

Quarterly Activity Report

June 2016



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ASX: PNX

Issued Capital as at 29/07/16:
508,783,980

Board & Management:

Non Exec Chairman: Graham Ascough
Non Exec Director: Paul J Dowd
Non Exec Director: Peter J Watson
Non Exec Director: David Hillier
MD/CEO: James Fox
CFO/Co Secretary: Tim Moran

Top Shareholders as at 25/07/16:

Marilei International Limited - 10.7%
Sochrastem SA - 9.8%
HSBC Custody Nominees - 9.2%
Asia Image Ltd – 8.6%

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)

June 2016 Quarterly Activities Report

Hayes Creek: project development

- \$1.6M secured via forward sale of 224,000oz silver (representing less than 1.4% of silver contained in resources at Hayes Creek) to complete the technical components of a Pre-Feasibility Study on the Hayes Creek project (ASX release 8 June 2016)
- Pre-feasibility studies commenced following the successful Scoping Study, with the aim of improving the certainty of the mining inventory and associated operating and development costs, and reducing technical risk

Exploration

- Acquisition of three Mineral Leases containing a number of gold prospects adjacent to the Hayes Creek gold-silver-zinc project (ASX release 8 July 2016)
- Funding agreements received for Government grants totalling approximately \$85,000 awarded through the Northern Territory Geological Survey's Geophysics and Drilling Collaborations funding program to co-fund diamond drilling of two prospects; Barossa (Burnside) and Tractor Corner (Chessman), (ASX release 28 June 2016)

Corporate

- \$1.6 million cash on hand at 30 June 2016
- R&D claim for 2015 financial year received subsequent to quarter end, \$0.2 million net of fees

Planned Activities: September Quarter:

- Drilling to commence in early August on gold and base metals targets including: Langleys, Shady camp and Barossa
- Ongoing regional exploration at Burnside
- Ongoing PFS Metallurgical optimisation test work
- PFS Drilling at Iron Blow and Mt Bonnie VMS deposits
 - Target an upgrade of the mining inventory to 'Indicated' resource category for both deposits
 - Test for extensions to mineralisation beyond resource boundaries
- Continuing ongoing approvals and stakeholder engagement a pre-requisite to a decision to mine
- PFS optimisation: process plant, infrastructure, engineering studies, tails treatment, waste dumps, route to market

Northern Territory Exploration

Hayes Creek Pre-Feasibility Study

A Pre-Feasibility Study (PFS) has commenced on the Hayes Creek project following a recently completed Scoping Study that identified a robust economic base case and confirmed the potential for the Project to become an economically viable operation. The scoped level of capital investment provides for a modest mining and ore throughput rate and demonstrates, at the metal prices assumed a potentially fast Project payback period. This is likely to be attractive to stakeholders and/or other financiers, as is the inherent commodity mix of gold, silver and zinc.

The Project is located in a favourable mining jurisdiction in the Northern Territory 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.

The Hayes Creek project contains the Iron Blow and Mt Bonnie Au-Ag-Zn deposits, located less than 3km apart and situated on granted Mineral Leases wholly owned by PNX within the Pine Creek region of the Northern Territory, 180km south of Darwin (Figure 1)¹.

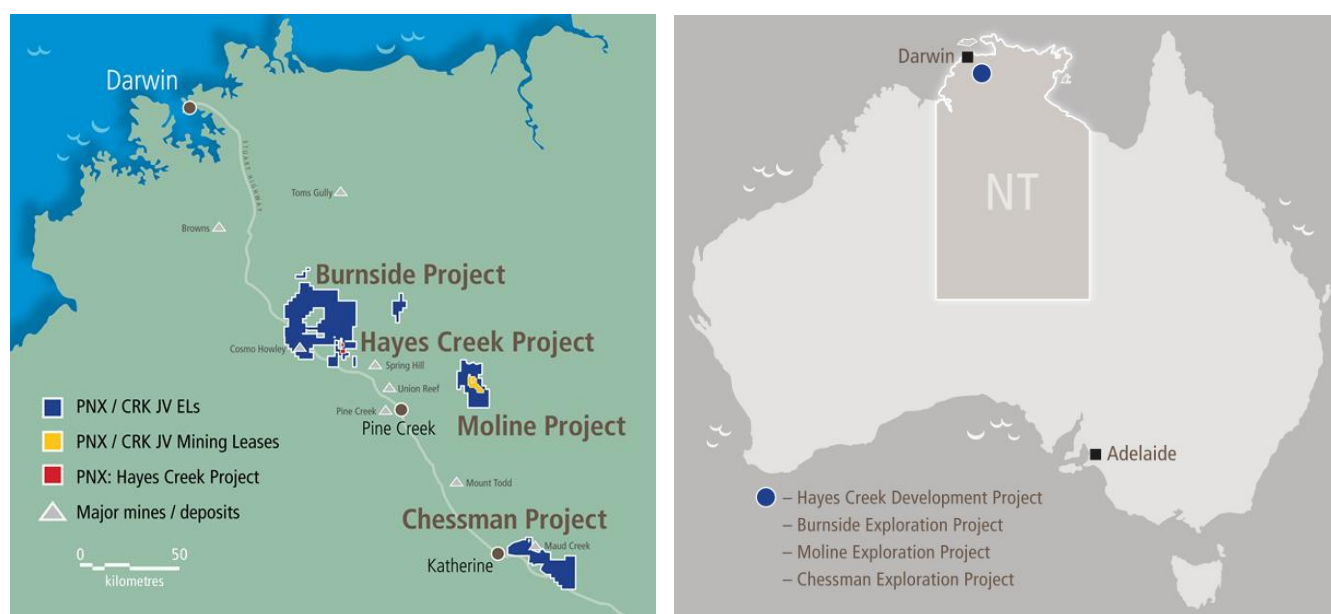


Figure 1: NT Project locations

Regional Exploration: Burnside, Moline & Chessman Projects

PNX is currently earning a 90% interest from Newmarket Gold NT Holdings Pty Ltd in 19 Exploration Licenses and 4 Mineral Leases covering approximately 1,700km² (Figure 1) through total expenditure of \$4 million over 4 years in two stages.

By the end of the June 2016 quarter, total expenditure for the purpose of the first stage of the farm-in was approximately \$1.45 million. A further \$0.55 million is required to be spent by December 2016 to achieve the 51% stage one earn-in.

¹ See PNX ASX release 18/08/14 for further details of agreement, including Newmarket option to clawback up to 30% of the Project for 3 x PNX spend upon completion of a feasibility

drilling and geophysical work in greenfields areas. PNX was one of nine successful applicants for the 2015-2016 round of co-funding for drilling.

Barossa VMS prospect (Burnside Project)

Barossa is a cluster of volcanogenic massive sulphide (VMS) style zinc-silver-gold targets in an area which has never been drilled and has seen only limited exploration. Nine strong late-time airborne electromagnetic (VTEM) anomalies consistent with that of VMS camps have been identified using the nearby Iron Blow and Mt Bonnie VMS deposits as known analogies (Figure 3).

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

Two holes are proposed to test the highest-priority electromagnetic responses among the nine VTEM anomalies, being BLT021 and BLT018 (Figure 3). Drilling is due to commence later this year.

Tractor Corner SEDEX prospect (Chessman Project, Katherine, NT)

Tractor Corner is a sedimentary exhalative (SEDEX) style zinc-lead target situated on the margin of the Cambrian Daly Basin and the Proterozoic Pine Creek Orogen, a favourable setting for such deposits.

SEDEX deposits represent attractive exploration targets due to their size potential and the fact that they are responsible for more than 50% of the world's zinc and lead reserves. Australian examples include Mt Isa, Century and McArthur River mines.

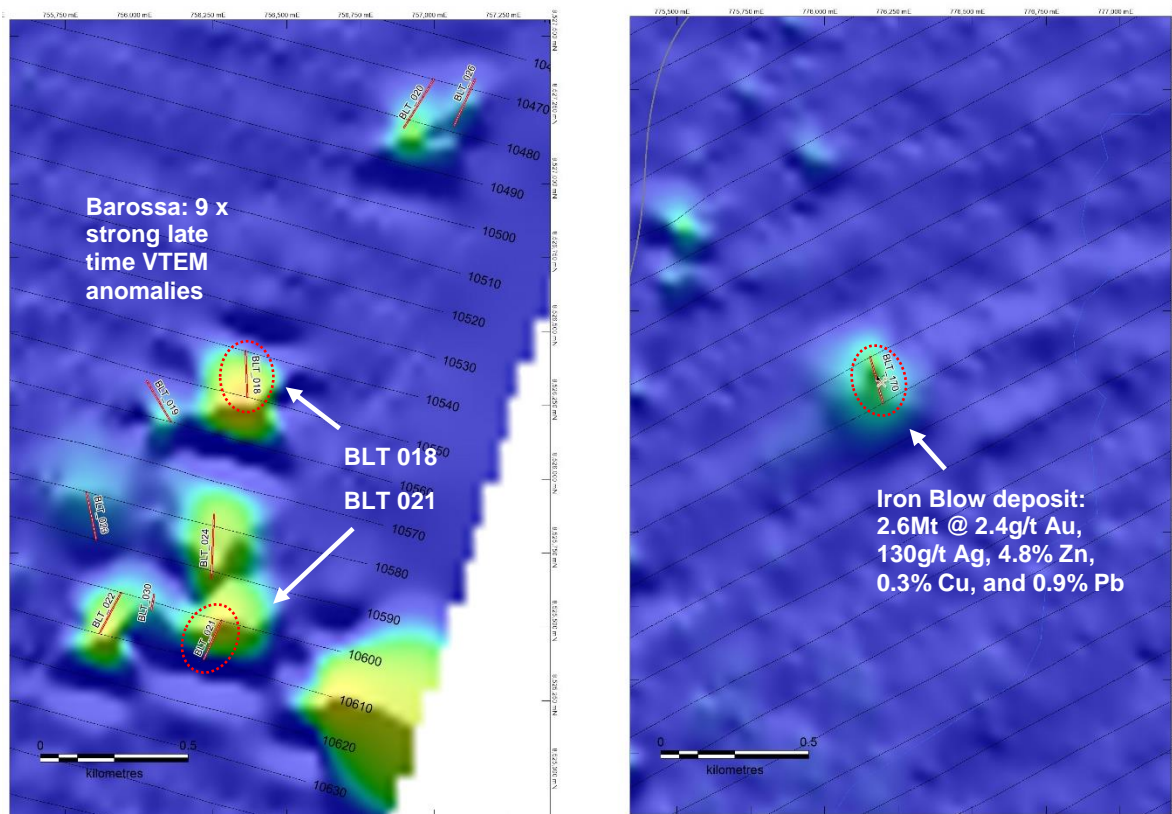


Figure 3: Barossa VTEM targets and Iron Blow deposit on VTEM time channel 42 (same scale)

Mineral Lease acquisition

During the quarter PNX completed the acquisition of three highly prospective Mineral Leases containing a number of gold prospects adjacent to the Hayes Creek project (ASX release 8 July 2016), (Figure 4). The acquisition is aimed at increasing the already established significant mineral resource base at Hayes Creek through the delineation of further economic gold mineralisation.

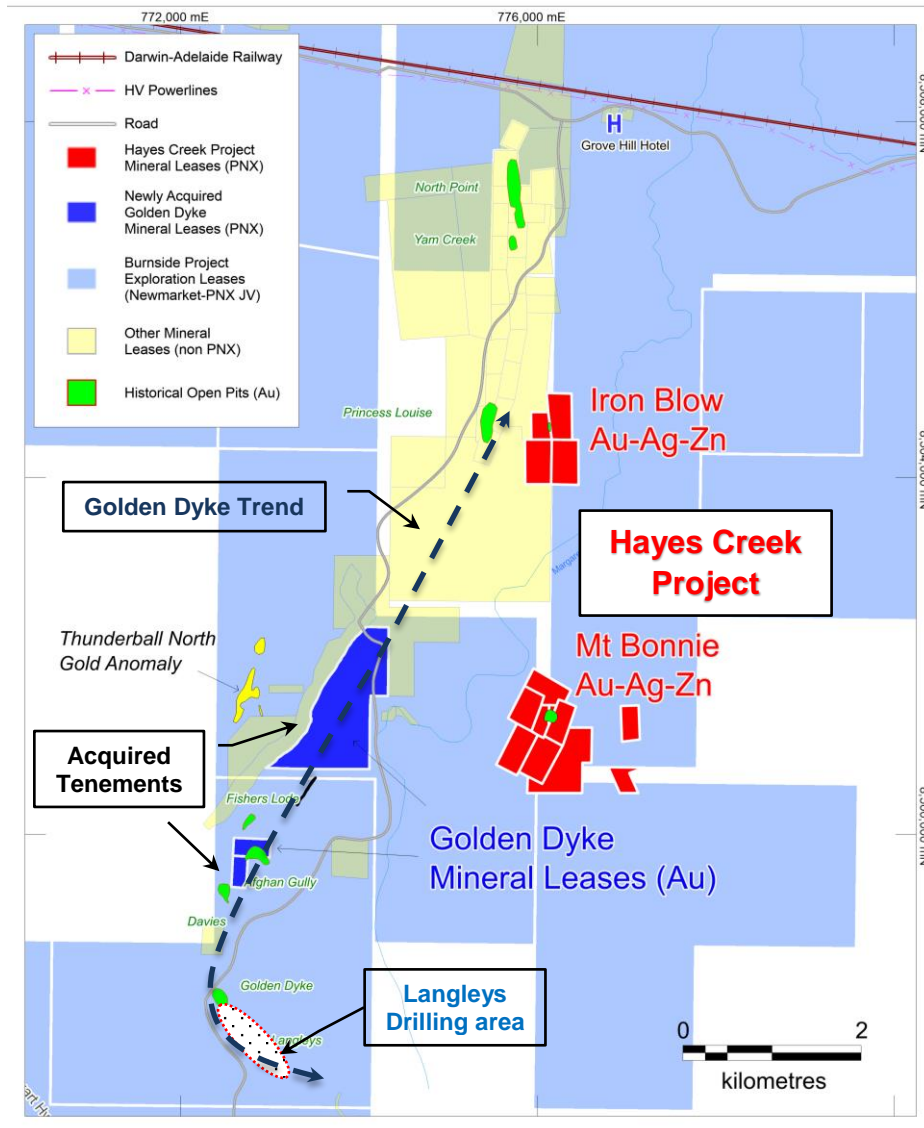


Figure 3: Mineral leases acquired (blue) in proximity to Hayes Creek (Mt Bonnie and Iron Blow) (red) & Langleys drilling area.

Consideration for the purchase was 1 million PNX shares, which have been issued to the vendor Newmarket Gold NT Holdings Pty Ltd. PNX has also granted Newmarket a 2% Net Smelter Return royalty over any gold and silver production from the leases.

The three mineral leases acquired MLN 794, MLN 795, and ML 30936 (Figure 3) are located less than 3km to the west of the Hayes Creek project and approximately 2km north of the Langleys gold prospect.

Historical drilling records from the late 1980s² illustrate the excellent potential for economic gold mineralisation in the immediate area at shallow depths, including best results from each prospect of:

- **10m @ 5.7 g/t from 31.5m (Fisher's Lode diamond hole D7)**
- **4m @ 4.1 g/t Au from 26m (Northern Costeans Prospect RC hole P41)**
- **4m @ 7.37 g/t Au from 25m (Langleys diamond hole KD57)**
- **6m @ 1.72 g/t Au from 12m (Black Rock Prospect RC hole P15)**
- **4m @ 3.09 g/t Au from 19m (Shady Camp Prospect airtrack hole SCD10)**

Research & Development program – Metallurgy

A detailed metallurgical test work program to further optimise the innovative processing route being developed for the Hayes Creek Project is underway. The full program is likely to take at least 6 months to complete and will include focus on the following:

- increasing recoveries of all payable metals to final products
- decreasing any potential penalty and/or deleterious elements
- investigating the benefits of installing a Merrill Crowe circuit on site to recover gold and silver doré (a key assumption of the Scoping Study)
- investigating the potential for establishing a revenue stream from the lead and/or copper in concentrate post extraction of the silver and gold to doré
- establishing baseline data for a mass balance and modelling of process variables

During the quarter interim metallurgical test work was conducted on representative material from Mt Bonnie to determine the performance relative to previously tested Iron Blow ore.

The conditions for flotation tests were based on the optimal conditions established previously for the Iron Blow composite sample.

Mt Bonnie rougher flotation generated similar mass recoveries to Iron Blow but gold and silver recoveries to the silver concentrate stream increased significantly to 80% gold and 91% silver. (Iron Blow rougher flotation results reported 64% gold and 83% silver recovery). Zinc recovery totalled 98% (Iron Blow 97%) however the zinc deportment to the silver concentrate was higher than with Iron Blow.

Bulk Rougher		Assays (g/t, %)					Recovery (%)				
p80µm	Mass %	Au	Ag	Cu	Pb	Zn	Au	Ag	Cu	Pb	Zn
Ag Concentrate	27.8%	1.9	634.4	1.0	6.0	11.7	79%	91%	80%	88%	55%
Zn Concentrate	30.0%	0.4	44.1	0.2	0.4	8.8	16%	7%	15%	7%	44%
Tailing	42.2%	0.1	11.0	0.0	0.2	0.1	6%	2%	5%	5%	1%
Feed	100.0%	0.7	194.0	0.4	1.9	6.0	100%	100%	100%	100%	100%

Cleaning of the zinc concentrate resulted in a 3 times upgrade factor for zinc with minimal losses. Cleaning of the silver concentrate improved both silver and gold grades with minimal losses.

² See PNX ASX release 02/03/16

Zn Concentrator		Assays (g/t, %)					Recovery (%)				
p80µm	Mass %	Au	Ag	Cu	Pb	Zn	Au	Ag	Cu	Pb	Zn
Ag Concentrate	67.1%	0.4	53.0	0.2	0.4	11.0	28%	78%	75%	65%	96%
Tailing	32.9%	2.0	30.0	0.1	0.5	1.0	72%	22%	25%	35%	4%
Feed	100.0%	0.9	45.5	0.1	0.5	7.7	100%	100%	100%	100%	100%

Ag Concentrator		Assays (g/t, %)					Recovery (%)				
p80µm	Mass %	Au	Ag	Cu	Pb	Zn	Au	Ag	Cu	Pb	Zn
Ag Concentrate	58.5%	2.1	621.6	1.1	5.5	17.2	68%	88%	93%	84%	87%
Tailing	41.5%	1.4	117.0	0.1	1.4	3.6	32%	12%	7%	16%	13%
Feed	100.0%	1.8	412.1	0.7	3.8	11.5	100%	100%	100%	100%	100%

The above results are excellent for a first pass, and with possible further grinding optimisation and recycling are expected to improve. Various reagent (zinc depressant) parameters will be trialled to adjust the zinc deportment in the bulk rougher.

Further work has also progressed to better understand the gold deportment in flotation, and silver concentrate leaching.

South Australia Exploration

Yorke Peninsula & Adelaide Geosyncline Projects

No on-ground exploration activities were undertaken during the quarter on the Company's Yorke Peninsula or Leigh Creek exploration tenements. A portable XRF survey is planned for next quarter over the Bagot Well copper prospect near Kapunda.

Leigh Creek Copper Mine

Resilience Mining Australia Limited ('RMA', previously Hillsgold Resources Pty Ltd) continues to hold an option to acquire Leigh Creek Copper Mine Pty Ltd (**LCCM**) as well as two exploration licences held by PNX in the vicinity of Leigh Creek. The option was granted to RMA in return for preparing and submitting to the State government updated environmental plans (PEPRs) for the three mining leases, and also preparing certain feasibility studies on the leases. This work has been completed, with one PEPR still to be approved by the State government.

The option must be exercised within one month of the approval of the final PEPR. Should RMA exercise the option, it will acquire LCCM, and the two exploration licences mentioned, from the Company for nil up-front consideration (other than the assumption of the rehabilitation obligations at Mountain of Light) and a contingent payment to the Company of \$100,000 if and when 3,000 tonnes of copper are produced from future operations at any of the three mining leases.

TENEMENTS

Northern Territory PNX Tenements

Tenement	Name	Holder	Area Hectare
ML30512	Mt Bonnie	PNX Metals Ltd 100%	6.4
ML30589	Mt Bonnie	PNX Metals Ltd 100%	31.6
MLN1033	Mt Bonnie	PNX Metals Ltd 100%	4.8
MLN1039	Mt Bonnie	PNX Metals Ltd 100%	1.2

MLN214	Iron Blow	PNX Metals Ltd 100%	6.3
MLN341	Iron Blow	PNX Metals Ltd 100%	14.9
MLN342	Mt Bonnie	PNX Metals Ltd 100%	13.7
MLN343	Iron Blow	PNX Metals Ltd 100%	14.9
MLN346	Mt Bonnie	PNX Metals Ltd 100%	16.0
MLN349	Iron Blow	PNX Metals Ltd 100%	15.0
MLN405	Mt Bonnie	PNX Metals Ltd 100%	12.0
MLN459	Mt Bonnie	PNX Metals Ltd 100%	15.0
MLN811	Mt Bonnie	PNX Metals Ltd 100%	8.1
MLN816	Mt Bonnie	PNX Metals Ltd 100%	8.1
			168.0

Northern Territory - Farm-in Tenements*

Tenement	Name	Holder	(Area sq km)
Burnside Project			
EL10012	Mt Ringwood	Newmarket Gold NT Holdings Pty Ltd 100%	14.9
EL10347	Golden Dyke	Newmarket Gold NT Holdings Pty Ltd 100%	10.0
EL23431	Thunderball	Newmarket Gold NT Holdings Pty Ltd 100%	13.4
EL23536	Brocks Creek	Newmarket Gold NT Holdings Pty Ltd 100%	70.4
EL23540	Jenkins	Newmarket Gold NT Holdings Pty Ltd 100%	16.7
EL23541	Cosmo North	Newmarket Gold NT Holdings Pty Ltd 100%	3.3
EL24018	Hayes Creek	Newmarket Gold NT Holdings Pty Ltd 100%	23.4
EL24051	Margaret River	Newmarket Gold NT Holdings Pty Ltd 100%	86.9
EL24058	Yam Creek	Newmarket Gold NT Holdings Pty Ltd 100%	3.3
EL24351	McCallum Creek	Newmarket Gold NT Holdings Pty Ltd 100%	30.1
EL24405	Yam Creek	Newmarket Gold NT Holdings Pty Ltd 100%	4.1
EL24409	Brocks Creek South	Newmarket Gold NT Holdings Pty Ltd 100%	22.1
EL24715	Mt Masson	Newmarket Gold NT Holdings Pty Ltd 100%	56.8
EL25295	Margaret Diggings	Newmarket Gold NT Holdings Pty Ltd 100%	10.0
EL25748	Burnside	Newmarket Gold NT Holdings Pty Ltd 100%	643.1
EL9608	Mt Bonnie	Newmarket Gold NT Holdings Pty Ltd 100%	10.0
Chessman Project			
Tenement	Name		
EL25054	Maud	Newmarket Gold NT Holdings Pty Ltd 100%	64.0
EL28902	Maud	Newmarket Gold NT Holdings Pty Ltd 100%	288.2
ML30293	Chessman	Newmarket Gold NT Holdings Pty Ltd 100%	1.1
Moline Project			
Tenement	Name		
EL28616	Moline	Newmarket Gold NT Holdings Pty Ltd 100%	262.5

ML24173	Moline	Newmarket Gold NT Holdings Pty Ltd 100%	31.3
MLN1059	Moline	Newmarket Gold NT Holdings Pty Ltd 100%	4.2
MLN41	Mt Evelyn	Newmarket Gold NT Holdings Pty Ltd 100%	0.1
			1669.9

*PNX's beneficial interest in all farm-in tenements as of the date of this report is zero

South Australia

Exploration Licences	Name	Holder	(Area sq. km)
Adelaide Geosyncline			
EL5382	Burra Central	PNX Metals Ltd 100%	84
EL4807	Burra West	PNX Metals Ltd 100%	69
EL4970	Burra North	PNX Metals Ltd 100%	300
EL5411	Mongolata	PNX Metals Ltd 100%	60
EL4809	Princess Royal	PNX Metals Ltd 100%	314
EL5473	Bagot Well	PNX Metals Ltd 100%	71
EL4626	Bagot Well North	PNX Metals Ltd 100%	99
EL5169	Tarnma	PNX Metals Ltd 100%	128
EL4886	Spalding	PNX Metals Ltd 100%	157
EL5557	Washpool	PNX Metals Ltd 100%	135
			1,417
Yorke Peninsula			
ELA281/12	Minlaton	Wellington Exploration Pty Ltd 100%	547
EL5491	Koolywurtie	PNX Metals Ltd 100%	255
EL4983	Weaver Hill	PNX Metals Ltd 100%	104
EL5196	Coonarie	PNX Metals Ltd 100%	254
			1,160
Leigh Creek			
EL5264	Nantawarrinna	PNX Metals Ltd 100%	317
EL5300	Mt Elkington	PNX Metals Ltd 100%	618
			935
		TOTAL ELs - South Australia	3,512
Mineral Leases	Name	Holder	(Area Hectare)
ML5467	Mountain of Light	LCCM 100%	250
ML5741	Mount Coffin	LCCM 100%	200
ML5498	Lorna Doone	LCCM 100%	122

Financial & Corporate

Cash on hand at 30 June 2016 was \$1.6 million.

During the quarter, the Company successfully completed silver streaming agreements with 2 investors, whereby 224,000 oz of silver (representing less than 1.4% of silver contained in resources at Hayes Creek) from the Hayes Creek project were forward-sold for \$1.6 million. As noted earlier, a pre-feasibility study on the Hayes Creek project is underway.

Also during the quarter, the Company raised \$250,000 from placements to sophisticated investors at an issue price of 1 cent per share with a 5% commission paid in shares.

Subsequent to quarter end, the Company received its Research & Development claim for the 2015 tax year in the amount of \$246,000 (\$221,000 net of advisor fees).

Capital Structure

At 30 June 2016, the Company had on issue 507,783,980 fully paid ordinary shares. During the quarter 26.25 million shares were issued under placement agreements as noted above, and 4.9 million shares were issued to settle interest on convertible notes (\$15k) and a loan (\$45k).

On 23 May 2016 (see ASX release on that date), PNX advised by mutual agreement it had extended the maturity dates of a loan and convertible notes with the holders.

- the maturity date of the \$1.2 million unsecured loan (ASX release 14 November 2013) has been extended by 3 years to 6 November 2019; and
- the maturity date of the 600,000 convertible notes (issued at \$1 each by the Company on 22 May 2013) (ASX release 21 May 2013) has also been extended for 3 years to 22 May 2019

No terms of either the loan or the convertible notes, other than as to the maturity dates, have been changed.

During the quarter 1,312,500 performance rights lapsed as the performance conditions were not met. There are no performance rights or options now on issue.

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

Managing Director & CEO

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