Zinc-gold-silver project development and exploration

Andy Bennett, PNX Metals
PNX Metals Limited

Developing the Hayes Creek zinc-gold-silver project and exploring for gold and base metals

www.pnxmetals.com.au
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• The information in this report that relates to Mineral Resources and Exploration Results is based on information compiled by Mr Andrew Bennett a Competent Person who is a Member of the Australian Institute of Mining And Metallurgy. 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 consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.
Corporate Overview

Capital Structure

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Share Price 1</td>
<td>2.0cps</td>
</tr>
<tr>
<td>Shares on Issue</td>
<td>736.1m</td>
</tr>
<tr>
<td>Market Capitalisation</td>
<td>$14.7m</td>
</tr>
<tr>
<td>Cash (31 Dec 2016)</td>
<td>$3.2m</td>
</tr>
<tr>
<td>Listed Investment 2</td>
<td>$0.3m</td>
</tr>
<tr>
<td>Loan/Convertible Notes 3</td>
<td>$1.8m</td>
</tr>
<tr>
<td>Enterprise Value</td>
<td>$13.0m</td>
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</tbody>
</table>

Board & Management

- **Graham Ascough**: Non Executive Chairman
- **James Fox**: Managing Director & CEO
- **Paul Dowd**: Non Executive Director
- **David Hillier**: Non Executive Director
- **Peter Watson**: Non Executive Director
- **Tim Moran**: Co Sec & CFO
- **Andy Bennett**: Exploration Manager
- **David Readett**: Project Manager

Share Price & Volume

Top Shareholders

- JP Morgan Nominees 8.7%
- Potezna Gromadka 8.0%
- Marilei International Ltd 7.6%
- Sochrastem SA 6.8%
- Directors & Management 3.4%
- Top 20 holding 61.7%

1. As at 17 February 2017.
2. 12.9m shares in Avalon Minerals (ASX:AVI)
3. Unsecured loan of $1.2m for AVI share purchase, to be settled from the sale of AVI shares with PNX shares to be issued to make up any shortfall. 3.5 years remaining on loan term. $0.6m of convertible notes on issue which are convertible to PNX equity at $0.05 per share at the election of PNX by May’19.
Where is the Hayes Creek project?

- Ideally located, within an existing infrastructure corridor
- High voltage grid power, rail, gas
- 170km by public highway to Darwin
- Historical mining district
Hayes Creek Geological Setting
# Hayes Creek Mineral Resources

## Deposit Domain Cut-off Category K tonnes Zn g/t Au g/t Ag % Pb % Cu %

<table>
<thead>
<tr>
<th>Deposit</th>
<th>Domain</th>
<th>Cut-off</th>
<th>Category</th>
<th>K tonnes</th>
<th>Zn</th>
<th>Au</th>
<th>Ag</th>
<th>Pb</th>
<th>Cu</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron Blow</td>
<td>&gt; -90m RL</td>
<td>0.7g/t AuEq</td>
<td>Inferred</td>
<td>2,200</td>
<td>4.9</td>
<td>2.4</td>
<td>140</td>
<td>1.0</td>
<td>0.3</td>
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<tr>
<td></td>
<td>&lt; -90m RL</td>
<td>3.0g/t AuEq</td>
<td>Inferred</td>
<td>400</td>
<td>4.1</td>
<td>2.7</td>
<td>71</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Mt Bonnie</td>
<td>Oxide/Transitional</td>
<td>0.5g/t Au</td>
<td>Indicated</td>
<td>195</td>
<td>0.94</td>
<td>3.80</td>
<td>171</td>
<td>2.43</td>
<td>0.18</td>
</tr>
<tr>
<td></td>
<td>Fresh</td>
<td>1% Zn</td>
<td>Indicated</td>
<td>1,180</td>
<td>4.46</td>
<td>1.02</td>
<td>121</td>
<td>0.94</td>
<td>0.23</td>
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<tr>
<td></td>
<td>Oxide/Transitional</td>
<td>0.5g/t Au</td>
<td>Inferred</td>
<td>32</td>
<td>0.43</td>
<td>2.28</td>
<td>74</td>
<td>1.33</td>
<td>0.29</td>
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<tr>
<td></td>
<td>Fresh</td>
<td>1% Zn</td>
<td>Inferred</td>
<td>118</td>
<td>2.91</td>
<td>0.54</td>
<td>135</td>
<td>0.90</td>
<td>0.15</td>
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<tr>
<td></td>
<td>Ag Zone</td>
<td>50g/t Ag</td>
<td>Inferred</td>
<td>21</td>
<td>0.17</td>
<td>0.04</td>
<td>87</td>
<td>0.03</td>
<td>0.04</td>
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<tr>
<td>Total</td>
<td>Indicated &amp; Inferred</td>
<td></td>
<td></td>
<td>4,146</td>
<td>4.40</td>
<td>2.04</td>
<td>128</td>
<td>0.99</td>
<td>0.28</td>
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## Price Assumptions

<table>
<thead>
<tr>
<th>Contained Metal</th>
<th>Tonnes</th>
<th>Zn (t)</th>
<th>Au (oz)</th>
<th>Ag (oz)</th>
<th>Pb (t)</th>
<th>Cu (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron Blow</td>
<td>2,600,000</td>
<td>124,200</td>
<td>204,482</td>
<td>10,815,677</td>
<td>23,600</td>
<td>8,200</td>
</tr>
<tr>
<td>Mt Bonnie</td>
<td>1,545,619</td>
<td>58,068</td>
<td>66,776</td>
<td>6,322,779</td>
<td>17,294</td>
<td>3,402</td>
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<tr>
<td>Total</td>
<td>4,145,619</td>
<td>182,268</td>
<td>271,258</td>
<td>17,138,456</td>
<td>40,894</td>
<td>11,602</td>
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## Price Assumptions

<table>
<thead>
<tr>
<th>Deposit</th>
<th>Zn US$/t</th>
<th>Au US$/oz</th>
<th>Pb US$/t</th>
<th>Cu US$/t</th>
<th>Zn %</th>
<th>Au %</th>
<th>Ag %</th>
<th>Pb %</th>
<th>Cu %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron Blow</td>
<td>2350</td>
<td>1300</td>
<td>2250</td>
<td>7000</td>
<td>70</td>
<td>90</td>
<td>90</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Mt Bonnie</td>
<td>2450</td>
<td>1350</td>
<td>20.5</td>
<td>2100</td>
<td>80</td>
<td>55</td>
<td>70</td>
<td>60</td>
<td>60</td>
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</tbody>
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See Appendix and ASX release 09 February 2017 for further information
Mt Bonnie – Representative X-Section

Proposed Pit Shell (Scoping Study)

Section looking towards 034°
Mt Bonnie – Long Section
Showing results of 2016 Drilling

- 90% Indicated Resources
- New resource contains: 58,000t Zinc, 66.8koz Gold, 6.3Moz Silver
- Southern area extended with shallow oxide mineralisation defined, and still open
- Possible secondary feeder zone identified in south
- Both main feeder and secondary feeder are high grade zones and open at depth
- Metallurgical and geotechnical data

See ASX release 09 February 2017 for further information
Iron Blow – Long Section

See ASX release 09 February 2017 for further information
Hayes Creek: Iron Blow & Mt Bonnie
2 x near-surface deposits on granted Mineral Leases

Iron Blow
Underground model

Mt Bonnie Open pit model
### Base Case Financials in $AUD - 400,000tpa feed rate

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Pre-tax NPV (10%)</td>
<td>$109.4M</td>
</tr>
<tr>
<td>IRR pre-tax</td>
<td>58%</td>
</tr>
<tr>
<td>Payback period</td>
<td>1.8 years</td>
</tr>
<tr>
<td>Annualised LOM pre-tax net cashflow</td>
<td>$35M</td>
</tr>
<tr>
<td>Life of mine pre-tax net cashflow</td>
<td>$244M</td>
</tr>
<tr>
<td>Total Revenue (net of TC/RC's)</td>
<td>$631M</td>
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### Capital Costs

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<tr>
<td>Pre-Production CAPEX</td>
<td>$54.0M</td>
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<tr>
<td>Underground Development CAPEX</td>
<td>$10.9M</td>
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### Mine Production – aim to start 2019

<table>
<thead>
<tr>
<th></th>
<th>Mt Bonnie Open-pit</th>
<th>Iron Blow Underground</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mine Life (years)</td>
<td>1.8</td>
<td>5.2</td>
</tr>
<tr>
<td>Metals Paid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zinc tonnes (concentrate)</td>
<td>95,866</td>
<td>13,695</td>
</tr>
<tr>
<td>Gold troy ounces (oz)</td>
<td>93,942</td>
<td>13,420</td>
</tr>
<tr>
<td>Silver troy ounces (oz)</td>
<td>9,031,095</td>
<td>1,290,156</td>
</tr>
</tbody>
</table>

### Indicative revenue split

- **Au**: 25% (Gold)
- **Ag**: 35% (Silver)
- **Zn**: 40% (Zinc)

- Even better at current spot
- Target 2019 start +7 year mine life
- Rapid Payback
- Modest CAPEX
- Revenue diversity with precious metals leverage
### Hayes Creek

**Work program & project milestones**

<table>
<thead>
<tr>
<th>Activities</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<tbody>
<tr>
<td><strong>MINE DEVELOPMENT PLANNING</strong></td>
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<td></td>
<td></td>
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<tr>
<td>PFS (inc. drilling and technical studies)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Environmental &amp; Government Approvals</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Definitive Feasibility Study (DFS)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Decision to Mine</td>
<td></td>
<td></td>
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<tr>
<td>Construction – TBC</td>
<td></td>
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<tr>
<td>Commissioning – TBC</td>
<td></td>
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<td></td>
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<tr>
<td>Operations – TBC</td>
<td></td>
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<td></td>
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<tr>
<td><strong>GOLD STRATEGY</strong></td>
<td></td>
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<tr>
<td>Newmarket Exploration Earn in to 51%</td>
<td></td>
<td></td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Newmarket Exploration Earn in to 90%</td>
<td></td>
<td></td>
<td>✔</td>
<td></td>
</tr>
</tbody>
</table>

- ✔ $1.6 million PFS funding provided by forward sale of 224,000oz of silver (Jun 2016)
- ✔ $2.6 million placement to institutional & sophisticated investors (Dec 2016)
- ✔ $85K drilling co-funding by NT CORE for two greenfield programs
Exploration for Gold and Base Metals

Prospect Legend:
- Barossa: Base Metals
- Hercules: Gold
- Drilling 2016

Geophysical & Geochemical Datasets, Geological Models

- Grass Roots Exploration
  - Mango Dustbowl
  - Eitherway
  - El Dollarado
  - Little Wandie
  - Redback (ext)

- Target Generation

- Brownfields Exploration
  - Great Western Cookie Corner
  - Mt Bonnie
  - Thunderball
  - Tumbling Blue

- Possible Resources in Existing Datasets
  - Great Western Cookie Corner
  - Mt Bonnie
  - Thunderball
  - Tumbling Blue

- Iron Blow Mt Bonnie

- Scoping Study
  - Great Western Cookie Corner
  - Mt Bonnie
  - Thunderball
  - Tumbling Blue

- Development
  - Great Western Cookie Corner
  - Mt Bonnie
  - Thunderball
  - Tumbling Blue

- Mineral Resources
  - Great Western Cookie Corner
  - Mt Bonnie
  - Thunderball
  - Tumbling Blue

- Mineral Reserves
  - Great Western Cookie Corner
  - Mt Bonnie
  - Thunderball
  - Tumbling Blue

- Exploration
  - Great Western Cookie Corner
  - Mt Bonnie
  - Thunderball
  - Tumbling Blue

- Geochem or Geophysical Anomalies
  - Great Western Cookie Corner
  - Mt Bonnie
  - Thunderball
  - Tumbling Blue

- Strong Indication of Economic Mineralisation
  - Great Western Cookie Corner
  - Mt Bonnie
  - Thunderball
  - Tumbling Blue

- Possible Resources in Existing Datasets
  - Great Western Cookie Corner
  - Mt Bonnie
  - Thunderball
  - Tumbling Blue

- Iron Blow Mt Bonnie
Widespread mineralisation
Prospective geological region
Historical exploration limited to outcrop areas
Little modern exploration below ~30m
Large amount of exploration data (EM, soils, drilling) with numerous quality targets
Strong potential for discovery of additional economic mineralisation
Drilling exploration targets 2017

Magnetic (1vd) Image showing PNX Burnside tenure (yellow), and gold deposits, (H=historical), leases excluded (grey)
Mt Ellison Area (Cu-Pb-Zn)

- pXRF geochemistry has highlighted a strong anomalous Cu trend along strike from Mt Ellison
- also a new Pb-Zn anomaly associated a fold hinge in Koolpin Fm at Deloraine, which may be associated with a NW structure connecting Mt Ellison
- Ground geophysics to precede drilling in 2017
Burnside Project
Barossa Results (Au + base metals)

✓ Two of nine VTEM anomalies were drill tested as part of co-funded exploration
✓ Semi-massive ~30cm thick pyrrhotite intervals were intersected in both holes, associated with fold hinges, but no associated mineralisation
✓ Holes are cased in readiness for downhole geophysics to test if larger conductive bodies were missed by drilling
✓ Conclusion so far: technical success, but no mineralisation. Have we tested too high in the stratigraphic sequence?
Moline Project: Gold targets

- ~65km east of Burnside
- Mining ceased abruptly 1992
- Historic pits at Moline, Hercules & School open at depth
- Drilling targeting moderately dipping high-grade gold shoots
- Potential for base metals mineralisation in sulphide lodes

Previous operators targeted gold deposits in the oxide zone.

In 2016 PNX drilled 12 RC holes for 1,497m to test the three mineralised trends

Some excellent results....
Moline Project - School Pit

School Lower Lode Long Section

Un-mined below 100mRL

Au (g/t x m)
- 1-5
- 5-20
- >20

Depth extension discovered

MORC001
3m @ 2.52

MORC002
7m @ 11.9
Moline Project - Tumbling Dice

- **MORC010:** 3m @ 2.49 g/t Au
- **New Zone of Mineralisation**
- **MORC010:** 30m @ 2.29 g/t Au
  incl. 3m @ 6.58 g/t
- **MINERALISATION OPEN AT DEPTH AND THICKENING**
- **MRC522:** 9m @ 2.01 g/t
- **MRC633:** 6m @ 2.66 g/t
- **MRC633:** 15m @ 1.87 g/t

Section 14000N
Tumbling Dice
Looking NW
**Summary**

<table>
<thead>
<tr>
<th>Exposure to Zinc + gold + silver 3 of the best performing metals in 2016</th>
<th>Near-surface resources: 271,000oz gold 17.1M oz silver 182,000t zinc</th>
<th>Scoping Study Strong financial returns Fast payback Modest capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent infrastructure granted MLs</td>
<td>Hayes Creek PFS Due June’17 Fully Funded</td>
<td>Upcoming news flow Iron Blow assays Resource Upgrade PFS completion</td>
</tr>
<tr>
<td>Experienced Board and Management team</td>
<td>Low valuation relative to zinc and gold peers</td>
<td>New zinc/gold exploration targets successfully drilled at Moline and many more to test...</td>
</tr>
</tbody>
</table>
Appendix

- Mineral Resources Notes
- Exploration Earn-in Information
- Process Flow Diagram
Notes relating to Mineral Resources

- Due to effects of rounding, totals may not represent the sum of all components.
- Mt Bonnie - zinc domains are reported above a cut-off grade of 1% zinc, gold domains are reported above a cut-off grade of 0.5 g/t gold and silver domains are reported above a cut-off grade of 50 g/t silver.
- Iron Blow - a variable gold-equivalent cut-off grade was used corresponding to an RL at which mineralisation could be extracted with open cut versus underground methods.
- In order to assess the potential value of the total suite of minerals of economic interest in the mineral inventory, formulae were developed to calculate metal equivalency for the gold and zinc (see below). Metal price assumptions were updated during the Mt Bonnie estimation to reflect average consensus forecasts for the period 2017 through 2021, (consensus forward price forecasts compiled from a group of domestic and international mining analysts and financial institutions).
- Metallurgical recovery information for Iron Blow was assigned prior to any diagnostic test work by PNX and was based on what was considered reasonable in similar operations. Metallurgical recovery information for Mt Bonnie was sourced from test work completed on diamond drill core from the Mt Bonnie deposit. Mt Bonnie and Iron Blow have similar mineralogical characteristics and are a similar style of deposit.
- The formulae below was applied to the estimated constituents to derive the metal equivalent values:
  - Gold Equivalent (field = “AUEQ”) (g/t) = (Au grade (g/t) * (Au price per ounce/31.10348) * Au recovery) + (Ag grade (g/t) * (Ag price per ounce/31.10348) * Ag recovery) + (Cu grade (%) * (Cu price per tonne/100) * Cu recovery) + (Pb grade (%) * (Pb price per tonne/100) * Pb recovery) + (Zn grade (%) * (Zn price per tonne/100) * Zn recovery) / (Au price per ounce/31.10348 * Au recovery)
  - Zinc Equivalent (field = “ZNEQ”) (%) = (Au grade (g/t) * (Au price per ounce/31.10348) * Au recovery) + (Ag grade (g/t) * (Ag price per ounce/31.10348) * Ag recovery) + (Cu grade (%) * (Cu price per tonne/100) * Cu recovery) + (Pb grade (%) * (Pb price per tonne/100) * Pb recovery) + (Zn grade (%) * (Zn price per tonne/100) * Zn recovery) / (Zn price per tonne/100 * Zn recovery)
- Spot pricing for ZnEq or AuEq grade quotations is as per the Resource Estimations. Market closing ASX prices and estimated cash balances/EV adopted for peers is subject to error and adjustment, and no warranty is provided as to the accuracy of such numbers, forecasts, estimates or comparisons shown. Mine planning quoting largely inferred resources is high risk, and recent ASIC guidelines regarding scoping study releases are to be considered by any investors considering investment.
• Transaction with Newmarket Gold (NMK), announced August 2014

• **Acquired Tenements (100%) – Hayes Creek Project**
  - 14 Mineral Leases (containing Iron Blow and Mt Bonnie deposits) for a 2% royalty over gold and silver in concentrate
  - NMK can clawback 30% within 6 months of PFS by paying 3x expenditure

• **Earn-in Tenements (up to 90%) – Burnside, Moline and Chessman Projects**
  - 19 exploration licences, and 4 mineral leases covering 1,700km²
  - PNX to earn 51% by spending $2M over 2 years (excluding Uranium), which can include up to $0.5M spent on the Acquired Tenements
  - PNX to earn up to 90% by spending a further $2M within a further 2 years (excluding Uranium), which can include up to a further $0.5M spent on the Acquired Tenements
  - NMK can acquire 90% of any 2012 JORC compliant gold and silver deposit within 6 months of resource being announced by paying 3x expenditure
  - Further $0.5m (in cash or shares) payable to NMK upon completion of a DFS on any NT base metals project within the Acquired or Earn-in tenements

• **PNX has completed Stage 1 of the earn-in and holds 51% of the tenements, the Company has elected to continue to Stage 2 to earn 90%**