

Drilling to commence at Barossa VMS targets

- **Exploration diamond drilling to commence at NT Government co-funded Barossa VMS gold-silver-zinc targets**
- **2 holes planned to test the highest-priority electromagnetic responses among nine strong late-time VTEM anomalies**
- **Assays for the remaining 23 drill holes at Mt Bonnie are expected shortly, followed by a resource upgrade by the end of 2016**

PNX Metals Limited (**ASX: PNX**) is pleased to advise that it has now received all approvals and has commenced drilling activities at Barossa, located within the Burnside Project and less than 20km to the north-west of the Hayes Creek gold-silver-zinc project in the Pine Creek region of the Northern Territory.

At Barossa, a cluster of volcanogenic massive sulphide (VMS) style strong late-time airborne electromagnetic (VTEM) anomalies, consistent with that of VMS camps, have been identified using the nearby Iron Blow and Mt Bonnie gold-silver-zinc VMS deposits as known analogies (Figure 1).

The VTEM anomalies at Barossa are of a strength and geometry consistent with concentrations of massive sulphides. The host stratigraphy (Mount Bonnie formation) and structural setting are also identical to those observed at the Iron Blow and Mt Bonnie deposits.

Two initial diamond drill holes for a total of 235 metres are proposed to test the highest-priority electromagnetic responses among the nine VTEM anomalies, being BLT021 and BLT018 (Figure 1). Drilling will take approximately 10 days to complete with assay results and interpretation of information expected in November 2016.

As previously reported (ASX release 28 June 2016) PNX was awarded Government Grants totalling approximately \$85,000 to co-fund diamond drilling of two new prospects at Barossa and Chessman.

PNX Managing Director James Fox said: "The exploration drill program at Barossa, if successful, has the potential to create substantial value for PNX shareholders. The Barossa EM conductors have been modelled at relatively shallow depths, are consistent with concentrations of massive sulphides, and are situated in a new and untested target area less than 20 kilometres from the Hayes Creek project."

Hayes Creek Drilling Update

Base metals and silver assays from the remaining 23 holes drilled at Mt Bonnie are due shortly. Results have been delayed by approximately a week due to a technical problem (now resolved) with the Mass Spectrometer at the laboratory in Pine Creek.

Infill diamond drilling at Iron Blow, also part of the Hayes Creek project, is proceeding well with drilling intercepting massive sulphide mineralisation as predicted in the geological model. Drilling at Iron Blow is expected to continue into December 2016.

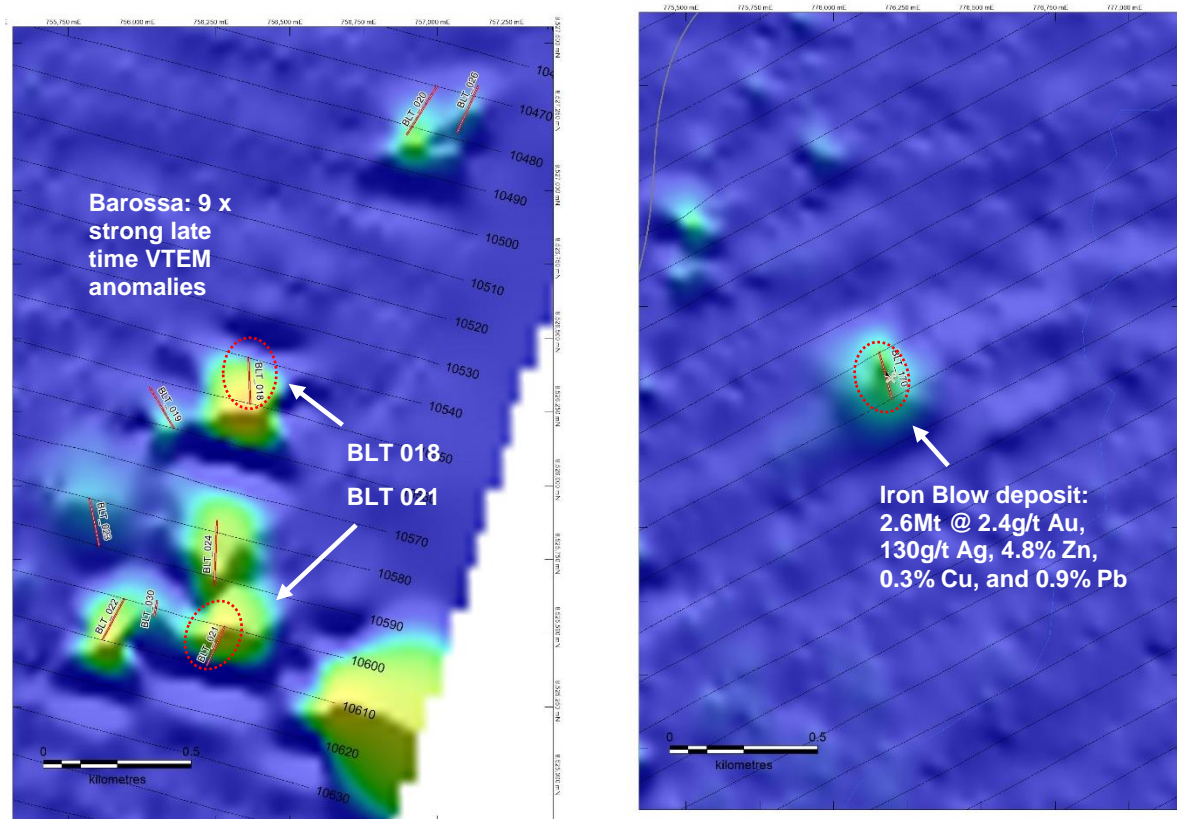


Figure 1: Barossa VTEM Targets and Iron Blow Deposit on VTEM Time Channel 42 (same scale)

Hayes Creek Pre-Feasibility

The Hayes Creek PFS is fully funded and due for completion by May-2017. It will expand on the Scoping Study completed in March 2016, which found that mining and processing ore derived from the proposed open-pit and underground operations at Hayes Creek would generate strong financial returns for PNX.

The Hayes Creek Project is located in a favourable mining jurisdiction in the Pine Creek region of Northern Territory, less than two hours by road from Darwin (Figure 2). The development strategy includes the use of existing infrastructure, designed to boost economics and reduce Project risk.

Regional Exploration

The Burnside Project (including Barossa), Moline and Chessman (including Tractor Corner) prospects form part of PNX's farm-in agreement with Newmarket Gold NT Holdings Pty Ltd, a subsidiary of Newmarket Gold Inc. where PNX is earning up to 90 per cent, in two stages, of 19 Exploration Licenses and four Mineral Leases (see ASX release 18 August 2014 for further details of the agreement) covering approximately 1,700km².

Total expenditure for the purpose of the first stage of the farm-in is approximately \$1.6 million. A further \$0.4 million will be spent by December 2016 to achieve the 51% stage one earn-in.

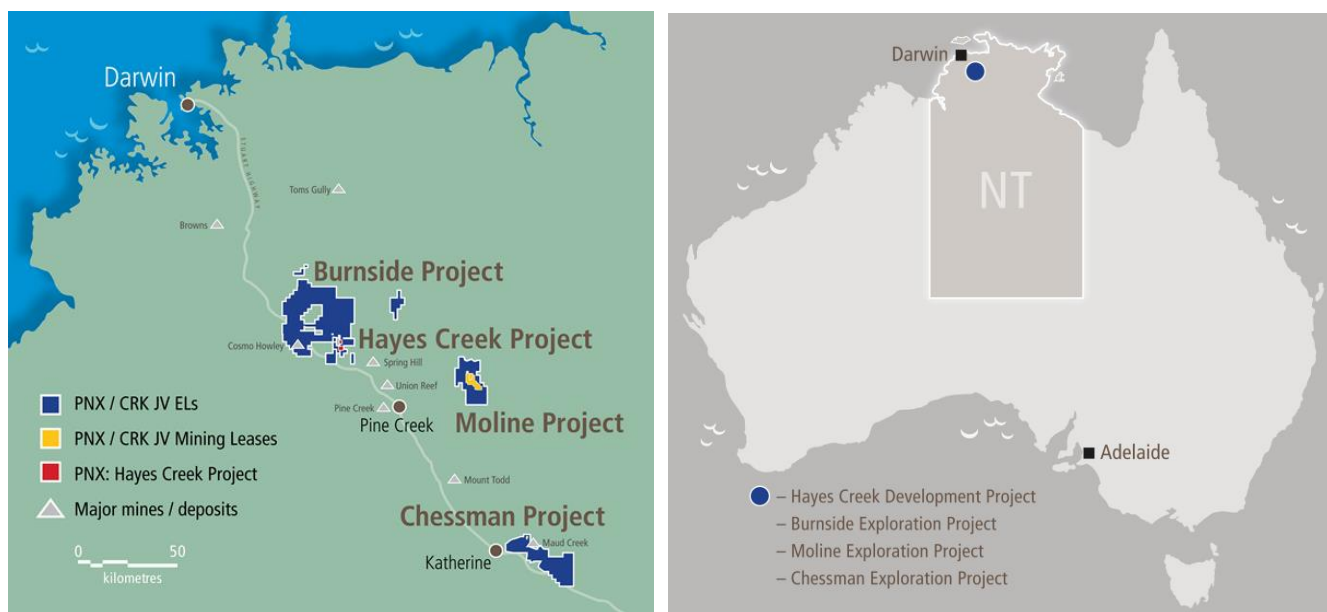


Figure 2: NT Project locations

Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Andrew Bennett, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Bennett has sufficient experience relevant to the style of mineralisation and the type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Bennett is a full time employee of PNX Metals Ltd and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

James Fox

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