

PNX now well-funded to advance NT Zinc Projects

Investor Confidence Reflected in Significant Funding Achievement & Debt Conversion at Premium to Share Price

- **\$1.9 million Placement completed which was significantly oversubscribed**
- **\$0.6 million Share Purchase Plan to be offered to eligible shareholders**
- **Total new capital of up to \$2.5 million is in addition to the \$0.8 million recently secured from the forward sale of silver from the Hayes Creek Project¹**
- **Subject to necessary approvals, existing PNX debt of \$1.8 million to be converted to PNX shares at an average share price of 1.73 cents, a strong premium of 65% to the Placement price**
- **PNX now well-funded and will be debt-free after the debt for equity swap**
- **PNX to commence intensive zinc and precious metals exploration and continue with Project advancement in the Northern Territory**

PNX Metals Limited (**ASX: PNX**) ('PNX' or 'Company') is pleased to advise that it has finalised the first of a significant series of transactions comprising a Placement, Share Purchase Plan and Debt for Equity Swap which will leave PNX debt-free and well-funded for a significant upcoming exploration program and ongoing advancement at its 100% owned Hayes Creek Project ('Project' or 'Hayes Creek') in the Northern Territory.

Successful Placement

PNX has completed an oversubscribed share placement to sophisticated and professional investors to raise approximately \$1.9 million before costs via placement of approximately 180 million fully paid ordinary shares priced at 1.05 cents (\$0.0105) per share.

The issue of shares under the Placement is not subject to shareholder approval and will fall within the Company's existing 15% placement capacity under ASX Listing Rule 7.1 and additional approved 10% placement capacity under Listing Rule 7.1A.

Hartleys Limited acted as the Lead Manager to the Placement, and provided corporate advice in respect of the placement and the other planned transactions, with Patersons Securities Limited and PAC Partners Pty Ltd acting as Co-Managers.

Share Purchase Plan

PNX will shortly offer eligible shareholders the opportunity to acquire shares at the same price as the Placement under a Share Purchase Plan ('SPP'). Under the SPP, shareholders on the Company's register as at 5:00pm

¹ Refer ASX Release 4 September 2017 for full details

Adelaide time 6 September 2017 ('Record Date') with a registered address in Australia or New Zealand will be entitled to participate in the SPP ('Eligible Shareholders'). The SPP will provide Eligible Shareholders with the opportunity to acquire up to \$15,000 worth of ordinary, fully paid PNX shares at the same price as the Placement (1.05 cents per share) without incurring brokerage or other transaction costs. The new shares issued under the SPP will rank equally with the existing fully paid ordinary shares in the Company.

The key dates for the SPP, including the Offer period, will be provided shortly along with the SPP Offer Document and Application Form. These documents will be lodged with the ASX and mailed to all Eligible Shareholders thereafter.

Debt for Equity Swap

Concurrent with the Placement and SPP, PNX has agreed with its existing debtholders Marilei International Limited and Sochrastem SA, who are and have been shareholders of the Company for several years, to convert their debt holdings into PNX shares at a premium to PNX's current share price ('DE Swap'). Marilei and Sochrastem each hold \$0.3 million of convertible notes ('Notes'), and Marilei has a \$1.2 million unsecured loan with the Company. For details of the existing terms of the Notes and Loan see ASX releases dated 21 May 2013 and 25 October 2013 respectively.

It has been agreed, subject to necessary approvals, to convert the Notes and loan into PNX shares at an average price of 1.73 cent per share, which represents a 65% premium to the Placement price and a 48% premium to PNX's current 5-day VWAP.

Specifically, the two facilities totalling \$1.8 million will be converted as follows:

- Convertible notes: 24,000,000 New Shares at 2.5 cents per share
- Loan: 80,000,000 New Shares at 1.5 cents per share.

The DE Swap is in the process of being formally documented and will be conditional on PNX shareholder approval (and any other necessary regulatory approval, which may include FIRB approval). Shareholder approval will be sought at the Company's Annual General Meeting (AGM) in late October 2017. PNX will shortly release the AGM Notice of Meeting, which will include information for shareholders to consider regarding the DE Swap.

Following completion of the DE Swap the Company will be debt-free.

Managing Director Comment

PNX Managing Director James Fox said *"This is a significant series of transactions for PNX, which when all are completed will provide the Company with a strong, debt-free balance sheet, and consequently a robust platform for growth of the business. We are very pleased with the support from new and existing investors and are looking forward to commencing an aggressive and high-impact regional and near-mine exploration program at our Burnside and Hayes Creek projects in the Northern Territory with the aim of further enhancing and extending the Hayes Creek Project."*

The recently published PFS over Hayes Creek confirms the strong potential for the Project to become a significant future low-cost, high-margin zinc and precious metals mine. During the PFS study period, limited exploration drilling occurred due to all our time, efforts and resources being committed to de-risking the Project. Now we have a demonstrably valuable Project as a baseline, and are looking forward to discovering additional economic zinc and base metal resources in the area. Regional exploration success could be a game-changer for PNX."

Upcoming Exploration Program Fully Funded

PNX is now well funded to undertake a significant zinc and base metals exploration program at its Burnside and Moline Exploration Projects, including:

- Induced Polarisation and gravity surveys over a number of high-priority zinc, copper and lead targets;
- High-impact reverse circulation and diamond drilling of the highest priority targets; and
- Regional exploration across the Company's ~1,700km² Burnside, Moline and Chessman Projects, comprising mapping, rock chip and soils sampling (PNX 51% earning to 90%).

Additionally, PNX will be funded for preparatory items associated with the progression of a Definitive Feasibility Study on the Hayes Creek Project, as well as for general working capital purposes.

Background to the Hayes Creek Project

PNX's recently completed PFS over the Project confirmed it to be a promising future low-cost, high-margin zinc and precious metals mine (see ASX release 12 July 2017).

The PFS was based on the Iron Blow and Mt Bonnie zinc-gold-silver deposits in the Project area, which are located less than 3km apart on wholly owned Mineral Leases within the Pine Creek region of the Northern Territory, 170km south of Darwin (Figure 1).

The PFS forecasts the Project to generate an NPV₁₀ of \$133 million, based on net smelter revenue from the sale of zinc and precious metals concentrates of \$628 million over a 6.5 year mine life. With a low \$58 million initial capital expenditure requirement, the Project is forecast to have a 73% IRR, and very short pay-back period of 15 months.

Hayes Creek is located in a favourable mining jurisdiction where the development scenario considers and utilises existing infrastructure that includes rail, road, high voltage power lines and water, further enhancing Project fundamentals and lowering development risks.

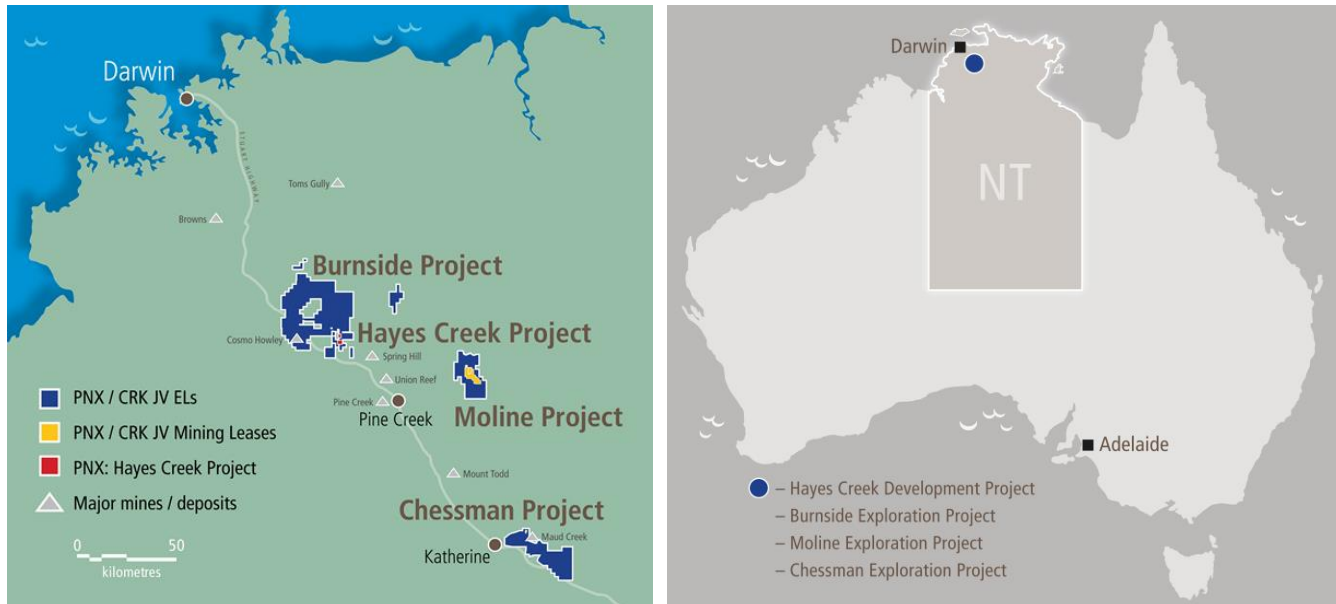


Figure 1: NT Project locations

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

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