

# Quarterly Activities Report

March 2022

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 29/04/22:  
4,444,057,807 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 29/04/22:

Delphi Unternehmensberatung	45.58%
Sochrastem SA	5.96%
Marilei International Limited	4.97%

## 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 and operating cost estimates and project finance
- Ministerial approval and title transfer for Glencoe completed
- Additional high-grade gold rock chips from surface mapping at Glencoe identify new gold-bearing quartz veins which are yet to be fully tested by drilling, assays include:
  - 33.1 g/t Au in GLFS035c,
  - 15.5 g/t Au in GLFS043,
  - 35.8 g/t Au in GLFS046a, and
  - 15.9 g/t Au in GLFS046c.
- Diamond drilling at Glencoe completed with geological, specific gravity and metallurgical data collection being finalised
- Glencoe Mineral Resource Estimate (MRE) to be updated on receipt of diamond drilling data and site visit by independent Competent Person

### Corporate

- \$4.56 million cash on hand at 31 March 2022
- Non-renounceable Rights Issue (NRI) completed raising approximately \$4 million to continue with the Fountain Head Gold Project development
- Divestment of the Moline Project for total consideration of up to \$3 million

## MARCH QUARTERLY ACTIVITIES REPORT

PNX Metals Limited (ASX: PNX) (“**PNX**”, “**the Company**”) is pleased to present its quarterly activities report for the period ended 31 March 2022.

### 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.

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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.

There is continued pressure on availability of qualified personnel and staff to undertake planned work safely and within suitable timeframes, and PNX is fortunate to have secured the services of an excellent core team of personnel. Cost pressures generally, and specific to the Mining Industry, are well documented and unlikely to abate any time soon. PNX is in regular discussions with its preferred contractors and consultants to manage as best as possible the impact to its Project development schedule, and overall Capital and Operating cost estimates.

Increases in metals pricing, in particular gold and zinc, which are both key revenue drivers for the Fountain Head and Hayes Creek projects, are providing an offset to potential increases in operating and capital costs.

### **Government and Environmental Approvals**

As previously communicated, the Company received a Direction from the Northern Territory Environmental Protection Authority (NT EPA) at the end of September 2021 to prepare a Supplement to the EIS lodged by the Company in August 2021, 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 completed thereafter.

Following this process PNX received its second Direction from the EPA, on 6 January 2022, to provide additional information, primarily related to the surface and groundwater modelling, to enable the EPA to assess the project. PNX has been working with specialist environmental consultants and independent experts to gather the necessary information and is now finalising the NT EPA requirements with the second Supplement expected to be submitted early June 2022.

The Fountain Head Mining Management Plan (MMP) has been put on hold with all resources fully committed to finalising the EIS Supplement.

### **Project Financing**

Following the appointment of Argonaut PCF Limited to act as the Company's exclusive debt advisor, PNX has received several term sheet proposals for project debt finance. The Company is currently reviewing the proposals, and has commenced a period of discussion and negotiation with various parties as to the key terms.

Site visits are being organised and expected in late May 2022. The board will then consider each proposal to ensure appropriate management of shareholder dilution, cost and risk to the Company in funding the Projects.

Typical minimum requirements by prospective financiers include an updated Project feasibility assessment and agreed level of Ore Reserves.

### **Mining and Site Establishment**

Mining tender documents have been updated to include an option to provide a crushing services contract to go along with drill and blast, mining activities and remote site ore haulage. The tender documents are complete and ready for distribution to selected contractors once the Company receives feedback from the NT EPA. Various contracting models will be considered to provide the lowest cost of construction and mining.

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

### **Plant and Infrastructure Engineering and Design**

Late in the quarter, PNX Project Engineering partner, Como Engineers (Como), conducted site visits to Fountain Head and then on to Queensland to complete a 3D laser scan of second-hand processing equipment to assess the suitability of dismantling and relocating tailings and filtration equipment to the Fountain Head Project site. A report from the site visit is pending and the Company will continue to work with Como to secure second-hand equipment where possible in order assist with keeping any capital increases to a manageable level.

Como are also working on a Mill optimisation study (3-4 weeks) to ensure sufficient flexibility to treat various ore types at Fountain head, Glencoe and Mt Bonnie oxide/stockpile up to a 900ktpa feed rate. Deliverables will be:

- Mill sizing and quoted CAPEX pricing for 900ktpa
- Recovery curve generation at different residence time for the various ore types
- Any de-bottle necking of the downstream circuit

Once the above capacity study and 2<sup>nd</sup>-hand equipment assessment have been completed Como will update the Fountain Head Plant lists, costs and schedules to a +/- 15% confidence suitable for use in a Feasibility level study. This work is expected to take up to 12 weeks with the long lead being a response from key suppliers – predominantly electrical and mechanical equipment.

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, PNX's preferred energy partner, have commenced a feasibility level study to deliver a standalone hybrid power station to be located at Fountain Head. The proposed power solution contract is to be via an energy-as-a-service model through a Power Purchase Agreement with included buy-out option.

### **Geology and Mineral Resources**

The gold MRE used for the mining optimisations and the Project financial model are derived from 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 were completed at Glencoe to test for near-surface extensions to known gold mineralisation and increase confidence in the existing MRE, which 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 2021 RC drilling was extremely successful and identified immediate extensions to near-surface gold mineralisation by 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 releases 25 November 2021, and 14 January 2022).

Three diamond drill holes for 219 metres were completed in the quarter. Geological, specific gravity and metallurgical data from these holes have been collected.

The Company continues to integrate its 2021-22 data with the historic Glencoe data and has engaged resource consultants to update the Glencoe MRE. The current Glencoe MRE is entirely in the Inferred category due to a lack of modern QAQC protocols and robust density measurements on the historic drillholes. These shortcomings have been addressed with the 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'. The MRE will be finalised once the independent Competent Person completes their site visit, which is planned for May 2022.

The updated Glencoe MRE and subsequent mining optimisation will form the basis of an updated Project Feasibility and subsequent Ore Reserve statement to assist with project financing.

### **Next Steps**

Exploration work is ongoing, including detailed geological mapping, interpretation of geophysics and re-logging of drill core around the Fountain Head, Glencoe, Iron Blow and Mt Bonnie deposits to enhance the current geological models and identify new exploration targets. It is expected that further drilling will be undertaken at these deposits with high-priority extensional targets already identified at Glencoe.

In addition, the Company holds between 90-100% interests in granted exploration licences covering 1,528 km<sup>2</sup> of the Pine Creek Orogen. A review of this land package continues to identify new target areas. While the focus is on gold, silver and zinc to supplement the current Project resource base, the Company is also assessing its tenure for other commodities of recent global interest (such as Tin, Tantalum, Copper), and will re-commence on-ground activities in the June Quarter.

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## Planned Activities June 2022 Quarter

- Update to the Glencoe MRE
- Submission of Collaborative Grant with NT Government to fly drone magnetic surveys over Fountain Head-Glencoe and Iron Blow-Mt Bonnie areas
- Definition of drill targets at Glencoe and submission of revised MMP
- Continue to update geological models and generate new target areas for the upcoming exploration season
- Review of existing tenure for gold, silver and zinc, plus other commodities of recent interest
- Review Fountain Head project financing options
- Progress Government and Environmental approvals
- Commence site-based activities pending Project approvals
- Planning and MMPs for near-mine and regional exploration

## Corporate

Cash on hand at 31 March 2022 was \$4.56 million.

During the quarter, the Company completed a non-renounceable one (1) for four (4) Entitlement Offer at \$0.005 (0.5 cents) per share to eligible shareholders, raising ~\$4 million (refer ASX 14 February 2022). This represented an approximate 87% take-up (including oversubscriptions) of acceptances for new shares. PNX's largest shareholder, DELPHI Unternehmensberatung Aktiengesellschaft, along with the Company's Directors and management, took up their full entitlements, demonstrating a strong commitment and confidence in the Company's projects and its future.

The Company also announced that it will divest the Moline project for consideration of up to \$3 million (refer ASX 1 March 2022). The divestment of Moline to Sovereign Metallurgical Ltd, realises immediate value for non-core tenements and allows PNX to focus on the development of its 100% owned Fountain Head gold, and Hayes Creek gold, silver, zinc projects.

The Quarterly Cashflow Report (Appendix 5B) for the period ending 31 March 2022 provides an overview of the Company's financial activities. Cash exploration and evaluation expenditure for the reporting period was \$812k. Net corporate and other expenditure amounted to \$285k. The total amount paid to non-executive Directors of the entity and their associates in the period (item 6.1 of the Appendix 5B) was \$59k and includes Directors' fees and superannuation.

For further information please visit the Company's website [www.pnxmetals.com.au](http://www.pnxmetals.com.au) or contact:

### James Fox

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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
<b>Total Hayes Creek</b>			<b>168.0</b>
MLN794	Fishers-1	PNX Metals Ltd 100%	8.1
MLN795	Fishers-2		8.1
ML30936	Good Shepherd		106.0
<b>Total Other</b>			<b>122.2</b>
ML31124	Fountain Head	PNX Metals Ltd 100%	33.5
MLN1020	Fountain Head		12.0
MLN4	Fountain Head		529.9
MLN1034	Fountain Head		304.2
<b>Total Fountain Head</b>			<b>879.6</b>
<b>Glencoe</b>			
ML29679	Glencoe	PNX Metals Ltd 100%	199.0
<b>Total Glencoe</b>			<b>199.0</b>
<b>Moline</b>			
PNX Metals Ltd 100%			
ML24173 *	Moline	PNX Metals Ltd 100%	3126.0
MLN1059 *	Moline		418.7
MLN41 *	Mt Evelyn		8.9
<b>Total Moline</b>			<b>3,553.6</b>
<b>Total Mineral Leases</b>			<b>4,922.4</b>
EL28616 *	Moline	PNX Metals Ltd 100%	262.5 km <sup>2</sup>
EL31099	Bridge Creek	PNX Metals Ltd 100%	60.2 km <sup>2</sup>
EL31893	Ringwood Station	PNX Metals Ltd 100%	23.4 km <sup>2</sup>
EL32489	J25 Anomaly	PNX Metals Ltd 100%	20.0 Km <sup>2</sup>
<b>Total Exploration Licences</b>			<b>366.1 km<sup>2</sup></b>

\* On 28 February 2022, PNX Metals Limited agreed to divest the Moline project (tenements ML24173, MLN1059, MLN41 & EL28616) in the Northern Territory to Sovereign Metallurgical Pty Ltd, with completion to occur within 18 months of the Agreement. (Refer ASX 1 March 2022).

## Northern Territory – Farm-in Tenements

Tenement	Name	Holder	(Area sq km)
<b>Burnside Project *</b>			
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	
<b>Chessman Project *</b>			
Tenement	Name	PNX Metals Ltd 90%, Newmarket 10%	
EL25054	Maud		64.0
EL28902	Maud		104.5
ML30293	Chessman		1.1
<b>Rocklands Project #</b>			
EL10120 #	Rocklands 1	PNX Metals Ltd – earned 100%	6.68
EL25120 #	Rocklands 2		10.02
EL27363 #	Rocklands 4		6.68
EL25379 #	Rocklands 7		6.68
EL23509 #	Rocklands 8		20.0
ML29933 ^	Rocklands 3	PNX Metals Ltd – earned 80%, Trojan Enterprises Pty Ltd and David Trow 20%	3.54
ML29937 ^	Rocklands 5		0.85
<b>Total Exploration Licences</b>			1,167.25

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

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