

Quarterly Activities Report

June 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 08/07/22:
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 08/07/22:

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 – progressing permitting & approvals, capital and operating cost estimates and project finance
- Approvals milestone - second supplement to the Fountain Head Environmental Impact Statement (EIS) to be submitted mid-July 2022
- Earn-in completed to acquire a 100% interest in Exploration Licenses and Mineral Leases (ELs and MLs) directly adjacent to PNX's wholly owned Hayes Creek zinc-gold-silver Project
- Glencoe Mineral Resource update progressing well and expected next quarter
- NT Geophysics co-funding grant received for drone magnetic survey over Hayes Creek, Fountain Head and Glencoe to assist with targeting areas for additional mineralisation
- Prospective acquisitions being assessed with the potential to strengthen PNX's opportunity in the Pine Creek region, to improve project economics and further expand the Company's commodity portfolio

Corporate

- \$3.7 million cash on hand at 30 June 2022

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 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). The focus has been on Government and Environmental approvals, with the EIS supplement completed and finalised for submission. Project plant and infrastructure design work and financing discussions also advanced during the quarter.

The Company continues its assessments and due diligence on other projects in the region, with the potential to enhance the overall development opportunity.

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. Northern Territory field-based activities are safely continuing.

Exploration and Mineral Resources

PNX is advancing an integrated development of four discrete deposits in the Pine Creek region. A Mineral Resource Estimate (MRE) have been established for each of these deposits and a Pre-feasibility Study was released in mid-2021 (refer ASX release 17 June 2021).

The gold resources used for mining optimisations and the Project financial model are derived from Mt Bonnie, Glencoe and Fountain Head (combined as Stage 1).

Since acquiring the Glencoe project in April 2021, PNX has completed 4,470 metres of Reverse Circulation (RC) drilling, and 220 metres of diamond drilling to test for near-surface extensions of 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 release 28 April 2021 for original MRE and JORC Tables).

The 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 (Figure 1). Importantly, several thicker near-surface zones of gold mineralisation were intersected (refer ASX releases 25 November 2021, and 14 January 2022).

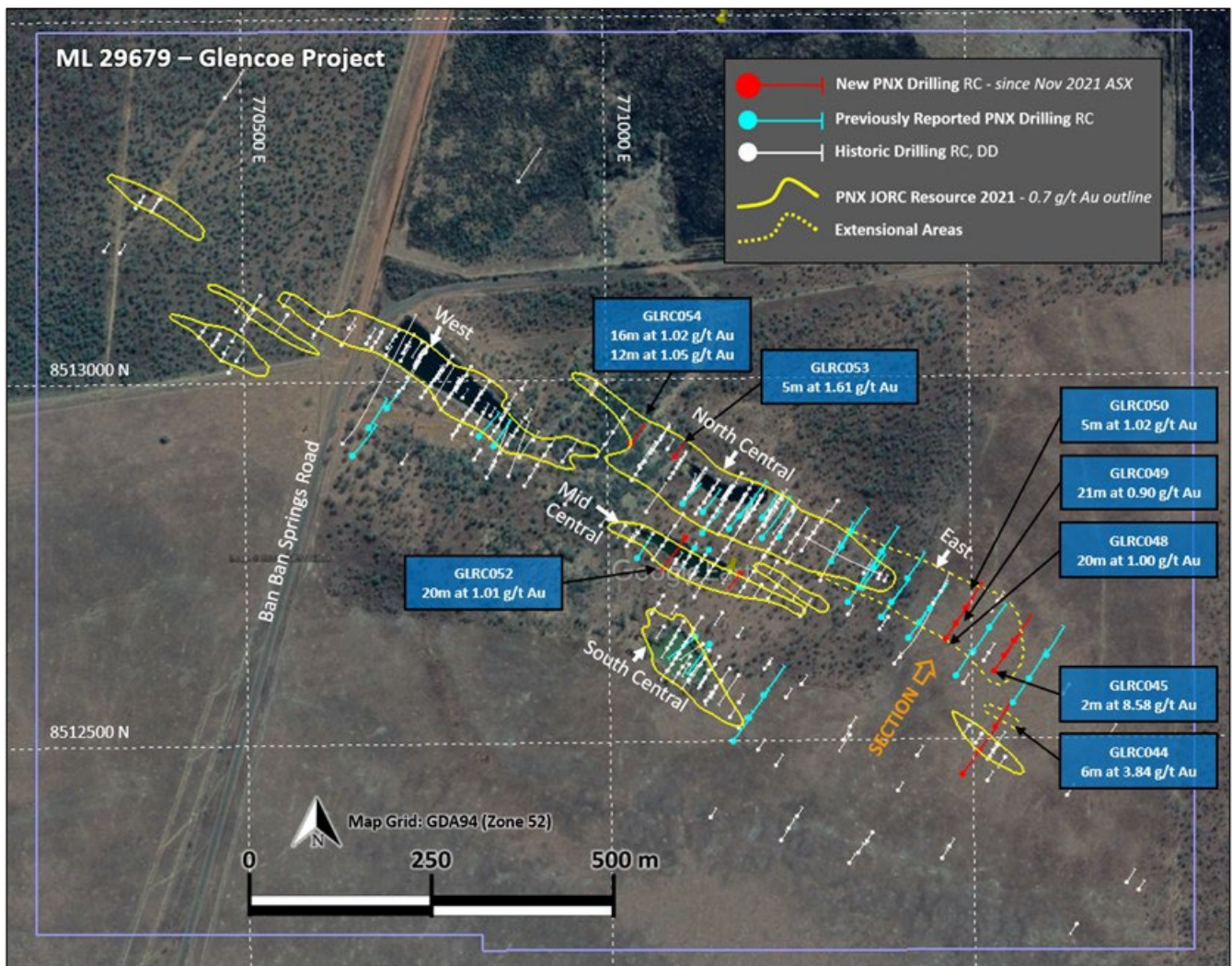


Figure 1: Glencoe resource outline, all drill holes to date (extensional areas highlighted by the word 'Section').

The Company continues to work with independent resource consultants to update the Glencoe MRE, with the current resource being in the Inferred category due to a lack of modern QAQC protocols and robust density measurements on the historic drillholes.

A site visit has been completed by an independent Competent Person, with audit sampling and assay of selected mineralised intervals from existing pulps underway and due for completion by end July 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.

Grants NT approved PNX's application for co-funding in Round 15 of the Northern Territory Geophysics and Drilling Collaborations program. This is a competitive grants program administered by the Northern Territory Geological Survey to address geoscientific knowledge gaps, advance exploration activity and support the discovery and development of resources in the NT (refer ASX release 2 June 2022)

PNX's application was for a 1,099 line-km drone magnetic survey to cover all of PNX's resource areas at Hayes Creek, and Fountain Head and Glencoe. The grant amounts to \$34,404 (inclusive of GST) and covers 50% of the direct cost of the survey which is scheduled to be flown during August 2022.

The proposed drone magnetic survey is designed to enhance the current geological understanding of the deposits and assist with delineating additional mineralisation in the immediate area.

Government and Environmental Approvals

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. Additional information was provided in the Supplement and submitted in November 2021, with a 3-week public consultation completed thereafter.

Following this process, PNX received a second Direction from the EPA in early January 2022, to provide new information to enable the EPA to further assess the Project, primarily related to the surface and groundwater modelling and potential for ground-dependent ecosystems.

The second Supplement is now going through its final review prior to submission which is expected mid-July. An independent expert report, prepared as part of the Supplement, is favourable and supports the considerable amount of additional work completed related to the hydrological modelling as being industry 'best practice'.

The Supplement will be submitted during the week of 11 July 2022, and is the culmination of a large body of complex work, as well as a milestone achievement which, once approved will further de-risk the Project. PNX is grateful to its staff and environmental consultants, ERIAS Group, for their efforts in this process, and is looking forward to receiving positive feedback from the NT EPA. Further details around timeframes will be provided once that feedback has been received.

The Fountain Head Mining Management Plan (MMP) was put on hold while all available resources were fully committed to finalising the EIS Supplement. The MMP development process will now be restarted.

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 has commenced a period of discussion and negotiation with various parties as to the key terms, with the requirement for an updated Project feasibility assessment.

The board will then consider each proposal to ensure appropriate management of cost and risk to the Company in funding the Project.

Plant and Infrastructure Engineering and Design

During the quarter, Como Engineering completed site visits to assess and report on the suitability and costs of dismantling and relocating second-hand tailings and filtration equipment from Queensland to the Fountain Head site.

A mill optimisation study was also completed to identify potential bottlenecks and impacts on process recoveries relating to the processing of the various ore types at Fountain Head, Glencoe and Mt Bonnie oxide/stockpile up to a 900ktpa feed rate.

A detailed options analysis is underway on various aspects of the Project's plant and infrastructure design criteria that includes a review of filtration equipment, tailings storage, and mill optimisation. The result of this work will provide inputs to update the process flowsheet, equipment lists, production schedules and more accurate cost estimates.

The Project construction schedule is yet to be finalised, but expected to be up to 12 months from the decision to proceed. Site establishment works are planned to commence upon grant of Project approvals.

Power

Sunrise Energy Group, PNX's preferred energy partner, is undertaking 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.

The original intent was to combine Solar, Battery Energy Storage and diesel generators, however significant changes in energy costs over the last six months have led to a re-assessment of power generation options. In particular, the Company is now aiming for a reduced reliance on diesel which was estimated to provide more than 50% of the Project energy needs.

PNX is in discussions with the NT Power and Water Corporation, and APA Group which owns and operates the Amadeus Gas Pipeline that transports natural gas to Darwin, Alice Springs and regional centres. The Amadeus Gas Pipeline is in close proximity to the Fountain Head project, but currently has no take-off point at the site. The material changes in energy costs and forecast future volatility, have led to gas fired turbines being reconsidered.

Business Development

The Company has satisfied the terms of a Farm-In Agreement with private companies Oz Uranium Pty Ltd and Rockland Resources Pty Ltd covering two granted Mineral Leases, one Mineral Lease Application, and five Exploration Licences (refer ASX release 28 June 2022). FIRB approval has been received with Ministerial Approval pending prior to title transfers.

This acquisition continues to strengthen PNX's footprint in the Pine Creek region as the new licenses are contiguous with PNX's existing tenements at Iron Blow, which is part of the Hayes Creek project, and along strike from the historic Princess Louise gold mine.

Due diligence has been completed on a number of other 'bolt-on' gold projects which have the potential to extend and improve Project economics. Discussions with vendors are ongoing and PNX will update the market if and when the outcome of these discussions becomes more definite.

General Update

Construction projects globally, including those in the mining industry, are being impacted by an unprecedented series of supply chain issues and inflationary conditions which have resulted in significant increases and uncertainty relating to costs, timeframes and delivery schedules.

There is also continued pressure on availability of qualified personnel to undertake planned work safely and within satisfactory timeframes.

Specific challenges include:

- ongoing disruption of supply chains - port and transport bottlenecks and significant increases in demand,
- higher energy and fuel (transport) costs,
- labour shortages - availability of qualified personnel, increases in sick leave, and
- escalating materials costs – in particular steel, electrical equipment and concrete.

The Company has been working closely with its preferred contractors and consultants to manage the impact to its Project development schedule, and overall capital and operating cost estimates to an appropriate level of accuracy and confidence to report on.

Despite this focus, the Company has been subjected to delays whilst updating its Project feasibility, and is continuing to work with Como to identify various options to offset and mitigate some of the above issues.

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 90-100% interests in granted exploration licences covering 1,528 km² 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 such as Lithium, Nickel, Tin, Tantalum and Copper, and will continue to increase on-ground activities in the next Quarter.

Planned Activities September 2022 Quarter

- Finalise audit assays to update Glencoe MRE categorisation
- Drone magnetic surveys to be flown 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 targets around existing resource domains to be drilled during current exploration season
- Review of existing tenure for gold, silver and zinc, plus other commodities of strategic interest
- Evaluation of high-priority targets to be completed during September Quarter with drilling to be completed during current exploration season
- Review Fountain Head project financing options
- Update and refine process flow-sheet
- Progress Government and Environmental approvals

Corporate

Cash on hand at 30 June 2022 was \$3.7 million.

The Quarterly Cashflow Report (Appendix 5B) for the period ending 30 June 2022 provides an overview of the Company's financial activities. Cash exploration and evaluation expenditure for the reporting period was \$552k. Net corporate and other expenditure amounted to \$277k. 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 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	PNX Metals Ltd 100%	199.0
Total Glencoe			199.0
Moline			
PNX Metals Ltd 100%			
ML24173 *	Moline	PNX Metals Ltd 100%	3,126.0
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%	20.0 Km ²
Total Exploration Licences			366.1 km²

* 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)
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 – 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
Total Exploration Licences			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.