up of the NRRI was achieved (including oversubscriptions) with shares issued on 24 December 2020. Subsequent to the end of the quarter, PNX received firm commitments for the placement of 202,288,626 NRRI Shortfall Shares which will be issued on 29 January 2021. Total funds raised are \$6,651,433 (before costs).

As at 31 December 2020 the Company had 3,449,904,885 fully paid ordinary shares on issue, and;

- 359,125,000 unquoted options with a 1.464 cent exercise price expiring 30 September 2021; and
- 10,800,000 performance rights subject to various vesting conditions.

Post the quarter end, placement of the NRRI Shortfall Shares will result in the Company having on issue 3,652,193,510 fully paid ordinary shares.

James Fox

Managing Director & CEO

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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 Ermel 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.

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
Total Exploration Licences			1,112.8

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