

ASX Announcement

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Drilling commenced at Moline gold targets

- **Three known gold mineralised structures to be drilled at Moline**
- **16 holes planned to test for new extensions to historically-mined mineralisation and to evaluate the base metals potential of the area**
- **Drilling targeting high-grade gold shoots with the potential for associated base metal sulphides**

PNX Metals Limited (**ASX: PNX**) is pleased to advise that it has commenced a 16 hole reverse circulation (RC) drill program at the Moline Exploration Project (MLN1059), located less than 1.5km off the Kakadu Highway, and approximately 65km to the east of the Hayes Creek gold-silver-zinc project in the Pine Creek region of the Northern Territory.

At Moline, gold had been mined periodically up until the early 1990s when mining ceased abruptly due to equipment failure. This was prior to depletion of mining inventory, and prior to evaluation of resource potential at depth. Since then there has been no mining and very little exploration activity, however historical information and an airborne EM survey flown in 2011 **suggests significant near-surface mineralisation still exists beneath and along strike from existing historical workings.**

This drill program, which is likely to take approximately 2 weeks to complete, will focus on the highest priority areas where open mineralisation exists, and aims to test moderately dipping high-grade gold shoots with the potential for similar multi-element associations to those observed at PNX's Hayes Creek project.

PNX Managing Director James Fox said: "We are very pleased to have commenced our first exploration drill program at Moline. The area hosts non-JORC historical gold resources and we have identified the potential for new gold and base metals mineralisation across three different structures. This initial drill program will target near-surface open mineralisation and provides the opportunity, with minimal drilling, potentially to define mineral resources to JORC 2012 standards. A successful drill program has the potential to create significant value either as a standalone project or as one complementary to the Hayes Creek gold-silver-zinc project where PNX is due to complete a PFS by May 2017"

Expenditure at Moline will contribute toward the completion of the Stage 1 exploration earn-in with Newmarket Gold NT Holdings Pty Ltd 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.

Hayes Creek Drilling Update

Infill diamond drilling at Iron Blow is proceeding well with drilling intercepting massive sulphide mineralisation as predicted in the geological model. Four diamond holes have been completed with assay results from the first infill diamond hole due shortly. Drilling is expected to continue into December 2016.

Four new RC holes are planned to be drilled at Mt Bonnie, as well as the deepening of one existing hole, MBRC050. New mineralisation will be incorporated into an updated mineral resource estimate and an expanded open-pit scenario for inclusion in the fully-funded Hayes Creek Pre-Feasibility Study (PFS).

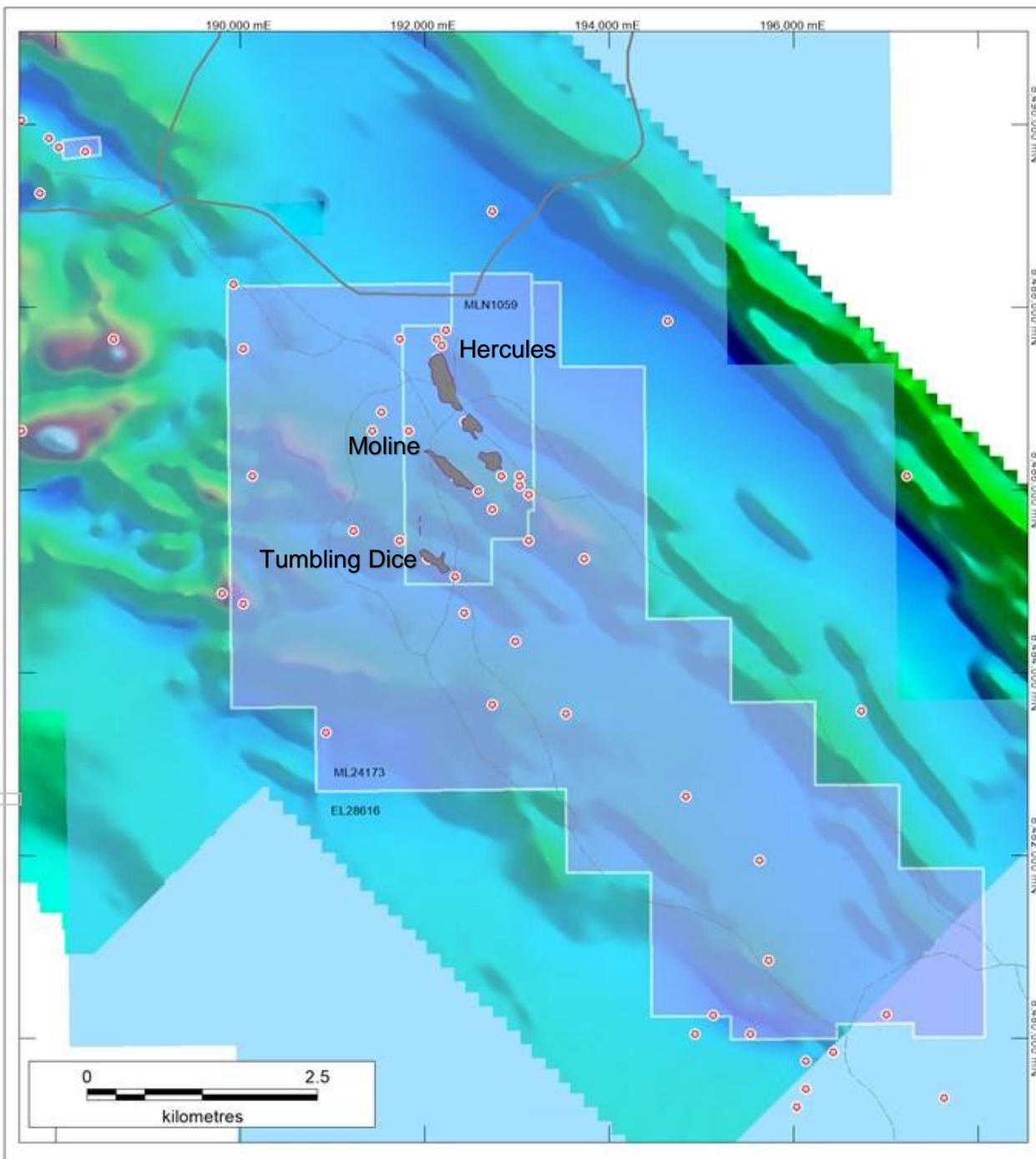


Figure 1: Moline drill areas Hercules, Moline, and Tumbling Dice (background Mag TMI)

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 for modest capital outlay.

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.

Total expenditure for the purpose of the first stage of the farm-in is approximately \$1.75 million. A further \$0.25 million will be spent by mid-December 2016 to achieve the 51% stage one earn-in.

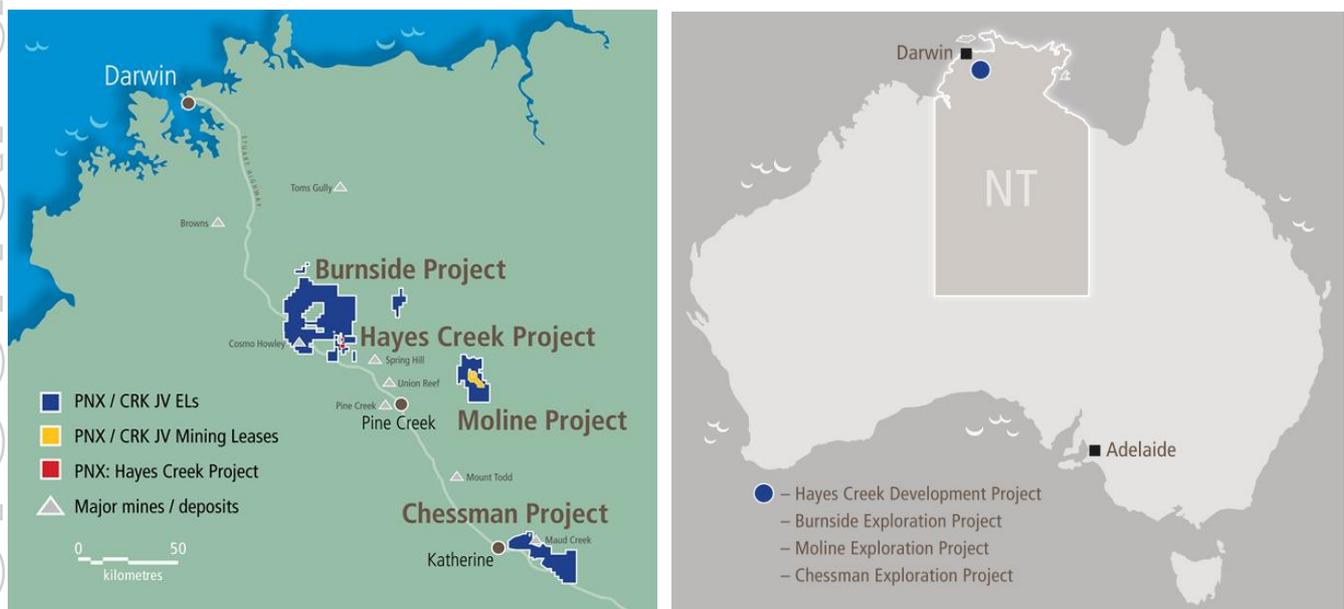


Figure 2: NT Project locations

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

Managing Director & CEO

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