ANNUAL REPORT

MINERAL LICENSE 30293

Chessman-Red Queen

For Period 14th April 2017 to 13th April 2018

Katherine SD5309 1:250,000
Katherine 5369 1:100,000

Distribution:-

1. DPIR Darwin, NT
2. Kirkland Lake Gold Ltd, Darwin Office
3. PNX Metals, Adelaide Office
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June 2018

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1 EXECUTIVE SUMMARY

ML30293 forms the southern portion of the Maud Creek Project held by Newmarket Gold NT Holdings Pty Ltd (now a subsidiary of Kirkland Lake Gold Ltd) and currently being explored under an earn-in agreement with PNX Metals ("PNX"). Formally included in group reporting with Maud Creek, this is the second year of term for reporting purposes.

The Chessman/Red Queen prospect lies 6.5km NE of the "Main Zone" Maud Creek gold deposit. It was discovered in 1973 and has been explored sporadically since, but gold concentrations have to date proved to be of lower grade than that of Maud Creek. The target stratigraphy for Maud Creek style mineralisation is Tollis Formation, but locally mineralisation is hosted within fragmental volcanic rocks, black cherts and arenaceous sediments within what has been interpreted as a NE striking graben.

During the 2017 reporting year, PNX geophysically reviewed the Chessman mineral occurrences and recommend further IP to identify drilling targets along the mineralised structure.

2 COPYRIGHT

3 INTRODUCTION

ML30293 is a strategic landholding near the Maud Creek Gold Deposit which has approximately 1 million ounces of indicated and inferred gold Mineral Resources. KL Gold sees the Maud Creek area as one of the highest ranked exploration targets within its portfolio and has recently completed a Preliminary Economic Assessment (or PEA) to bring this deposit into the short term mine plan.

In 2014, KL Gold signed an earn-in agreement with PNX Metals Ltd ("PNX") whereby PNX can earn up to 90% in the title (and other titles) through staged expenditure commitments. PNX is committing to gold and base metals exploration in the Pine Creek Orogen and ML30293 is an important part of the strategy.

This report outlines exploration activity undertaken on ML30293 between 14th April 2016 and 13th April 2017. Reporting on ML30293 was previous included with the Maud Creek Project as part of group report GR190. This is the second individual report for ML30293.

4 LOCATION AND ACCESS

ML30293 is centred about 18 km northeast of the regional centre of Katherine, located on the privately owned freehold land (NT Portions 7055 and 7056). The Nitmiluk National Park lies about 2km to the north of the lease.

The lease may be accessed by taking the Katherine Gorge road to a point 16km from town, thence attain the fire break track south westwards for 1.5km. The tenement may only be accessed by 4WD and only in dry weather as incised creek crossings and black soil are present. Alternative but longer access is achievable via the Stuart Highway SE from Katherine, past Tindal airbase, thence at 18km turn left onto Ross Road past the radar dome, and track northwards past Maud Creek Station to the Maud camp and Main Zone open pit. From the pit, 4WD tracks trend north westerly to the prospect.

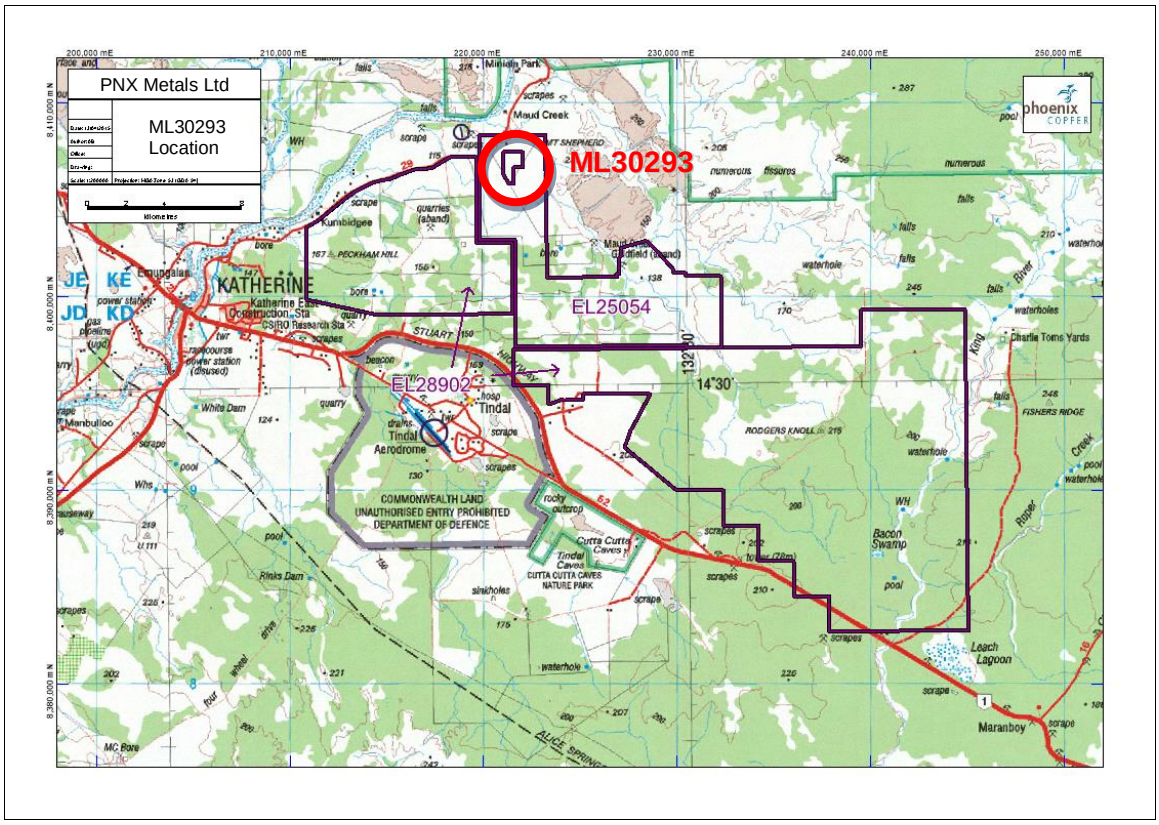

Figure 1: Location of ML30293

5 TENEMENT DETAILS

ML30293 was first granted 14/4/2014 to Newmarket Gold NT Holdings Pty Ltd for a period of 10 years. This replaced the previous MCNs 4356, 4347 and 4348. It has an area of 114.32 Ha. PNX can earn up to 90% interest in the title though staged expenditure commitments over four years over a wider projects in the Pine Creek region. At the time of writing, PNX had earned 51% interest.

6 GEOLOGICAL SETTING

6.1 REGIONAL GEOLOGY

ML30293 lies near the southern margin of exposed Palaeoproterozoic rocks of the Pine Creek Orogen, a tightly folded sequence of Lower Proterozoic rocks, 10km to 14km in thickness, laid down on a rifted granitic Archaean basement during the interval ~2.2-1.87Ga. The sequence is dominated by pelitic and psammitic (continental shelf shallow marine) sediments with locally significant inter-layered cherty tuff units. Pre-orogenic mafic sills of the Zamu Dolerite event (~1.87Ga) intruded the lower formations of the South Alligator Group (Ahmad et al 1993).

During the Top End Orogeny (Nimbuwah Event ~1.87-1.85Ga) the sequence was tightly folded, which induced greenschist facies metamorphism, locally upgraded to amphibolite in the thermal aureoles of the granitoids. A suite of base and precious metal deposits accompanied and post-

dated the granitoid intrusive phase. These deposits including gold, tin, tungsten and copper, occupy favourable structurally prepared sites such as shears, splay faults and anticlinal hinge zones. With a few exceptions, gold was introduced well after granite intrusion and orogeny.

The Lower Proterozoic is unconformably overlain by mid Proterozoic arenites of the Kombolgie Sandstone. The latter has been subjected to gentle folding and faulting.

The Proterozoic rocks were subsequently onlapped by sediments and volcanics of the Daly River Basin. In the Maud Creek area this sequence is represented by the Antrim Plateau Volcanics, a shallow dipping Cambro-Ordovician assemblage of trachyandesite lava flows, minor clastic sediment and limestone. Outliers of horizontal Cretaceous sandstones occur as residuals of a continental shallow basin facies.

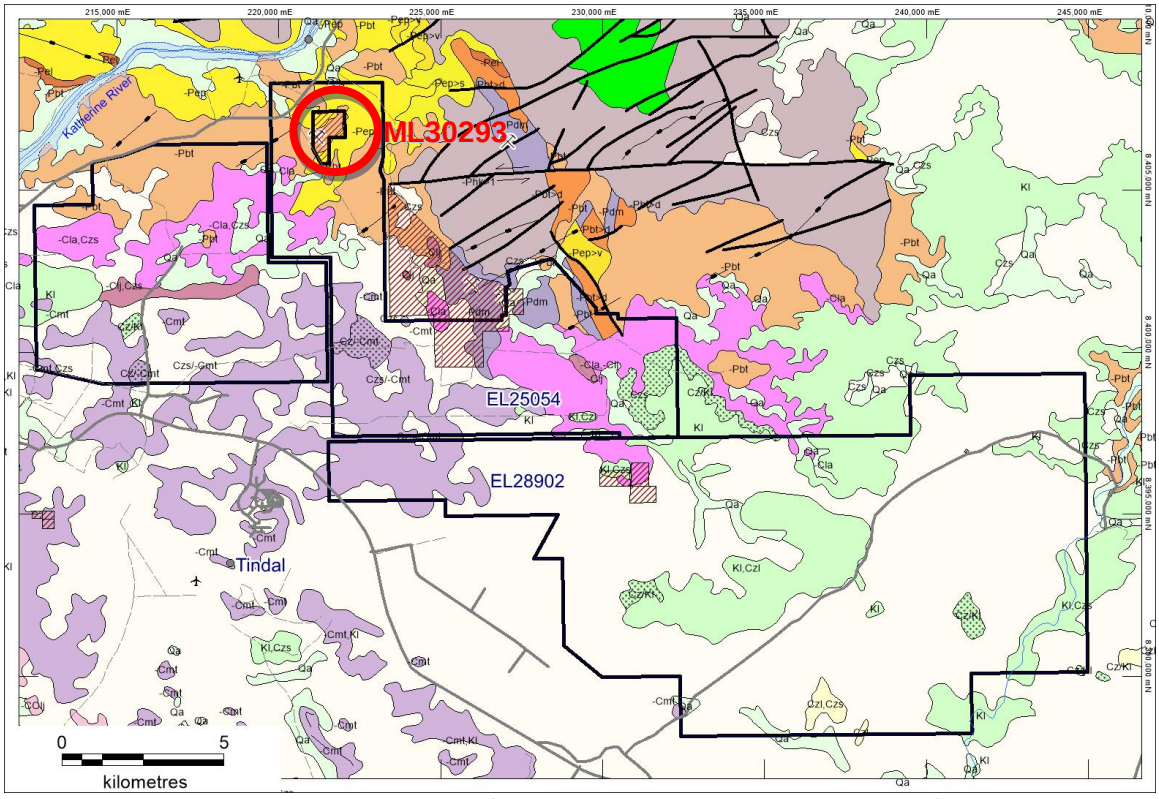

Figure 2: Regional Geology (Source: NTGS 1:250,000 Katherine – SD5309)

6.2 LOCAL GEOLOGY

In the vicinity of the Red Queen/Chessman prospects the oldest exposed rocks are the Lower Proterozoic Tollis Formation that comprises the upper unit of the Finniss River Group (El Sherana Group). These rocks outcrop in a NE striking fault-bounded structure. The local geology is depicted in Figure 3.

The Tollis Formation comprises greywacke, mudstone, fine grained thin bedded to laminated quartz arenite, minor conglomerate and thin banded ironstone. Toward the base is the 200m thick Dorothy Creek Member that includes mafic lava, tuff, agglomerate and minor chert. This unit is thought to host both the Main Zone gold deposit and the Red Queen prospect.

The Tollis Formation has been subjected to both tight and open folding and shearing. Bedding strikes 300 to 350 degrees magnetic, is locally vertical, but more commonly dips easterly at 45 degrees. Metamorphic grade is greenschist facies.

The Tollis Formation is overlain with angular unconformity by Edith River Group. This comprises a lower sedimentary and upper volcanic rock suite. Late stage, undeformed, magnetic lamprophyric dyke swarms striking north easterly, and cut all of the PreCambrian stratigraphy in this area.

At the Red Queen/Chessmen prospect mafic fragmental volcanic rocks as well as black cherts and arenaceous sediments are present within what has been termed a NE striking graben-like structure. The reddish haematitic colouration of the volcanics on weathering lead to the name Red Queen. Iron stained, superficial, siliceous breccias occur within the volcanics along with quartz and chalcedony and are gold mineralised in the Red Queen area. Haematite rich floaters on the west side of the structure have been strongly gold mineralised. These have been interpreted as pyritic lenses within the mafic suite.

Gold mineralisation at the Maud Creek Goldfield was first discovered and mined late in the 1880s in fractured, veined Maud Dolerite and Tollis Formation. A century later, work led to discoveries on the N-S striking Western Shear, (Gold Creek Fault) at the faulted, brecciated and silicified contact of sandstone and mafic volcanics in Tollis Formation. Other veins are hosted by fractured Tollis Fm tuffaceous and carbonaceous chert lithologies.

At Red Queen, gold occurs in association with pyritic carbonaceous cherts and sheared, carbonated and pyritic mafic fragmental rocks (possibly Dorothy Creek Volcanic Member). Vein quartz and chalcedonic silica outcropping as siliceous and ferruginous breccias had been interpreted by CSR Limited to be of epithermal origin. Arsenic and copper are both associated with gold at Red Queen.

7 PREVIOUS EXPLORATION

The Chessman-Red Queen prospect area was originally mapped by the BMR as Cambrian basalt occupying a depression. Breccias in the area were interpreted as basal Cambrian regolith. Later regional mapping showed that the area comprised Tollis Formation mafic fragmentals and arenaceous sediments in what was interpreted as a graben setting.

Magnum Exploration NL 1973 (EL147) explored the breccia as part of a copper-uranium search. They considered the breccia to be similar to the Rum Jungle occurrence. They drilled 7 holes into the breccia and met with pyritic material with low copper values. They also dug trenches, and obtained anomalous copper and molybdenum values. They did not assay for gold.

CSR Limited in 1986 (D.S.Heyworth 1987) held large tracts of the Maud Creek area under ELs. Their Peckham Hill EL4874 covered the Chessman/Red Queen prospect. They recognised that the breccia displayed epithermal textures and conducted exploration programs comprising rock chip sampling, soil sampling, trenching and drilling at Red Queen and along strike. Some 10km of strike of the breccia /veins were rock chipped and anomalous gold in a gossan sample was reported at Red Queen up to 6.63g Au/t and 1.02% arsenic. The samples were also anomalous in Cu, Sb, Hg and thallium.

Another gold anomalous breccia was located 1km NE of Red Queen and this assayed 0.23g/t Au. The remainder of the siliceous breccia gave values below 0.07g/t Au. The north Chessman location gave an anomalous stream sediment value (14.3ppb).

Soil sampling over the Red Queen prospect at +20mesh -40mesh gave a peak value of 0.33g/t Au at the western edge of the volcanic-sediment contact. The anomalous breccia also gave positive soil values. Another zone was detected in the north with a value of 0.32g Au/t in sediments, but without obvious structural parentage.

Trenching by CSR was carried out in the Red Queen area to test the soil anomalies (T1 to T7). T1 coincided with a Magnum trench and anomalous gold, arsenic and copper were reported with the best gold value at 6.72g Au/t from quartz veins in mafic fragmentals. T2 also in an adjacent Magnum trench gave a peak value of 0.61g Au/t. T3, 30m SW, met with a carbonated zone with a maximum value of 1m @ 0.42g Au/t. T4, on a soil anomaly, met with 2m @ 0.33g Au/t. T5 and T6 did not explain the soil anomaly. T7 met with a best of 2m @ 0.46g Au/t.

Percussion drilling was carried out totalling 1210m in 9 holes (CMPDH series). While promising mafic lithologies and chalecedony-quartz-carbonate alteration were met with, the results were sub economic with the best values falling in the range 0.1 to 0.4g Au/t over intervals up to 19m.

Placer 1989-1990 (EL4874 Peckham Hill) re-established the CSR grid and conducted soil sampling (412 samples) on a 25m grid sieved to –40mesh from surface to 8cm depth. The samples were further sieved to –80mesh at the laboratory. Samples were assayed for Au, Cu. Pb, Zn and As. They reported two zones of gold anomalism, one over quartz veins and sheared chert and the other with the western contact zone. The anomalies displayed little correlation with the CSR soil anomalies. Elevated base metal values appeared to correlate with the haematite stained volcanics.

Rock chip sampling and mapping comprised 29 samples and assays up to 4.1g Au/t were obtained from haematite floaters in the western contact zone.

Two lines of IP, dipole-dipole, were carried out. A chargeability anomaly was attributed to black cherts. Ground magnetics were carried out over two airborne anomalies. Five RC holes were drilled at Red Queen for 576m (RQP series). Hole RQP5 drilled under a soil anomaly near the chargeability anomaly met with 10m @ 0.95g Au/t from 46m and 8m @ 0.97g Au/t from 60m. The associated lithology was black cherts. In general, attempts to correlate surface geology with the drilling proved confusing.

The Chessman/Red Queen area was reduced to 3 MCNs and held as a second priority resource area following the discovery of the Main Zone gold deposit at Maud Creek. The trenches and drill holes were rehabilitated.

Kilkenny Gold NL 1997-1999 Kalmet purchased the Maud Creek Prospect from Placer on 22 August 1996. Kalmet became a wholly owned subsidiary of Kilkenny Gold in September 1997.

In February 1997 Kalmet engaged UTS Geophysics to carry out an airborne magnetic and radiometric survey over the tenement holding. This survey was carried out on 30 metre spaced

east-west flight lines with 500 metre spaced north-south tie lines. Aerial photographs were also purchase from Airsearch Mapping Pty Ltd.

A total of 119 soil samples were taken on a 400 x 100m grid spacing with limited 200 by 50 metre infill sampling. First pass soil sampling utilised conventional methods with a -20 mesh (900 micron) size fraction taken from the A-B soil horizon interface to make up a 3kg sample. Each sample consisted of two sample sites 50m apart, one sample bag and one sample number. Approximately 1.5 kg of sieved sample was taken at each site so that the final composite sample was in excess of 3 kg. Infill sample techniques differed from the original survey in that each sample consisted of only one sample site. Samples were submitted to ALS in Townsville where a 50gram -80 mesh samples was taken and analyzed for As, Cu, Pb, Zn, Ag, Mo, Bi, Sb and BLEG Au.

A program of RC drilling comprising 35 holes/2673m (CRP series) was carried out. Samples were riffle split at 1m intervals and analysed for gold and multielement analysis at ALS in Alice Springs. A compilation of significant results is provided in Table 1.

In 1999, Kilkenny commissioned a magnetic and radiometric interpretive study of the Maud Creek area including the Red Queen/Chessman area, using SRK Consultants. The geological interpretation is depicted in Figure 3.

Work at Chessman/Red Queen then waned during the development drilling and mining of the Main Zone Maud Creek gold deposit in 2000.

Table 1: Significant Intercepts >0.5 g/t Au and >2m width from Placer, CSR and Kilkenny previous exploration up to 1997

HOLE ID	FROM (m)	TO (m)	LENGTH (m)	Assay g/t	WGS84E	WGS84N
CMPDH7	82	84	2	0.66	221494	8406689
CRP003	16	19	3	4.33	221459	8406607
CRP004	42	48	6	0.84	221479	8406607
CRP005	32	37	5	1.78	221499	8406612
CRP005	45	53	8	1.28	221499	8406612
CRP008	65	67	2	1.46	221450	8405646
CRP009	12	19	7	2.02	221470	8406546
RQP5	46	56	10	0.95	221505	8406627
RQP5	60	68	8	0.94	221505	8406627

Hill 50 Gold Limited 2001 As new owners of the Maud Creek project, Hill 50 Limited conducted a data review and visited the Red Queen/Chessmen project area in order to rank the prospect with the Main Zone environment.

Harmony Gold Operations Limited 2002-2005 commissioned a consultant (S.Snodin) who specialised in photogeological interpretation. His brief was to cover the Maud Creek project at 1:25,000 using existing colour aerial photography at that scale. The study included the Red Queen/Chessman tenements and his work identified several targets in that area. A review of previous exploration data by J. Shaw concluded that the mineralisation at Red Queen was diffuse, lower grade and difficult to link structurally. As such it ranked poorly when compared to the Main Zone environment at Maud Creek.

Terra Gold & GBS Gold 2006-2009. Harmony sold the tenements to Terra Gold in 2005 and GBS Gold subsequently acquired Terra Gold on 7th November 2005. GBS Gold Australia went into voluntary administration on 15 September 2009 and all assets including Maud Creek Group of tenements were placed under care and maintenance. After meeting statuary and regulatory requirements, Crocodile Gold Australia Pty Ltd (now Newmarket) secured the control of all assets including Red Queen/Chessman tenements in November 2009. During this time activities focused on the Maud Creek deposit.

Newmarket 2011-2015. In 2011, a project wide VTEM survey was flown at a sensor height of around 35-45 metres with line spacing of 200m. The flight lines were generally in a North-West direction. Southern Geoscience were contracted to model the dataset. The VTEM data has defined a NW trending feature that correlates directly with a fence. A stronger NW trending conductive feature at the north end of the soil grid is likely associated with a dyke-like feature.

Newmarket also to commenced work on a detailed geospatial database of all hard copy and digital data on file on site. This included maps, reports, GIS files, geophysical files, drillhole and surface geochemical databases.

In 2012, Newmarket revisited the regional geochemical data from 1997, through a consultant Nigel Brand, who levelled the data and identified the Chessman area as an area of interest ("Anomaly B"). Field examination indicated that the anomalous Au-in-soil geochemical values should be contoured in a north-northeast direction. When this was done two narrow Au-in-soil geochemical trends with coincident As and Sb anomalous values were defined, coincident with two 020-025° trending felsic dykes and/or silicification/brecciation.

The Chessman occurrence, located at UTM 8406600N; 221460E, is located south of a 58.6 ppb soil anomaly, and the Red Queen occurrence, located at UTM 8406230N; 221330E, south of a 11.3 ppb soil anomaly (both anomalies defined by past operators work). This siliceous zone on which both the Chessman and Red Queen occurrences are located continues southward for at least an additional two kilometres.

In 2012, the Chessman/Red Queen area, 1942 soil samples were collected (290 in the mineral lease) and submitted for ionic leach Au analysis. The Au in soil values present a unique distribution that is not matched with any other element. A NNE trending anomaly extends for 2.5 kilometres along the west side of the grid that would appear to extend beyond the grid to the NNW. A preliminary interpretation indicated that the Au anomaly sub-parallels the west

contact of a lithological unit that appears to be associated with a NNE trending syncline (graben?). In all likelihood its emplacement is structurally controlled.

In late 2015, Newmarket entered into an earn-in agreement with PNX (then Phoenix Copper) to explore ML30293 and surround ELs.

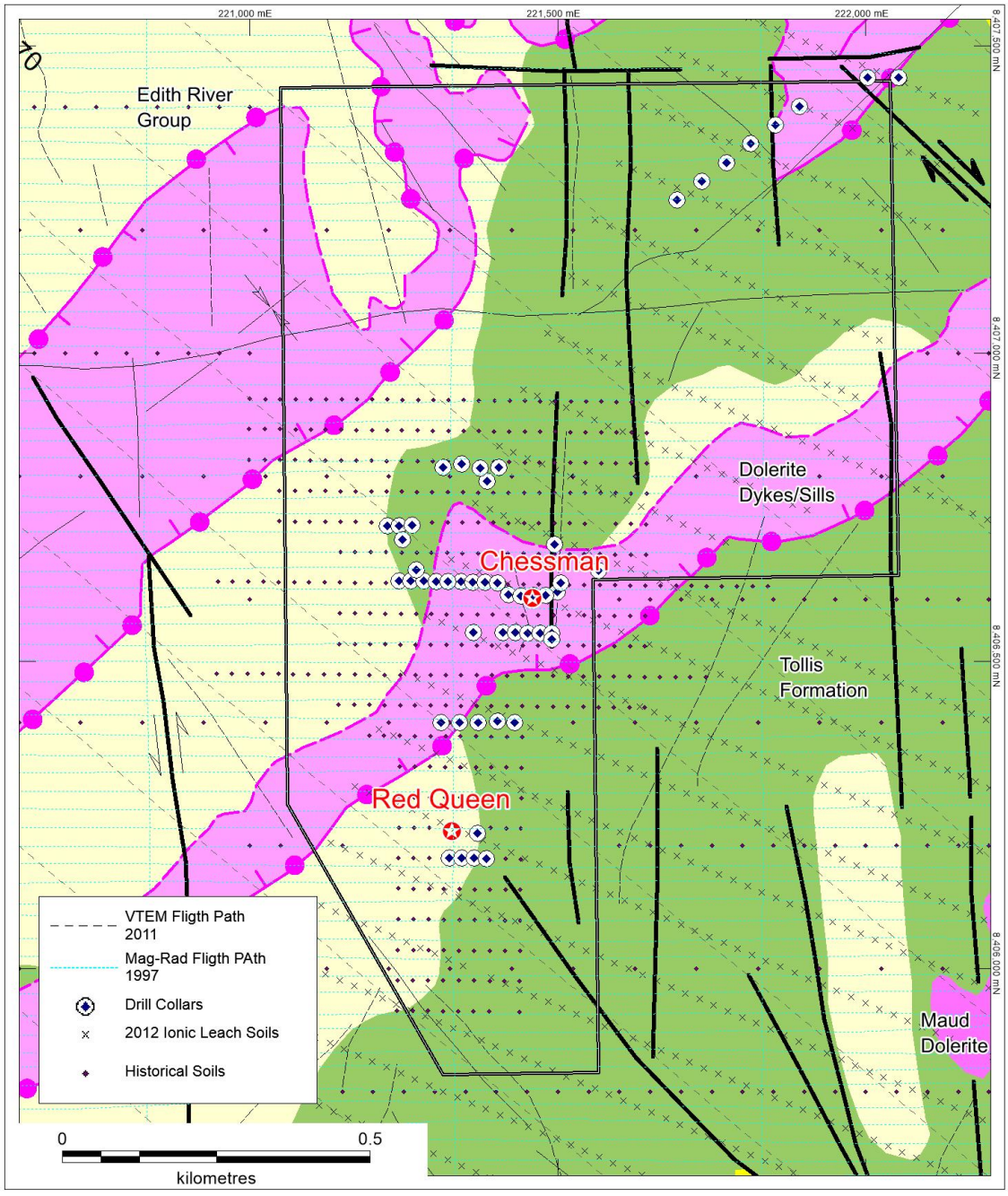

Figure 3: Historical work summary on ML30293 on Kilkenny geology map (1999)

8 PREVIOUS EXPLORATION - PNX

8.1 2015-2016

PNX began a GIS based compilation of previous work, which included significant amount of soil geochemical data, geophysical imagery and identification of drilling information.

8.2 2016-2017

PNX geologists visited the area in late 2016 for a quick reconnaissance while drilling activities were occurring on the adjacent lease. The purpose of the visit was mainly to find the access in and familiarise with the area. Two rock chip samples were collected. The maximum result was from CRK003 which returned 0.11 g/t Au. Review of previous work highlighted that two lines of dipole-dipole IP in 1989 appears to show a chargeability response in association with one of the better mineralised holes (RQP5).

9 EXPLORATION THIS PERIOD (2017-2018)

No field work was undertaken, however a geophysical review of the area was commissioned. The full report is provided in the digital appendix. The review confirmed the likelihood of a NNE structure controlling mineralisation (eg. Figure 4). Historical IP data was viewed, but has not been accurately located. The two IP lines show apparent chargenability highs (9-11msec) in their centre, which compares to Maud Creek (20msec).

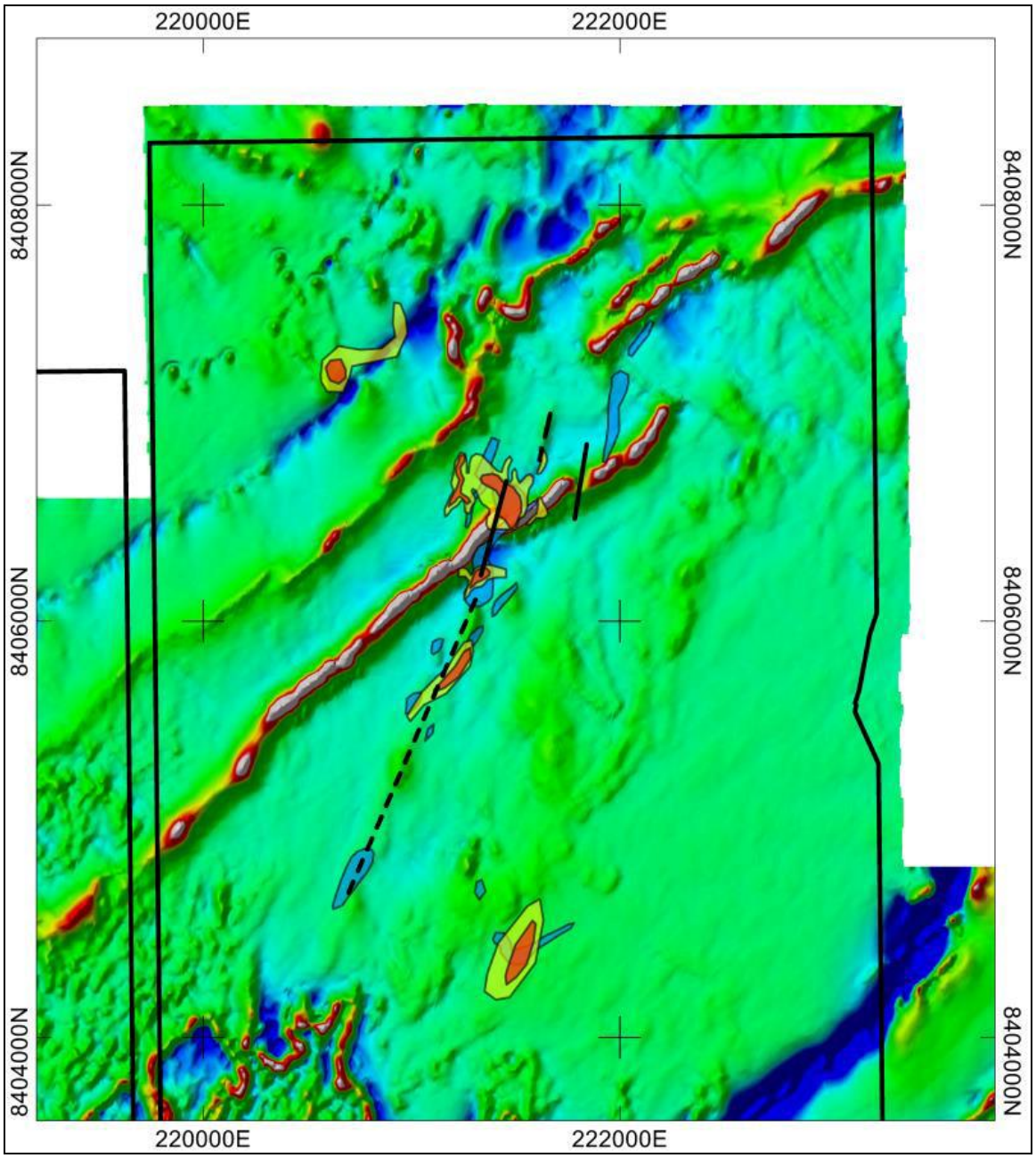

Figure 4: Chessman -Red Queen soil Au anomaly (>20ppb-yellow,>50ppb red) and ionic leach anomaly (>5ppb-blue) shown over RTP magnetics (0.5VD)

10 CONCLUSIONS AND RECOMMENDATIONS

PNX recognises the potential of ML30293 to host a significant gold deposit. Already significant intersections have been encountered with only minimal drill testing completed. The significant results to date all line up with a NNE trending structure, clearly evident in the detailed magnetic datasets, which appears to be the controlling feature at both Chessman and Red Queen.

The downhole drilling data needs to be digitised an interrogated in three dimensions. Currently, only drill hole collar data is available, but the original reports of assay results have been sourced.

It is further recommended that IP can be used to test the NNE structure along strike.

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