Company overview
PNX Metals is a publicly listed Australian resources company which aims to be a sustainable, profitable zinc and precious metals producer. It holds a significant base and precious metals tenement portfolio in Australia’s Northern Territory and in South Australia.

ASX: PNX
Market capitalisation: A$12.18 million at 5 October 2018
Number of shares: 1,522,055,020 at 5 October 2018
Website: www.pnxmetals.com.au
Resource: Zinc, gold, silver, copper, lead

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For more information on this project or others available in the Northern Territory, visit www.resourcingtheterritory.nt.gov.au

The Hayes Creek project, comprising the Iron Blow and Mt Bonnie deposits, is located on granted mining leases 170 km to the southeast of Darwin. The project is located close to rail, road, power and water infrastructure.

The project hosts total Indicated (84.7%) and Inferred (15.3%) Resources of 4.1 Mt containing 177 200 t zinc, 238 000 oz gold, 16.2 Moz silver, 37 000 t lead and 9 950 t copper. High grade zones remain open at depth, and potential exists for the mineralisation to extend underneath the extent of existing drilling and the resource estimate.

Hayes Creek is situated in the Pine Creek mining district, home to a number of historic and current gold mines.

Since its discovery in the late 1800s, the Hayes Creek project area has produced precious metals. At the Iron Blow deposit, 35 000 t oxide and supergene ore was produced, grading 7.6 g/t Au and 328 g/t Ag. At the Mount Bonnie deposit, 110 000 t was mined @ 7 g/t Au and 230 g/t Ag.

A July 2017 Pre-Feasibility Study (PFS) demonstrated the Hayes Creek project as financially robust, with low upfront capital cost, producing high value zinc and precious metals concentrates, from both open pit and underground operations, with IRR 73% and a payback of less than 15 months.

Geology and exploration activity to date
Iron Blow and Mount Bonnie are polymetallic base metal deposits (less than 3 km apart and in the same geological setting). Mineralisation is hosted within the Mt Bonnie Formation of the South Alligator Group within the regional Margaret Syncline. The syncline plunges gently to the north. Host rocks are interbedded clastic (including pyritic and carbonaceous shale) and minor carbonate rocks of the basal Mount Bonnie Formation. The geological setting represents a transition from subaerial to shallow marine felsic volcanism and sedimentation to inner and mid shelf marine sedimentation.

The mineralisation is stratabound, interpreted as being volcanogenic massive sulphide in style, with mineralisation occurring in discrete lenses. Mineralisation includes massive sphalerite and disseminated chalcopyrite.

Since PNX Metals acquired the project in late 2014, the company has built significantly on earlier exploration efforts, and has substantially increased the size and confidence of the resource at Hayes Creek. PNX has conducted 3 drill programs at Hayes Creek, including a 5242 m, 30-hole reverse circulation and diamond drill program completed in early 2017. The company has a large number of promising near-mine and regional exploration targets, with significant potential to expand the project’s resource base.
Infrastructure

The project, covering more than 168 hectares of granted mining leases, is located only 170 km south of the Port of Darwin, close to existing infrastructure such as the Adelaide to Darwin railway, which connects with the Port of Darwin for export to international smelters, and the sealed Stuart Highway. Electricity, gas and water are also readily available to the project area.

Project economics

- The July 2017 Pre-Feasibility Study (PFS) forecasts strong returns, yielding a pre-tax NPV of approximately $133 million from an initial $58 million capital outlay.
- Based on a 450 000 tpa mining and processing derived from initial open pit and subsequent underground mining operations, approximately 3 Mt ore is forecast to be processed over an initial 6.5 year mine life.
- Importantly, project revenues are forecast to be split between zinc (44.6%), gold (19.4%), silver (29.3%) and lead/copper (6.8%), providing a natural hedge against fluctuations in individual commodity prices.
- Its multi-metal offering gives the Hayes Creek project a high value per tonne.

Project status and development timeline

- Given the promising outcomes of the July 2017 PFS, the company proceeded immediately with a Definitive Feasibility Study (DFS), with baseline studies already underway. The DFS is expected to be completed late 2018.
- The company will aim to increase the project’s mineral resource through further exploration during the DFS timeframe.
- The project’s location entirely on existing mining licenses gives a significant advantage in terms of development timelines. Completion of the DFS, along with continued progression of approvals, could, subject to funding, allow production to commence in late 2020.

Investment sought

PNX Metals is interested in company-level investment from strategic partners who are willing to assist with project development.

JORC Resource Estimates

The total Hayes Creek Indicated and Inferred mineral resource reported on 3 May 2017 comprises:

<table>
<thead>
<tr>
<th>Category</th>
<th>Tonnage (kT)</th>
<th>Zn (%)</th>
<th>Pb (%)</th>
<th>Cu (%)</th>
<th>Ag (g/t)</th>
<th>Au (g/t)</th>
<th>ZnEq (%)</th>
<th>AuEq (g/t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicated</td>
<td>3455</td>
<td>4.88</td>
<td>1.01</td>
<td>0.27</td>
<td>137</td>
<td>1.88</td>
<td>11.99</td>
<td>9.29</td>
</tr>
<tr>
<td>Inferred</td>
<td>622</td>
<td>1.39</td>
<td>0.37</td>
<td>0.10</td>
<td>52</td>
<td>1.46</td>
<td>5.03</td>
<td>3.91</td>
</tr>
<tr>
<td>TOTAL RESOURCE</td>
<td>4077</td>
<td>4.35</td>
<td>0.91</td>
<td>0.25</td>
<td>124</td>
<td>1.81</td>
<td>10.93</td>
<td>8.47</td>
</tr>
</tbody>
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