

Quarterly Activities Report

December 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 31/01/22:
3,652,193,511 Shares

Board & Management:

Non Exec Chairman: Graham Ascough
Non Exec Director: Hansjoerg 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 31/01/22:

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 Exploration & Project Development

- Fountain Head Gold Project Update – continued progress on permitting & approvals, capital cost estimates and project finance
- Ministerial approval pending for Glencoe acquisition - expected to be completed in early 2022
- Glencoe Reverse Circulation (RC) drilling – near-surface high-grade gold mineralisation extended to over 1.4 km, diamond drilling commenced in January 2022, significant intercepts from the RC program include:
 - 6m at 3.84 g/t Au from 36 metres in GLRC044
 - 2m at 8.58 g/t Au from 10 metres in GLRC045
 - 8m at 1.52 g/t Au from 80 metres in GLRC048

Corporate

- \$1.7 million cash on hand at 31 December 2021
- Non-renounceable Rights Issue (NRRI) to raise up to ~\$4.6 million to continue with the Fountain Head Gold Project development (refer ASX announcements 20 January 2022)
- Assessment of non-binding indicative proposals for the divestment of the Moline Project in progress

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 2021.

Project Development – Fountain Head

During the quarter PNX continued to advance its program for the sequential development of the Company’s 100% owned Fountain Head gold and Hayes Creek gold-silver-zinc Projects (**Project**) in order for an investment decision to be made once Government and Environmental approvals and Project financing have been achieved.

There were no reportable safety or environmental incidents during the quarter. 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. Northern Territory field-based activities are safely continuing however personnel movements were impacted during the quarter due to border closures.

Government and Environmental Approvals

Following the close of the Environmental Impact Statement (EIS) public comment period in early August 2021, the Company received a Direction from the Northern Territory Environmental Protection Authority (NT EPA) at the end of September 2021 to prepare the Supplement to the EIS, specifically to address comments from Government agencies relating to the assessment of potential environmental impacts. These comments were addressed, with additional information provided where required in the Supplement which was submitted in November 2021, with a 3-week public consultation occurring thereafter.

PNX and its Environmental Consultants are due to meet with the NT EPA in early February 2022 for an update to the process.

The Fountain Head Mining Management Plan (MMP) is also being prepared to be submitted in the March 2022 quarter. An approved MMP is required before any works can commence on site. The lead time for approval of the MMP is 4-6 months and consequently the Company is advancing both the MMP and EIS approvals in parallel in order to minimise any delays.

Project Financing

Specialist natural resources investment house Argonaut PCF Limited were appointed to act as the Company's exclusive debt advisor. PNX expects that the appointment of Argonaut PCF, will result in funding optionality for the board to consider to ensure appropriate management of shareholder dilution, cost and risk to the Company in funding the Projects.

Mining and Site Establishment

Mining tenders are to be sent to selected contractors during February 2022. Various contracting models will be considered to provide the lowest cost of construction and mining. The mining contract is expected to include all drill and blast, mining activities, remote site ore haulage, and crushing services.

Site establishment works are planned commence upon grant of Project approvals.

Plant and Infrastructure Engineering and Design

PNX Project Engineering partner Como Engineers (Como) provided updated capital costs based on a refined process design and contractor quotes. Quoted 3rd party contractor costs have increased by approximately 20% over the course of 2021 and when compared to those utilised in the PFS (July 2021, provide ASX announcement reference). Numerous contributing factors include inflation, global supply shortages and demand increase, shipping, logistical bottlenecks, raw material price increases, and ongoing uncertainty and OHS&E considerations relating to border restrictions. Mitigation strategies have been employed to limit the impact of these increases, including the use of second-hand equipment where possible.

The Company has reached an in-principle agreement to acquire suitable second-hand tailings filtration equipment for the Project. Perth-based Como are assessing the equipment with a site visit scheduled for early 2022, subject to the West Australian border re-opening. Relocation and rebuild costs will then be included as part of the Project budget. A significant capital cost reduction is envisaged when compared to acquiring new tailings filtration equipment.

Additional time and cost savings will also be realised by incorporating modular designs into the plant, something that Como have applied successfully at other operations, and will include construction and fabrication of transportable modules that will be essentially bolted together on site with a minimum of additional engineering.

A mobile crushing plant has been chosen over a fixed unit to reduce capital costs and time to production, and to achieve greater operational flexibility and ease of financing. The Company is working with several contract groups to finalise the cost of this component.

By applying the above measures, the Project Capital cost inclusive of contingency and margins, first fill and critical spares will be in-line with the original PFS estimate of A\$46 million, and is testament to the hard work of the engineering team under challenging conditions currently faced by the entire industry.

The Project construction schedule is yet to be finalised but expected to be up to 12 months from the decision to proceed.

Power

Sunrise Energy Group is PNX's preferred power partner and will complete the Front-End Engineering and Design (FEED) to deliver a standalone hybrid power station to be located at Fountain Head. The FEED study is expected to be finalised during Q1 2022. The proposed power solution contract is via an energy-as-a-service model through a Power Purchase Agreement with included buy-out option.

A hybrid renewable energy plant has been agreed to in principle, consisting of a 4.6MWp solar farm, 2.3MW/ (2.2MWh usable) Battery Energy Storage System (BESS), 3 x 2,000kVA diesel generators and a hybrid energy controller. The design of the architecture is important as it will allow the solar PV, BESS and generators to be interconnected in a complementary manner to ensure smooth power transmission to the Project.

The benefits of this type of system are significant, and result in an overall reduction in the Project carbon footprint and initial 41% green power. Importantly, hybrid renewable energy unit operating costs are lower by approximately \$0.06/kWh (20%) when compared to those of base-case diesel generators.

Geology and Mineral Resources

Project gold and silver Mineral Resources used to inform the mining optimisation and Project financial model are derived from mineralisation at Mt Bonnie, Glencoe and Fountain Head (combined as Stage 1).

Since publishing the Project PFS in July 2021, approximately 4,000 metres of Reverse Circulation (RC) drilling was completed at Glencoe to test for near-surface extensions to gold mineralisation, and increase confidence in the current Mineral Resource Estimate (MRE) that currently stands at 2.1Mt @ 1.2g/t Au for 79,000oz Au (Inferred category) (reported in accordance with the JORC Code, 2012 (refer ASX 28 April 2021 for original MRE and JORC Tables).

The drilling to date has been extremely successful and identified immediate extensions to near-surface gold mineralisation, extending the strike and demonstrating excellent continuity by more than 280 metres to the southeast of the current MRE, and 450 metres from the historic North-Central pit. Importantly, several thicker near-surface zones of gold mineralisation were intersected (refer ASX release 25 November 2021, and 14 January 2022). A further outline of exploration activities undertaken at Glencoe during the quarter are outlined below.

Exploration Update - Glencoe

Glencoe is located on a granted Mineral Lease approximately 170 km south of Darwin and 3 km north of PNX's Fountain Head Gold Project in the Pine Creek region of the Northern Territory. The Glencoe Project ("**Glencoe**") represents a 'bolt-on' asset that has significantly expanded the proposed Fountain Head development (refer ASX release 20 December 2021).

A total of 54 RC holes were drilled by PNX at Glencoe in 2021 to test the near-surface extent of gold mineralisation (Figures 1 & 2). Only six holes extended beyond 80 metres vertical depth, as delineating near-surface gold lodes was prioritised to maximise the gold reporting to the optimised mining studies and conceptual pit designs. The deposit remains open at depth and further down-dip testing will occur during 2022. The drilling was complemented by other work at Glencoe, including surface geological mapping and sampling, which will also assist in informing an updated MRE, to be completed after the planned diamond drilling scheduled to commence early in calendar 2022 (Figure 3).

Assays for the balance of the first 41 drill holes were reported on 14 September and 25 November 2021. Subsequent to quarter end during January 2022, PNX reported the gold assay results from the final 13 RC holes drilled in late 2021. The results of the drilling program are very positive as they continue to increase the gold mineralised footprint at Glencoe, which has now been drilled and demonstrates good continuity over a 1,400-metre strike extent.

Interpretation and Discussion

The Glencoe and Fountain Head gold deposits exhibit similar geology, with gold mineralisation in both deposits hosted within and adjacent to a complex network of interconnected sub-vertical quartz veins associated with a prominent anticlinal fold of weakly metamorphosed sandstone, siltstone and mudstone beds. Given their similar geological setting and close proximity, the current gold mineralised footprint at Glencoe can be compared with the more advanced Fountain Head MRE (2.94 Mt @ 1.7 g/t Au for 156,000 oz gold; refer ASX release 16 June 2020) to provide some guidance to the scale potential PNX believes exists at Glencoe.

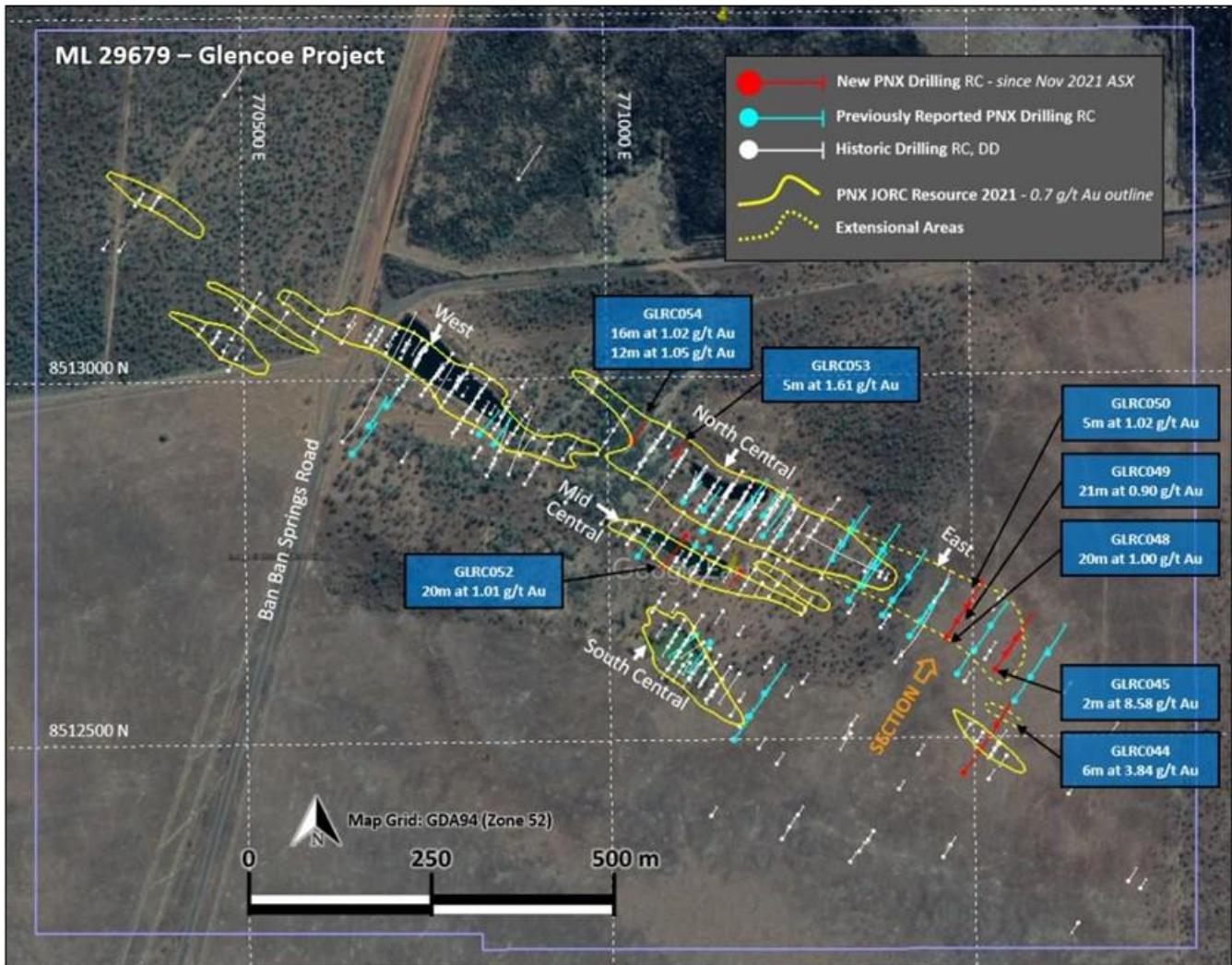


Figure 1: Glencoe Mineral Resource outline, all RC and Diamond drill holes to date, and location of the cross-section shown in Figure 2 ('Section').

Next Steps

The Company continues to integrate its 2021 data with the historic Glencoe data and has engaged CSA Global to update the Glencoe MRE. Currently, the Glencoe MRE is entirely in the Inferred category due to a lack of modern QAQC protocols on the historic drillholes and robust density measurements. These historical shortcomings have been addressed with recent work and it is expected that the MRE confidence will improve materially and also extend to cover most, if not all of the newly identified 'Eastern Extension'.

Diamond drilling (three holes for approximately 360 metres) has commenced and will be completed early in Q1/22. The primary purpose of these holes is to collect material from the Oxide and Transitional zones and provide further rock density data and structural information, as well as material for confirmatory geotechnical and metallurgical

test work. The updated MRE is expected to be finalised in Q2 2022 and will be used to further refine drill targets for the 2022 field season and update the Project mining optimisation.

The update to the MRE and subsequent mining optimisation will form the basis to measuring the impact on the Project economics where an incremental increase in the resource is expected. The geometry of mineralisation (approx. 45° dip), and location near-surface immediately along strike from the current pit optimisation is likely to result in an increased resource utilisation.

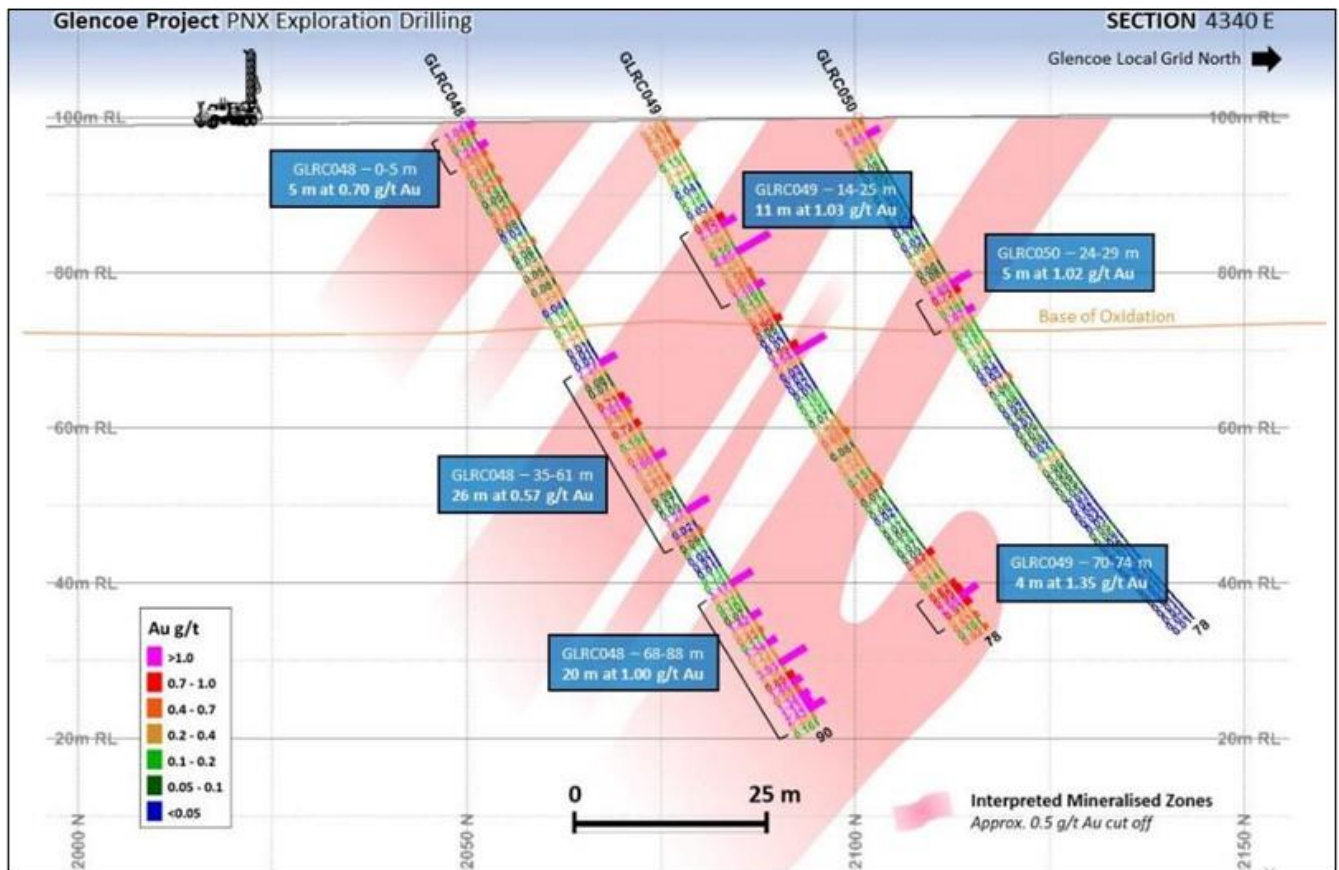


Figure 2: Glencoe cross-section showing exploration holes GLRC048 -049, and -050, and interpreted mineralised zones.

About the Glencoe Development Opportunity

Under the Sale and Purchase Agreement (SPA) (executed 27 April 2021) with private company, Ausgold Trading Pty Ltd, PNX has acquired Glencoe for a total consideration of \$1.875 million; of which \$1.175 million has been paid to date. The Company has received unconditional approval from the Foreign Investment Review Board for the acquisition.

PNX has agreed with Ausgold Trading Pty Ltd to extend the period for completion of the Glencoe acquisition to 28 February 2022 to allow for Ministerial approval which is still pending (refer to Key Terms in PNX ASX announcement 10 December 2020 for further information).

Planned Activities March 2022 Quarter

- Diamond drilling at Glencoe now underway
- Completion of the NRRI in February 2022
- Update to the Glencoe MRE
- Project financing options
- Government and Environmental approvals
- Commence site-based activities pending Project approvals
- Planning and Mine Management Plans for near-mine and regional exploration

Corporate

Cash on hand at 31 December 2021 was \$1.7 million.

During the quarter PNX sold 6,892,013 Sunstone Metals Limited (STM) shares on market to net \$677,434 (after costs), the Company still holds 6,000,000 STM shares.

Subsequent to quarter end, the Company announced a non-renounceable one (1) for four (4) Entitlement Offer at \$0.005 (0.5 cents) per share to eligible shareholders to raise up to ~\$4.6 million before costs and expenses (refer ASX 20 January 2022). Existing substantial shareholders, including DELPHI, have confirmed their intention to take up their entitlements. Proceeds from the capital raising will primarily be used to support ongoing development activities at PNX's 100% owned Fountain Head Gold Project and continue with near-mine and regional exploration.

The Company continued to assess and advance non-binding indicative proposals for the Moline Project and will provide an update in due course.

The Quarterly Cashflow Report (Appendix 5B) for the period ending 31 December 2021 provides an overview of the Company's financial activities. Cash exploration and evaluation expenditure for the reporting period was \$1.064M. Net corporate and other expenditure amounted to \$220k (item 1.9 of the Appendix 5B). The total amount paid to Directors of the entity and their associates in the period (item 6.1 of the Appendix 5B) was \$59k and includes salary, Directors' fees, and superannuation.

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

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TENEMENTS

Northern Territory – 100% owned

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.