

Quarterly Activities Report

June 2021

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 28/07/21:
3,652,193,511

Board & Management:

Non Exec Chairman: Graham Ascough
Non Exec Director: Hansjörg Plaggemars
Non-Exec Director: Hansjörg Schmidt
Non-Exec Director: Richard Willson
Non-Exec Director: Frank Bierlein
MD/CEO: James Fox
CFO/Co Secretary: Angelo Gaudio

Top Shareholders as at 28/07/21:

Delphi Unternehmensberatung	44.4%
Sochrastem SA	5.8%
Marilei International Limited	4.8%

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

- Positive PFS confirms technical and financial viability of PNX's strategy to sequentially develop its 100% owned Fountain Head gold and Hayes Creek gold-silver-zinc Projects, both located in the NT
- Environmental Impact Statement (**EIS**) lodged for the Fountain Head Gold Project
- Engineers engaged to fast-track Plant and Infrastructure development at Fountain Head
- Drilling programs commenced at both the Glencoe and Fountain Head gold projects

Corporate

- \$3.6 million cash on hand at 30 June 2021
- Appointment of additional Non-Executive Directors to increase Board skills and experience

JUNE QUARTERLY ACTIVITIES REPORT

PNX Metals Limited (ASX: PNX) ("**PNX**", "**the Company**") is pleased to present its quarterly activities report for the period ended 30 June 2021.

Update on COVID-19 Situation and PNX's Activities in the Northern Territory

The Company continually reviews updates regarding the COVID-19 pandemic and the implications for the health and wellbeing of our employees, contractors and stakeholders. The safety of PNX employees and contractors is paramount and appropriate measures regarding COVID-19 are being taken in-line with government advice, particularly in relation to interstate travel. NT field-based activities are safely continuing with personnel movements limited to the NT due to border closures with other states, in particular South Australia.

Northern Territory Project Development

The Company continued to make significant progress during the quarter and released a Preliminary Feasibility Study (PFS) that supports the sequential development of its 100% owned Fountain Head gold and Hayes Creek gold-silver-zinc Projects (**Project**), both of which are located approximately 170km south of Darwin in the Pine Creek region of the Northern Territory.

Highlights of the PFS for the staged, multi-commodity development, include:

- Pre-tax NPV_{8%} of A\$171 million and mine life of 10 years
- Undiscounted revenues of A\$972 million (net of treatment, refining and transport charges)
- Pre-tax IRR of 63% with an approximate 18-month payback period

- Net revenues of A\$352 million, returning a net-cash position of A\$276 million after tax
- Commodity prices (US\$) and FX rates used: gold \$1,733/oz, silver \$25/oz, zinc \$1.31lb, US\$0.77/A\$1.00
- Total upfront capital costs of A\$46 million for mine development, gold plant and infrastructure EPCM costs, first fill, critical spares, and working capital
- LOM AISC, net of zinc by-product credits, of A\$1,119/oz gold equivalent

The Project is forecast to generate total undiscounted revenues (net of treatment, refining and transport costs) of A\$972 million over its 10 year mine-life from a total combined mining inventory which exceeds 7 million tonnes. Gold will be the largest contributor to LOM revenue (48%) followed by silver (27%) and zinc (25%).

The PFS confirms the technical and economic viability of a staged development approach, to construct a low capital and operating cost carbon-in-leach gold plant (Plant) and infrastructure capable of treating 750ktpa with a capacity potential of 900ktpa. Near-surface oxide and free-milling gold & silver ore from three open-pit mines at Fountain Head, Mt Bonnie and Glencoe and will be processed over an initial 5-year period (Stage 1).

Subsequent to the treatment of the currently defined oxide gold and silver resources in Stage 1, the Plant will be upgraded to incorporate a sulphide flotation circuit capable of processing the Hayes Creek high-grade gold-silver-zinc massive sulphide ores into two valuable product streams, a zinc concentrate and a precious metals concentrate (Stage 2).

Towards the end of the quarter, the Company appointed Como Engineers (Como) to assist with fast-tracking the Fountain Head Gold Project development. Como is an experienced and well-regarded engineering group that specialises in 'fit for purpose' solutions and utilises modular and transportable equipment in its plant designs. PNX is working with Como on an Early Contractor Involvement (ECI) to deliver a design and construct proposal (EPC) for the carbon-in-leach gold Plant for a fixed-duration, lump-sum price, thereby removing a large portion of the project risk from PNX.

To provide additional design information, thickening and filtration test work is being undertaken by Metso Outotec, with rheology tests being undertaken by ALS Metallurgy on Fountain Head and Mt Bonnie oxide samples.

A site visit to assess the suitability of second-hand equipment was completed with Como who are now including this assessment in their design scope.

Government and Environmental Approvals

The Fountain Head EIS was submitted to the NT EPA in early June.

During the quarter, the Company lodged the Environmental Impact Study (EIS) for the Fountain Head Gold Project with the Northern Territory Environmental Protection Authority (EPA). An 8-week Public Consultation period will end 8 August 2021 and the Company is expecting feedback from this process by early September.

Northern Territory Exploration

The Company's Exploration and Mineral Leases remain in good standing.

During the reporting period drilling at Fountain Head was completed with 20 holes for 1,992m. The aim of the drilling was to identify areas of near-surface mineralisation with the potential to augment the existing mine plan, and to provide information around sterilisation of areas that may be used for the waste stockpile and other infrastructure (Figure 1).

Results from this program have been delayed due to the impacts of restrictions related to the COVID pandemic, but are expected to be finalised in the coming weeks

The drilling was by zone/prospect area with a mix of Priority 1 and 2 holes:

- Far East prospect is along the eastern continuation of the anticline and shows signs of potentially mineable gold grades but had only been sparsely tested by historic drilling

- The South Zone tested an area of historic hard rock mining for near-surface signs of the offset Tally Ho deeps (high-grade gold lode). This area is also the proposed location of the extended waste rock dump and requires sterilisation
- The Northwest Breccia prospect was drilled to test the continuity of a single breccia on the northern limb of the anticline
- The Banner prospect requires further testing, interpreted to be a tightly-folded zone of the Fountain Head anticline, having the typical breccias, alterations, and arsenopyrite seen elsewhere in the deposit

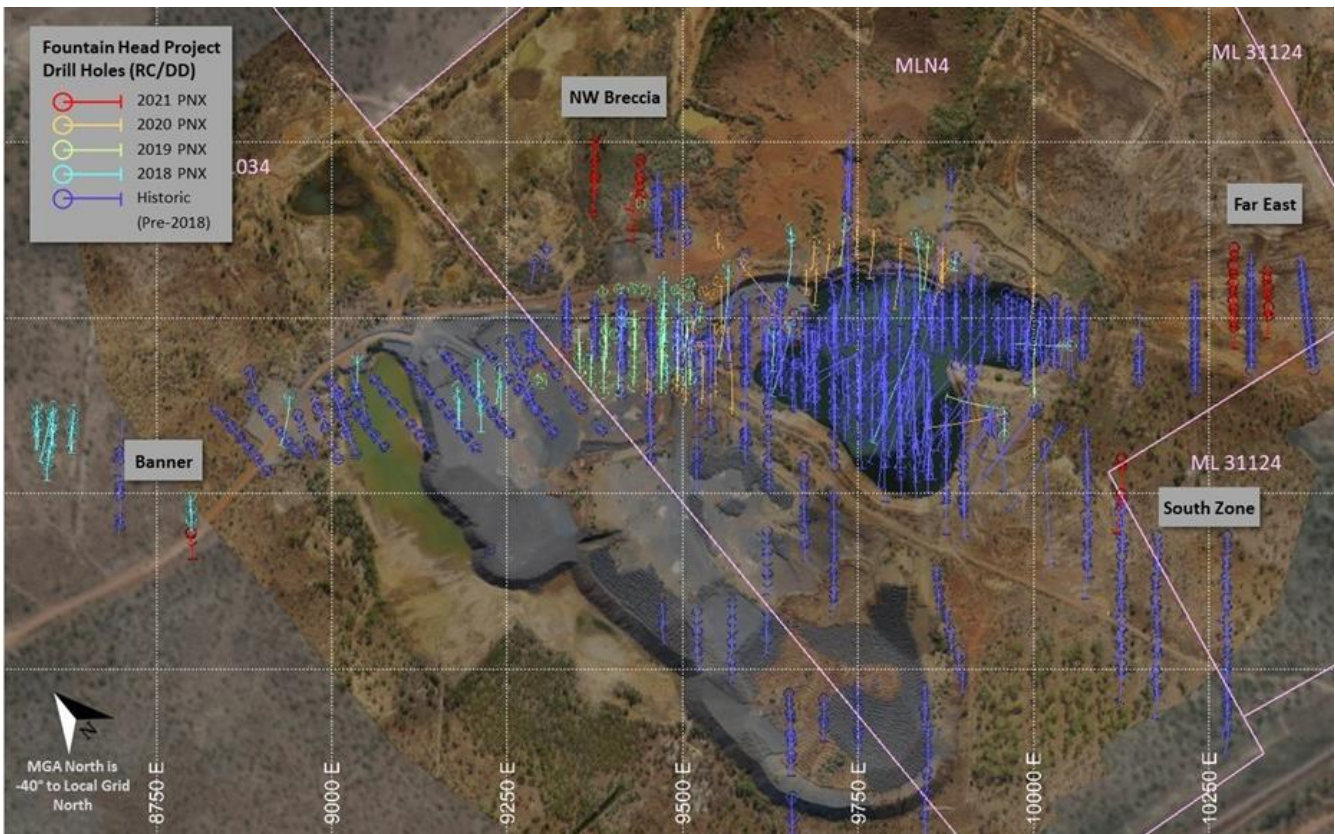


Figure 1: Fountain Head drilling areas.

Subsequent to quarter end, the Company announced a further drill program at the Glencoe gold deposit (Figure 2). This 2-stage drilling program consists of 56 RC holes and 3 diamond core holes, with total drilling of up to 5,060m. These will be angled holes at -60 degrees with a maximum downhole depth of 110m.

Drilling at Glencoe has now been deferred for approximately two weeks to allow for maintenance work and drilling of third-party exploration targets. The rig is expected back on site at the end of the first week in August.

The purpose of the first phase of the program (comprising 28 RC holes for 1,900m) as announced (refer ASX release 16 July 2021) is to:

1. Extend the existing lodes along-strike, which are expected to add Inferred Level resources, and
2. confirm the modelled mineralisation and provide modern QAQC sample data to support the resource dataset for an upgrade of portions of the resource to Indicated level.

The second phase of proposed drilling at a commencement date to be confirmed, (comprising 28 RC holes for 2,800m) will extend the zones further, targeting untested anomalies that are evident from historic exploration data. This phase two drilling is expected to delineate new lodes and add Inferred level resources.

Diamond drilling (comprising 3 diamond holes for 360m) will be used to provide rock density data (predominantly in the Oxide and Transitional zones), structural information, geotechnical and metallurgical data.

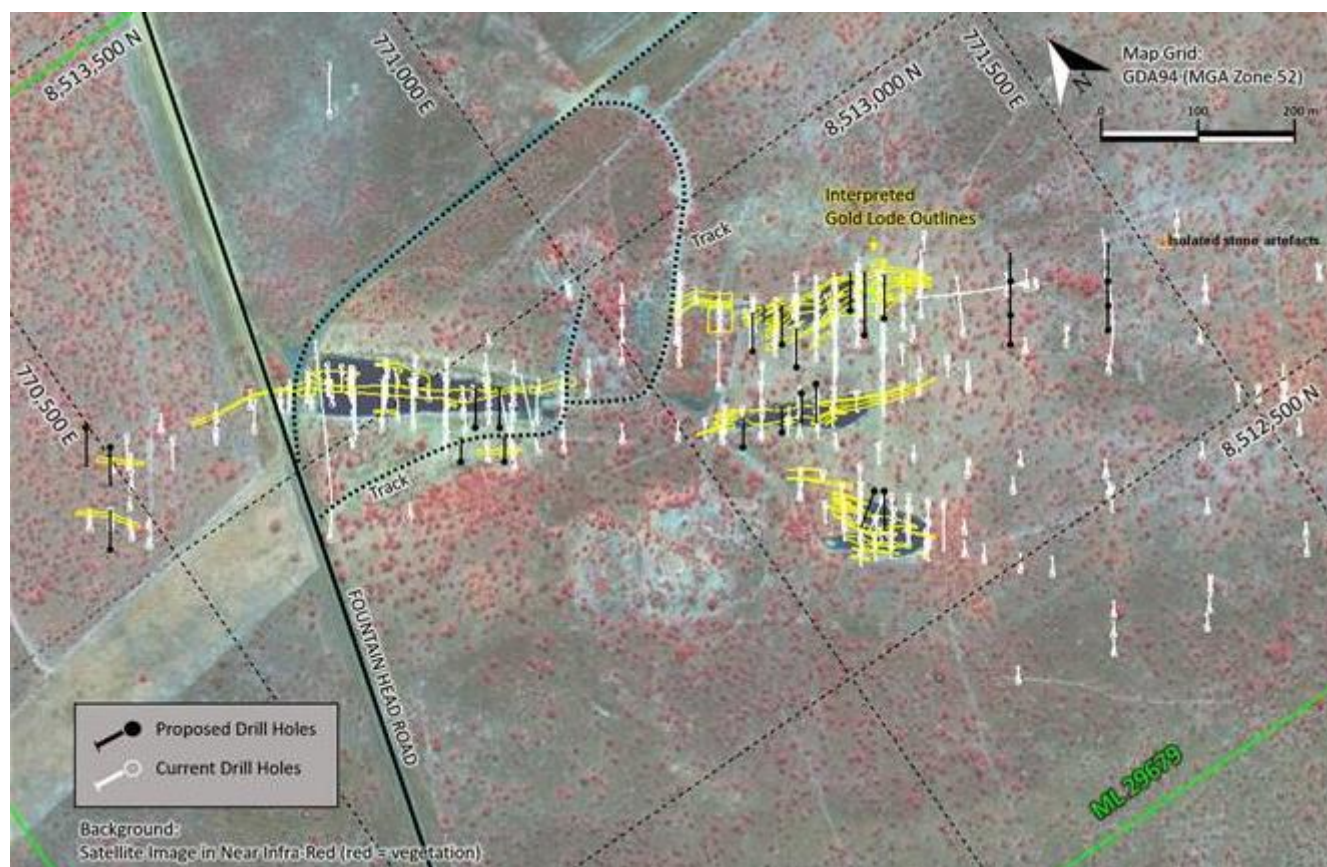


Figure 2: Proposed drill holes at Glencoe (black) in relation to the existing defined mineral lodes (yellow). Existing drill holes shown in white.

Planned Activities September 2021 Quarter

Fountain Head Gold Project

- Close of Public Consultation period for the Fountain Head EIS and feedback from the NT EPA as to what further work is required, if any, for the Fountain Head EIS to gain approval
- Drafting of Mine Management Plans for Mt Bonnie, Glencoe, and Fountain Head
- Continued work with Como on the ECI to deliver an EPC proposal
- Receipt of assays relating to Fountain Head exploration drilling
- Ongoing infill and extensional drilling at Glencoe to test for immediate extensions where surface gold anomalism highlights along-strike potential
- Regional exploration, comprising ground truthing, sampling and further assessment of gold target areas including Medusa, Western Arm North, and Chimera

Corporate

Cash on hand at 30 June 2021 was \$3.6 million.

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

Exploration and evaluation expenditure for the reporting period was \$1,128,963. Corporate and other expenditure amounted to \$287,288. Included in item 6.1 of the Appendix 5B is an amount of \$28,750 for directors' fees paid to non-executive directors of the entity.

As at 30 June 2021 the Company had 3,652,193,511 fully paid ordinary shares on issue, and;

- 359,125,000 unquoted options with a 1.464 cent exercise price expiring 30 September 2021; and
- 54,300,000 performance rights subject to various vesting conditions.

Mr. Richard Willson and Dr. Frank Bierlein joined PNX as non-Executive Directors of the Company effective 18 June 2021 (refer ASX release 18 June 2021). This provided an opportunity for the Company to increase its skills and experience on the board as the Company advances both Fountain Head and Hayes Creek projects towards development.

For further information please visit the Company's website www.pnxmetals.com.au or contact:

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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
Glencoe			
ML29679 *	Glencoe		199.0
Total Glencoe			199.0
Moline			
PNX Metals Ltd 100%			
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			4,922.4
EL28616	Moline	PNX Metals Ltd 100%	262.5 km ²
EL31099	Bridge Creek	PNX Metals Ltd 100%	60.2 km ²
EL31893	Ringwood Station	PNX Metals Ltd 100%	23.4 km ²
EL32489 *	J25 Anomaly	PNX Metals Ltd 100%	19.9 Km ²
Total Exploration Licences			366.0 km²

* ML29679 was acquired by PNX Metals Limited on 27 April 2021.

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
Rocklands Project #			
EL10120 #	Rocklands 1	PNX Metals Ltd – earning-in 100%	6.94
EL25120 #	Rocklands 2		9.96
EL27363 #	Rocklands 4		6.64
EL25379 #	Rocklands 7		6.64
EL23509 #	Rocklands 8		19.92
ML29933 ^	Rocklands 3	PNX Metals Ltd – earning-in 80%, Trojan Enterprises Pty Ltd and David Trow 20%	0.86
ML29937 ^	Rocklands 5		3.54
Total Exploration Licences			1,167.30

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

PNX Metals Ltd earning-in 100% interest in the Hardrock Rights under a farm-in agreement with Rockland Resources Pty Ltd (**Rockland**) and Oz Uranium Pty Ltd Holdings Pty Ltd (**Oz**).

^ PNX Metals Ltd earning-in 80% interest in the Hardrock Rights under a farm-in agreement with Rockland Resources Pty Ltd (**Rockland**) and Oz Uranium Pty Ltd Holdings Pty Ltd (**Oz**). A 20% interest is held by Trojan Enterprises Pty Ltd and David Trow.