PNX METALS

PNX METALS LIMITED ABN 67 127 446 271

ANNUAL REPORT 2018

CORPORATE DIRECTORY

Australian Business Number
67 127 446 271

Country of Incorporation
Australia

Board of Directors

Graham Ascough	Non-executive Chairman
Paul Dowd	Non-executive Director
Peter Watson	Non-executive Director
David Hillier	Non-executive Director
James Fox	Managing Director & CEO

Company Secretary
Tim Moran

Principal Administrative Office
Level 1, 135 Fullarton Rd
Rose Park SA 5067

Telephone: +61 (8) 8364 3188

Facsimile: +61 (8) 8364 4288

Registered Office
Level 1, 135 Fullarton Rd
Rose Park SA 5067

Telephone: +61 (8) 8364 3188

Facsimile: +61 (8) 8364 4288

Contact: info@pnxmetals.com.au

Website: *www.pnxmetals.com.au*

Share Registry
Computershare
Level 5, 115 Grenfell Street
Adelaide SA 5000

Telephone (within Australia): 1300 305 232

Telephone (outside Australia): +61 (3) 9415 4657

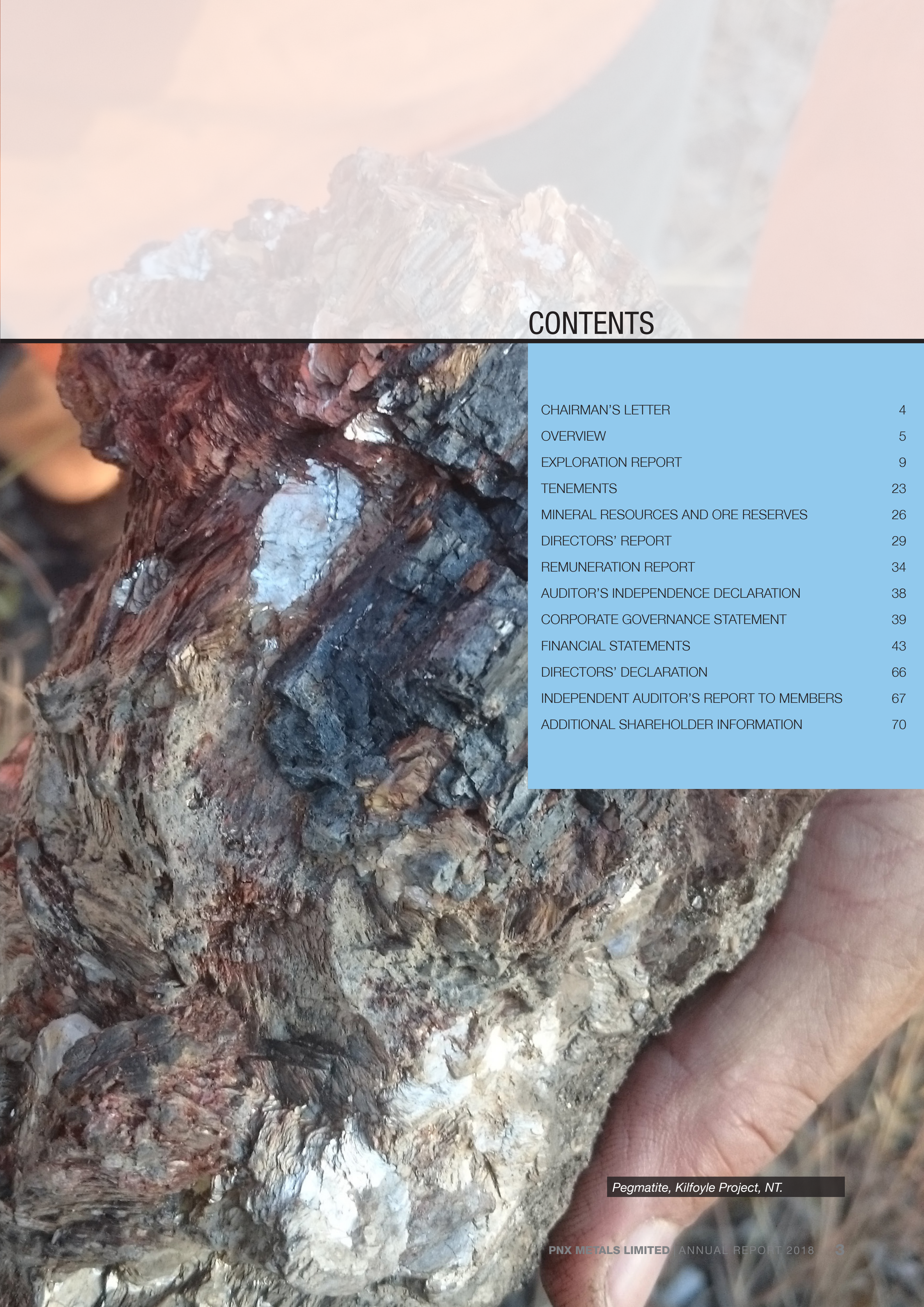
Auditors
Grant Thornton
Level 3, 170 Frome St
Adelaide SA 5000

Lawyers
Piper Alderman
Level 16, 70 Franklin Street
Adelaide SA 5000

ASX
The Company's fully paid ordinary shares are quoted on the ASX under the code PNX.

Cover photo: Massive arsenopyrite, commonly associated with gold, from drilling at Tally Ho, Fountain Head.

CONTENTS



Pegmatite, Kilfoyle Project, NT.

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the 2018 Annual Report for PNX Metals Limited ('PNX' or 'Company').

PNX made significant progress during the year on its objective to be a successful explorer and sustainable and profitable gold and base metals producer.

The Preliminary Feasibility Study ('PFS') completed on our flagship zinc-gold-silver Hayes Creek Project ('Hayes Creek' or 'Project') in the Pine Creek region of the Northern Territory ('NT') confirms it to be a high value, relatively low risk and technically strong development opportunity for the Company. The Pine Creek Region is a favourable mining jurisdiction and the Hayes Creek 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.

As part of our de-risking strategy for the Project, the preferred site for the processing plant and tailings facility was acquired during the year at Fountain Head, located less than 15km from the Hayes Creek deposits. In addition to being the preferred facilities site, it is also host to a previous high-grade mining operation and currently, a number of high-grade gold prospects. In our initial drilling program at Fountain Head, high-grade gold mineralisation was intersected from three separate targets including a very impressive 6m @ 39.5g/t Au from 54m in FHRC085 at the Banner Prospect. At the time of writing, assays are still awaited from several drill holes from this initial program but there is increasing confidence that the Fountain Head area has the potential to host a sizeable gold system.

The Definitive Feasibility Study ('DFS') at Hayes Creek has not advanced as quickly as originally planned during 2018, primarily due to funding availability and market conditions. However, the feasibility work completed to date has demonstrated that the Company holds a valuable Project that provides a significant platform for growth. Regional exploration became a priority during the year with the objective of identifying additional economic mineralisation with the potential to complement and enhance the Hayes Creek development, as well as identifying new, potentially stand-alone resources. Regional exploration success would have a very significant impact on the Project and the Company. As detailed in the annual report, a number of high quality gold and base metals targets have been generated and initial results are very encouraging.

We expect to complete the next earn-in stage on the farm-in area surrounding Hayes Creek in the near term taking our interest in these areas to 90%. We already hold Moline, Fountain Head and Hayes Creek 100% and with the new Kilfoyle joint venture, the total area we hold or are earning into is more than 2000km^2 in the region.

The Board and management are confident that continued exploration work will be successful in growing the resource base and that the completion of studies on the Hayes Creek project in 2019 will reinforce confidence in what is already a robust development opportunity with the potential to deliver strong returns for PNX shareholders.

The Company continues to receive strong support from its shareholders and in 2018, a number of successful fund raisings were completed to new, professional investors as well as to existing shareholders to support our activities in the NT.

In closing, I would like to take this opportunity to express my thanks to my fellow directors, management and staff for their dedication and work during the past 12 months. We are committed to progressing the Company and growing our flagship Hayes Creek project towards development for the benefit of all shareholders.

I also take this opportunity to thank all shareholders for your continued support of PNX and I look forward to providing further updates as our activities move forward in 2019.

Yours sincerely,

Graham Ascough
CHAIRMAN

20th September 2018

OVERVIEW

GENERAL

PNX Metals Limited (PNX or the Company) is an ASX listed minerals exploration company, with a vision of being a successful explorer and sustainable and profitable gold and base metals producer. PNX has a significant precious and base metals tenement portfolio, primarily in the Northern Territory (NT), as shown in Figure 1.

The main activities of the Company during the 2018 financial year were progression of studies and work programs to inform a Definitive Feasibility Study over the Hayes Creek zinc-gold-silver project (Project or Hayes Creek) in the NT, as well as conducting nearby mineral exploration, in particular at Moline and Fountain Head.

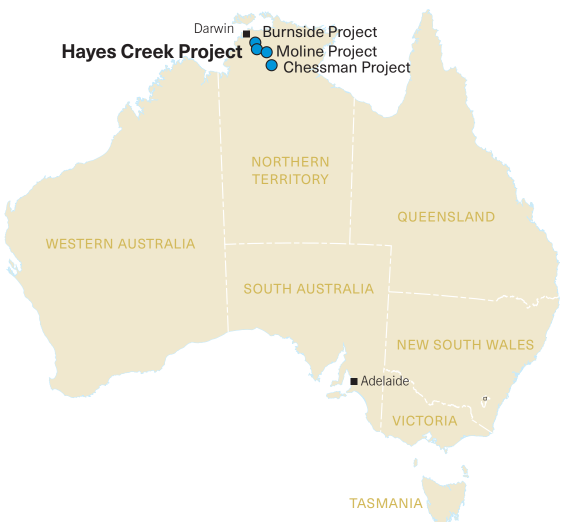
The Fountain Head mineral leases were acquired during the year from Newmarket Gold NT Holdings Pty Ltd (Newmarket), a subsidiary of Kirkland Lake Gold Ltd (KL Gold, TSX:KL, ASX:KLA). The acquisition secures the preferred site for the Project's proposed processing plant and tailings facility, and also adds a new project area that is highly prospective for gold. As part of the transaction with Newmarket, PNX acquired the balance (49%) of the Moline tenements, taking its ownership of that project to 100%.

PNX also continues to hold a 51% interest in a further 19 tenements in the Pine Creek region of the NT (Burnside and Chessman projects), and expects to increase its interest to 90% by the end of calendar 2018 under a farm-in agreement with Newmarket. A full listing of PNX's tenements is contained in the Exploration Report.

HAYES CREEK PROJECT

The Hayes Creek Project is comprised of the Iron Blow and Mt Bonnie zinc-gold-silver deposits, located less than 3km apart on 14 wholly owned mineral leases approximately 170km south of Darwin (Figure 2). The Project has a JORC indicated (85%) and inferred (15%) mineral resource estimate of 4.1Mt containing 238koz of gold, 16.2Moz silver and 177kt of zinc – outlined in detail in the Exploration Report.

Detailed feasibility studies are underway on the Project, following the successful completion of a Pre-Feasibility Study (PFS) in July 2017 which confirmed Hayes Creek to be a promising future low-cost, high margin zinc and precious metal mine that could create significant value for the Company's shareholders. The various studies and work programs being undertaken are expected to provide increased confidence in all aspects of the Project and investigate opportunities to improve overall Project economics, increasing the prospect of favourable development finance terms and structure.



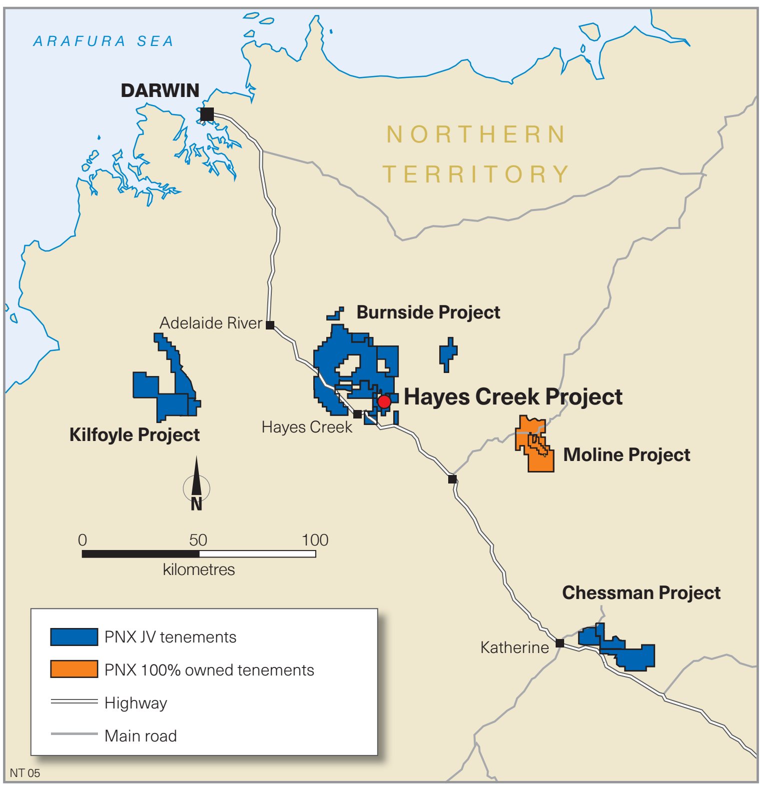


Figure 1 *PNX NT project locations.*

OVERVIEW

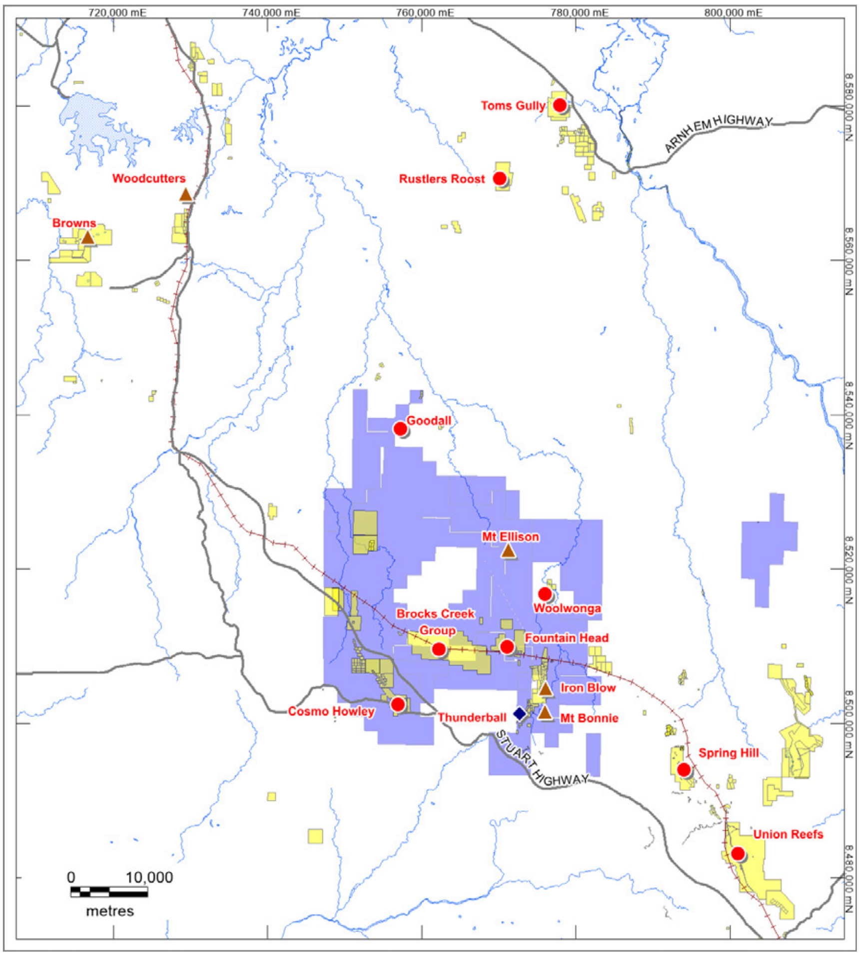


Figure 2 *Hayes Creek Project.*

Detail on progress made on feasibility studies during the year is contained in the Exploration Report, including progress on the environmental approvals process.

The PFS forecasts the Project to generate an NPV_{10} of $133 million, based on net smelter revenue from the sale of zinc and precious metals concentrates of $628 million (based on consensus views as to future metals prices and exchange rates) over a 6.5 year mine life through annual production of 18,200t zinc, 14,700oz gold, and 1.4Moz silver (39,100t of zinc equivalent). With a low $58 million initial capital expenditure requirement, the PFS forecast the Project to have a 73% IRR, and very short pay-back period of 15 months.[1]

The Project is located in a favourable mining jurisdiction 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.

Subject to securing offtake agreements, funding and various Government approvals the Project is envisaged to be ready for development in 2020 and directly employ approximately 130 people.

NT REGIONAL EXPLORATION

PNX's regional exploration strategy is to identify significant additional mineralisation with the potential to complement and enhance the Hayes Creek Project and to identify new, potentially stand-alone resources. PNX has divided its exploration portfolio into five regional project areas:

- **Fountain Head** (100%) – gold targets, includes the recently discovered Banner prospect
- **Moline** (100%) – gold and base metals
- **Burnside** (51% earning 90%) – precious and base metals
- **Chessman** (51% earning 90%) – precious and base metals
- **Kilfoyle** (0%, earning 90%) – precious and base metals, lithium.

The project areas host numerous prospects, and cover in excess of 2000 square kilometres in the Pine Creek region of the NT. PNX commenced a drilling program at Fountain Head in June 2018, which produced some excellent results including the discovery of the Banner gold prospect. Subsequent to year-end, PNX commenced drilling campaigns at Moline and Burnside (Cookies Corner prospect), and is awaiting results. An airborne geophysical survey was also recently completed at the new Kilfoyle project, ahead of Government co-funded drilling toward the end of calendar 2018.

The Exploration Report contains detail on activities during and since the end of the financial year on the Company's exploration projects.

1 *Refer ASX announcement 12 July 2017 for full details. The material assumptions underpinning the production targets, and the forecast financial information derived from the production targets, continue to apply and have not materially changed.*

KEY FINANCIAL RESULTS

($000'S, EXCEPT AS INDICATED)	30 JUNE 2018	30 JUNE 2017
Interest/other income	59	51
R&D tax refund	253	405
Corporate/administrative costs	1,312	1,407
Impairment – SA exploration assets	-	1,500
(Income)/loss on Sunstone investment	(297)	64
Interest charges	60	100
Comprehensive loss after tax	**700**	**2,705**
Comprehensive loss per share	**0.1 cents**	**0.4 cents**
Net operating cashflows	(731)	(866)
Exploration expenditure	(3,027)	(3,436)
Funds raised – equity (net of costs)	2,308	4,108
Funds raised – silver streaming	800	-
Cash on hand[1]	860	1,430
Net working capital[2]	698	1,414
Investment in Sunstone – at fair value	490	193
Capitalised exploration expenditure	9,707	6,899
Debt	-	1,200
Deferred Revenue – silver streaming	2,400	1,600
Net assets	**8,449**	**5,551**
Number of shares on issue[3]	1,088,930,020	741,055,537
Number of performance rights on issue	7,070,000	11,410,000
Number of unlisted options on issue[4]	85,450,000	65,450,000
Share price (ASX: PNX)	0.8 cents	1.0 cents

1 *$3.46 million raised subsequent to year-end.*

2 *Excluding investment in Sunstone Metals Ltd.*

3 *1,352,680,020 as of the date of this report, with a further 169,375,000 shares approved for issue at a general meeting held on 12 September 2018.*

4 *A further 433,125,000 unquoted options were approved for issue on 12 September 2018.*

PNX reported an overall loss for the year after tax of $0.7 million (2017: $2.7 million, including a $1.5m South Australian exploration asset impairment charge). The loss for the year was net of a $0.25 million income tax benefit from the Company's research and development claims.

The pre-tax loss for the year was $1.3m as compared to $1.5m (excluding impairment charges) in 2017. The reduced loss figure is primarily due to non-cash items, notably lower equity-based remuneration expense and interest expense settled by issuing shares. Professional fees were also lower, as the prior year had some one-off investor relations costs.

The comparable pre-tax loss is not unexpected given PNX's corporate cost structure has not changed much, and exploration costs in the NT (representing the majority of expenditure) are capitalised. Corporate and administration costs include head office wages, directors' fees, insurance, professional fees, regulatory, occupancy and communication.

Excluding R&D receipts, operating cash outflows for the year were $1.1 million and reflect the pre-tax loss after excluding non-cash charges. During the financial year (September/October 2017) the Company raised $2.3 million net of costs from placements to sophisticated and professional investors and a Share Purchase Plan, and also received $0.8 million from the forward sale of an additional 112,000oz of silver from the Hayes Creek project. PNX spent $3.0 million on exploration during the year, including $1.6 million on Hayes Creek feasibility studies and $1.2 million on its key regional exploration projects in the NT.

At 30 June 2018, the Group had cash holdings of $0.9 million, net working capital of $0.7 million excluding the investment in Sunstone Metals Limited which is valued at $0.5m, and no debt. During the year, agreement was reached with convertible note holders and a lender to settle both the notes ($0.6 million) and the loan ($1.2 million) by the issue of 24 million and 80 million shares respectively.

Subsequent to year end, PNX announced a $3.5m capital raising, consisting of 2 tranches of placement shares (total 433,125,000 shares):

- **Tranche 1** – 263.8 million shares at an issue price of 0.8c per share to raise $2.1m (received in late July/early August); and
- **Tranche 2** – 169.4 million shares at 0.8c to raise $1.4m. This tranche was approved for issue at a General Meeting held on 12 September 2018 and the shares will be issued by the end of September.

Also approved by shareholders on 12 September 2018 was the issue of 433,125,000 attaching options (one-for-one). The options, which are expected to be issued in October 2018 under a disclosure document, will not be quoted and have a 1.5 cent exercise price expiring 30 September 2021.

Upon completion of the Tranche 2 placement (end of September), cash on hand will be approximately $2.8 million.

OUTLOOK

PNX's aim is to establish an economic mining project at Hayes Creek and to continue to make new mineral discoveries in the Pine Creek region of the Northern Territory.

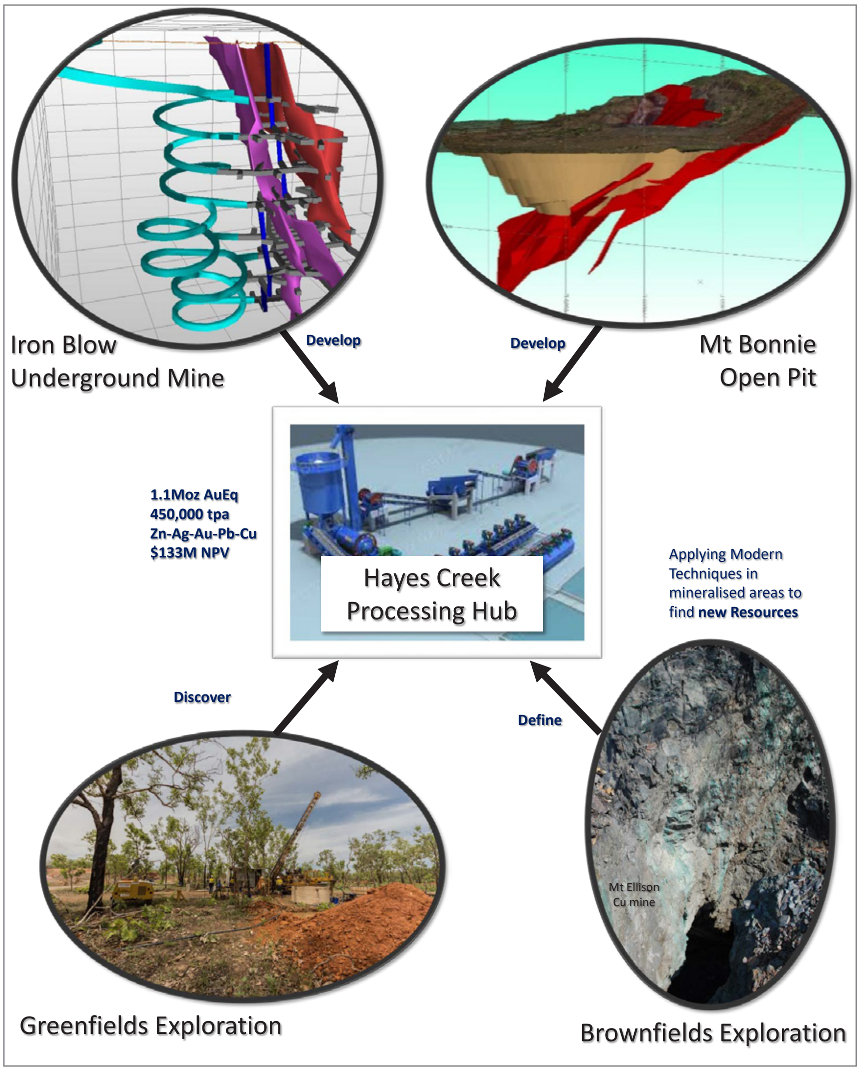
In the first half of 2018-19, PNX's key focus will be on its regional exploration projects (Fountain Head and Moline in particular), including assessing whether these projects can be incorporated into the Hayes Creek Project or developed separately. Detailed feasibility studies on the Hayes Creek Project are expected to be completed in 2019 including submission of the Environmental Impact Statement.

Diamond drilling core, Tally Ho, Fountain Head.

STRATEGY

The Company's strategy is centred on development of the Hayes Creek zinc-gold-silver Project and exploring for new gold and base metal ore deposits in the Northern Territory that could complement and enhance the size and value of the Project, or be developed stand-alone.

During the year the Company progressed detailed feasibility studies on the Hayes Creek Project and carried out exploration activities at a number of very promising greenfield and brownfield prospects.




Examining core at Brocks Creek core shed.

EXPLORATION REPORT

PROJECT DEVELOPMENT

HAYES CREEK PROJECT

The Hayes Creek zinc-gold-silver Project is 100% owned by PNX, and is the principal asset which underpins the Company's strategy of becoming a near-term base and precious metals producer. The Project comprises 14 granted mineral leases containing the high grade Iron Blow and Mt Bonnie base and precious metal deposits and is located approximately 170km south of Darwin (Figure 1).

PNX completed a Pre-Feasibility Study (PFS) over the Project in 2017, as announced to the ASX on 12 July 2017. The PFS indicates the Project is a high value, relatively low risk and technically strong development opportunity for the Company. It contains an attractive mix of commodities with strong outlook and price upside potential. PNX believes there is a very good chance of increasing the scope of the Project given the potential of the region surrounding Hayes Creek for discoveries of other base and/or precious metals deposits. During 2017/18 PNX commenced a work program to inform a Definitive Feasibility Study over the Project, and detailed studies will continue into 2019 toward the goals of securing offtake contracts, project finance and commencing construction.

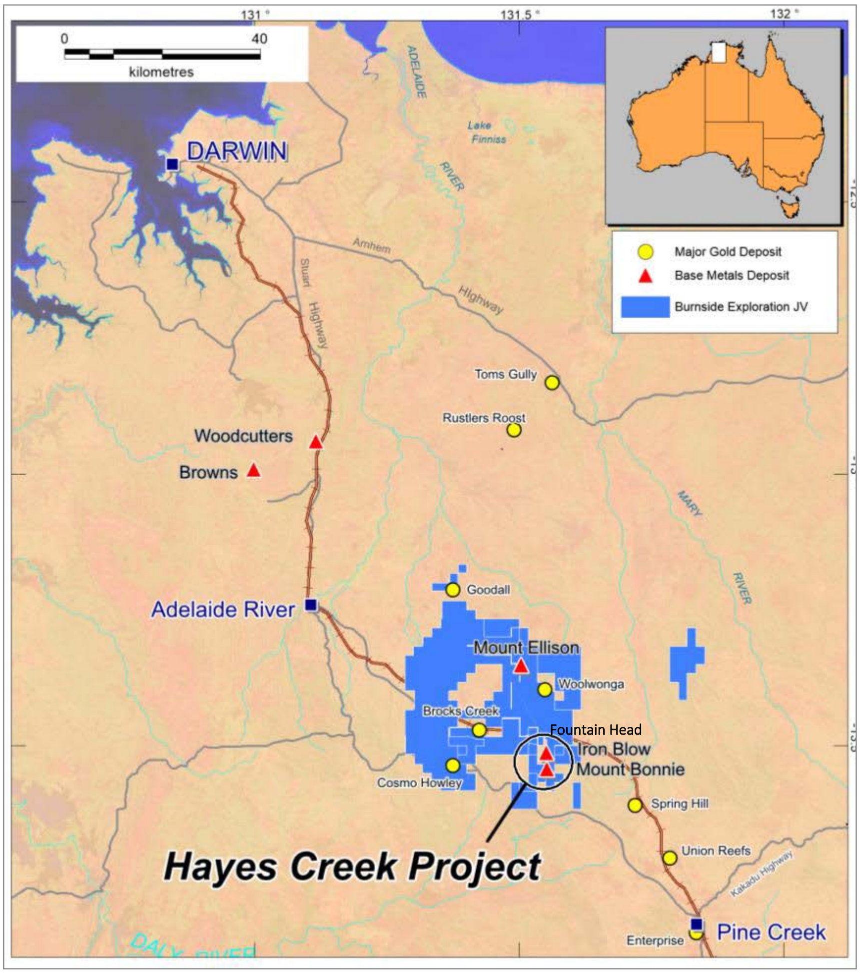


Figure 1 *Hayes Creek Project.*

PFS Summary[1]

The PFS forecast the project to return an NPV_{10} of $133 million over a 6.5 year mine life, with a pay-back period on $58 million of initial capital expenditure of just 15 months. Under the PFS, the Project is expected to generate an average LoM pre-tax net cashflow of approximately $41 million per year and $266 million in total from the sale of zinc and precious metals concentrates.

The PFS financial model was developed based on a steady state 450,000tpa mining and processing schedule from open pit mining operations at Mt Bonnie and subsequent underground mining at Iron Blow, over a 6.5 year life of mine (LoM) – refer Figures 2 and 3.

Key financial returns forecast for the Project are shown in Table 1 below. Returns are most sensitive to movements in the commodity price and exchange rate assumptions as well as variations in metal recoveries.

Table 1 PFS: Summary of estimated project financial returns

ESTIMATED PROJECT RETURNS	PFS FINANCIAL MODEL
Total net smelter revenue (Zn, Au, Ag, Pb + Cu)	$628 million
Zinc net revenue	$271 million, 43%
Silver net revenue	$187 million, 30%
Gold net revenue	$117 million, 19%
Lead and copper net revenue	$53 million, 8%
Pre-tax net cash flow (over LoM)	$266 million
Annual average pre-tax net cash flow	$41 million
Pre-tax net cash flow per tonne of ore over LoM	$90 per tonne
Up-front plant capital/mine development	$58 million
Peak cash draw (prior to first revenue)	$66 million
Pre-tax net present value (NPV), 10%	$133 million
Internal rate of return (IRR)	73%
Payback period	15 months


Iron Blow drill core.

Underpinning the Project are JORC 2012 mineral resources estimates containing 177kt of zinc, 238koz gold, 16.2Moz silver, 37kt lead, and 10kt of copper, of which 85% is Indicated and 15% Inferred (Refer to the Mineral Resources and Ore Reserves tables on pages 26 to 27 for further detail). Production targets in the mine plan are based on mineral resources that are 98% Indicated and 2% Inferred.

The proposed plant is to be constructed at the historic Fountain Head mining area located approximately 12km to the north of Iron Blow and Mt Bonnie. Under the PFS, two product streams will be produced, a zinc concentrate and a precious metals concentrate, as well as tails. All concentrates would be trucked to the main port of Darwin for shipment to international markets.

1 *Refer ASX announcement 12 July 2017 for full details. The material assumptions underpinning the production targets, and the forecast financial information derived from the production targets, continue to apply and have not materially changed.*

EXPLORATION REPORT

PROJECT DEVELOPMENT

Figure 2 *Mt Bonnie historical pit (left) and looking north toward Iron Blow from top of Mt Bonnie.*

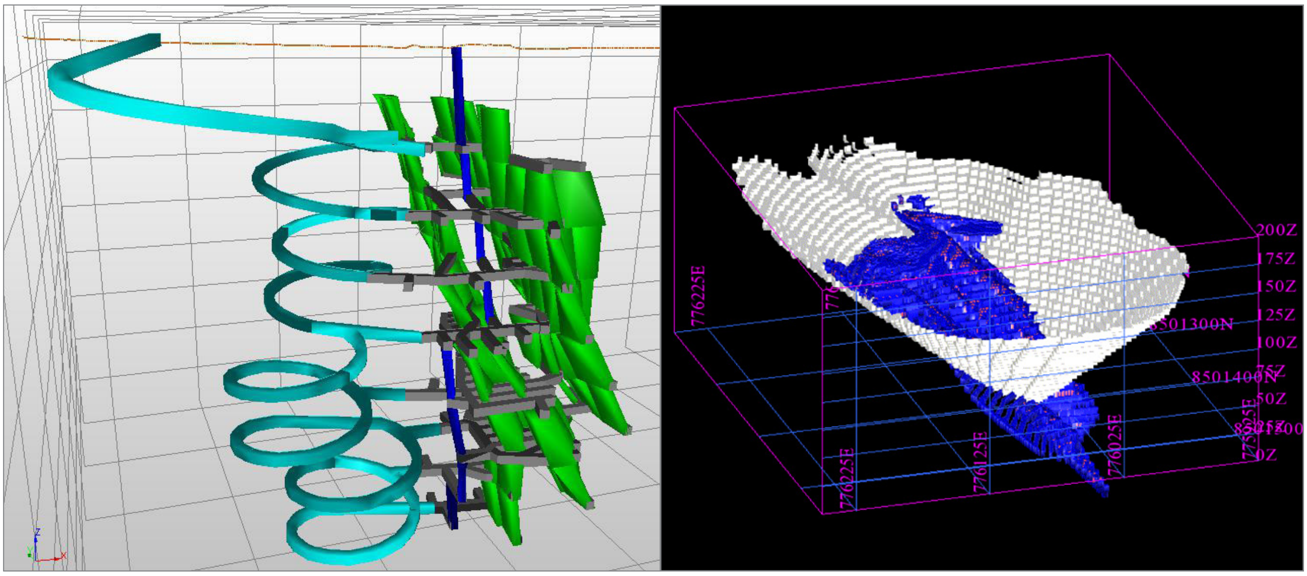


Figure 3 *Iron Blow underground pit model (left) and Mt Bonnie open pit shell.*

Progress during 2017/18

During the year work programs relating to Hayes Creek Project had the following key outcomes:

- Completion of a 75 hole, 4,063 metre RC and diamond drill program which provided technical information to inform the engineering and environmental studies, including mine planning, hydrology, metallurgical and waste characterisation.
- Identification from drill results of additional high-grade, near-surface mineralisation and resource extension potential at the southern end of Mt Bonnie.
- Ongoing metallurgical test-work showed continued improvement in recoveries and grades and reduction in deleterious elements compared to those used in the PFS.
- Engagement of GR Engineering Services (ASX: GNG) to provide process design and engineering services, including all facilities, equipment and capital works required for construction, commissioning and ramp-up of the Project.
- Ongoing geochemical (waste rock characterisation) and hydrological studies to populate baseline data to support the environmental approvals for the Project. An environmental Notice of Intent was submitted during the year.

Hydro analysis, Hayes Creek.

Drilling program (Nov/Dec 2017)

The program was designed to provide geotechnical, resource extension, hydrological, and metallurgical information for incorporation into the project feasibility studies. A key outcome of the drilling was the identification of high-grade, near-surface zinc, gold and silver mineralisation outside of the existing mineral resource envelope at Mt Bonnie.

Resource extension – Mt Bonnie

Zinc, gold and silver mineralisation in was intersected in 15 holes drilled outside of the existing Mt Bonnie Mineral Resource envelope extending the known mineralisation by approximately 35 metres (Figures 4 and 5). Extensions to the massive sulphide zinc-rich mineralisation occur below the current pit design and both up and down-dip to the existing resource and include:

- **4m @ 6.14% Zn, 1.14g/t Au, 176g/t Ag, 1.29% Pb, 0.11% Cu** from 73m in MBRC080, including:
  - » **2m @ 10.28% Zn, 1.92g/t Au, 304g/t Ag, 2.11% Pb, 0.17% Cu** from 74m (below the pit design)
- **1m @ 7.68% Zn, 1.48g/t Au, 305g/t Ag, 1.88% Pb, 0.31% Cu** from 76m in MBDH069 (below the pit design)
- **7m @ 2.24g/t Au and 81g/t Ag** from 88m in MBRC089 (gold-silver zone below the pit design)
- **5m @ 3.28% Zn and 1.37g/t Au** from 35m in MBRC107 (up-dip from pit design).

An extension to the pit design further south and at depth would provide an increase in the feed to the proposed process plant, and reduce the open-pit strip ratio by identifying mineralisation in what was previously assumed to be waste rock. An updated mineral resource estimate for Mt Bonnie will be completed for inclusion in the mine plan, and could result in an increased overall mine life.

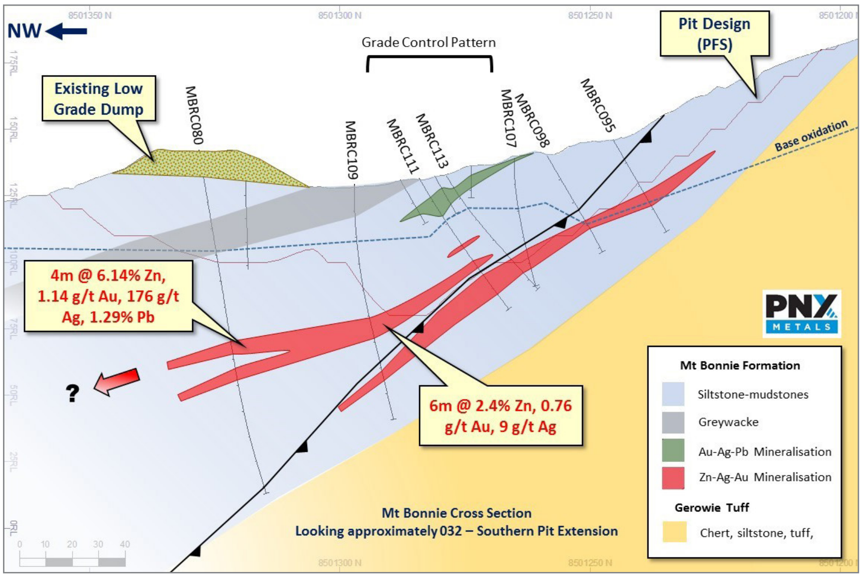


Figure 4 *Mt Bonnie cross section showing new mineralisation in MBCR080.*

PROJECT DEVELOPMENT

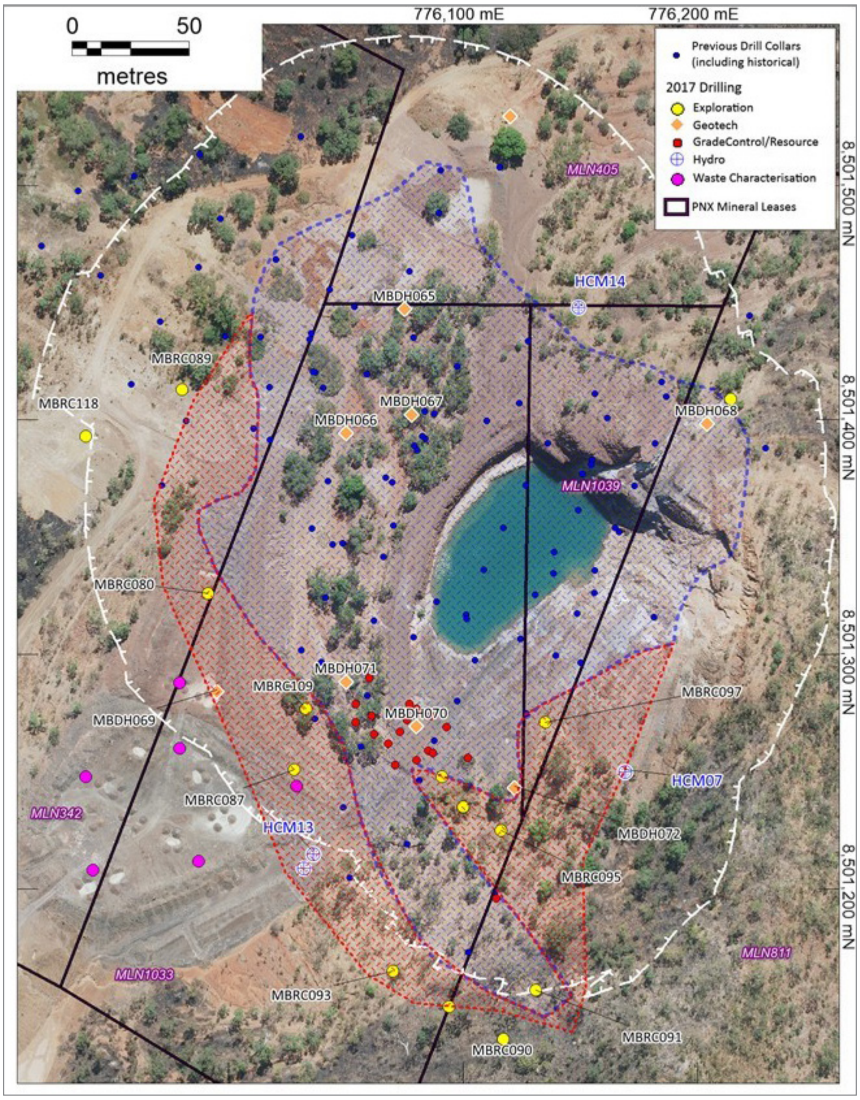


Figure 5 *Drilling at Mt Bonnie: blue hashed area is the previous resource estimate projected to surface; red hashed area is an estimate of the new mineralisation projected to surface. White is the boundary of the current proposed pit shell.*

Geochemical and hydrological studies

Ongoing water quality analyses and regular surface water samples continue to populate baseline environmental data to support the environmental approvals for the Project.

Long-term column leach tests are ongoing and are expected to run until at least the end of calendar 2018 or until such time as acid generation from the columns is identified. These tests will assess the leach characteristics of waste rock dumps and stockpiles, materials in the Mt Bonnie open pit and underground at Iron Blow with the data being used to model water quality from various areas of the project both during operations and following closure.

Metallurgy and process design

Interim metallurgical testwork programs were conducted during the year which showed improved recoveries and grade for Hayes Creek concentrates compared with the PFS results. Further optimisation is anticipated during ongoing feasibility testwork based on additional learnings from interim testing.

The information obtained from this interim program is essential for ongoing marketing discussions leading toward securing an offtake and/ marketing agreement.

EXPLORATION PROJECTS

The Pine Creek Orogen is one of the most prospective mineral provinces in Australia and is host to PNX's Fountain Head (100%), Moline (100%), Burnside (51%), Chessman (51%) and Kilfoyle (0% earning 90%) projects (refer Figure 6).

PNX's strategy regarding regional exploration is to discover and delineate additional high-value base metals and/or gold deposits to complement the proposed development at Hayes Creek or feed into existing free milling gold infrastructure in the region.

During the year PNX acquired from Newmarket Gold NT Holdings Pty Ltd the Fountain Head mineral leases and a further 49% of the Moline projects (four tenements, now owned 100%). The acquisition of the Fountain Head leases also secured the preferred location for the proposed Hayes Creek process plant. The site is preferred for the following reasons:

- close proximity to the mining areas at Iron Blow and Mt Bonnie (approximately 12km);
- excellent existing infrastructure including high-voltage power, rail, gas, water and roads; and
- being an existing disturbed site with historic open pits, proposed for use as tailings storage.

The transaction, which was completed in July 2018, resulted in no cash outlay for PNX. As consideration, PNX agreed to carve out and transfer to Newmarket 20 graticular blocks comprising three exploration areas (Liberator, McCallum Creek and Mt Paqualin) within PNX's 51% owned Burnside project area. Newmarket will also receive a 2% net smelter return royalty over any precious metals derived from the Fountain Head and Moline tenements.

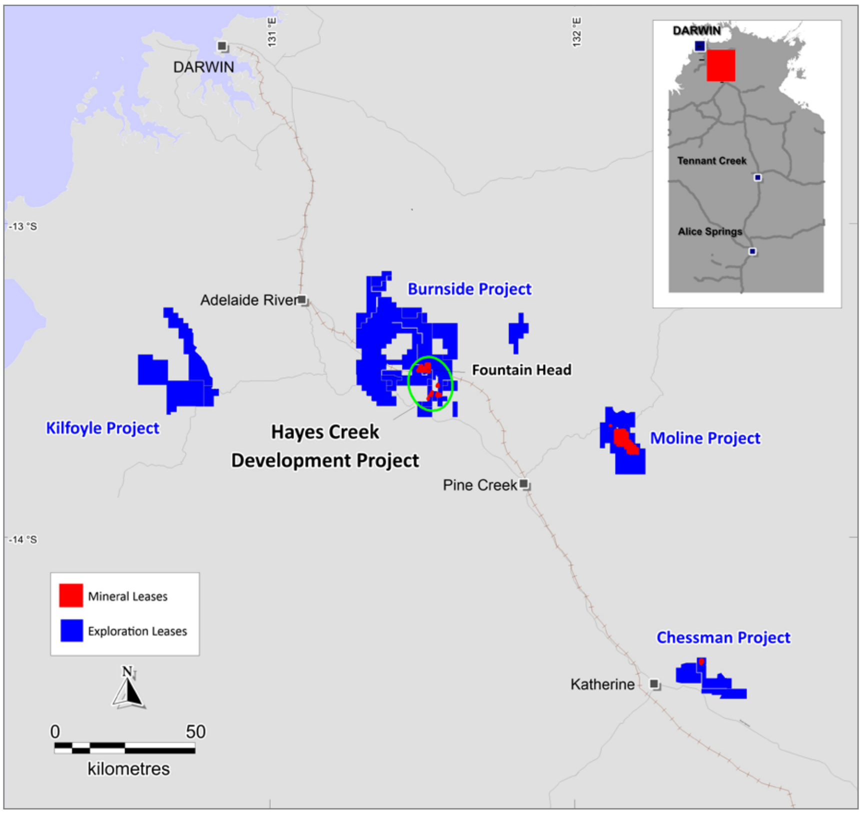


Figure 6 *PNX Projects – Northern Territory.*

The Burnside and Chessman projects consist of 18 exploration licences and one mineral lease and are subject to a farm-in agreement with Newmarket. PNX expects to complete the second stage of the farm-in by the end of calendar 2018, thereby increasing its interest in these areas from 51% to 90%.

These projects, along with the Company's new farm-in project (Kilfoyle) in the Litchfield area of the NT, are discussed below.

FOUNTAIN HEAD

In June 2018, PNX commenced a drilling program at the Fountain Head mineral leases where a total of 31 reverse circulation (RC) holes for 2,610 metres was completed. The program targeted four areas considered prospective for gold along the Fountain Head anticline over an approximate 2km strike extent to the north-west from the existing Fountain Head and Tally Ho historic mining areas (Figure 7).

A number of significant drill intersections have been reported including the discovery of new high-grade gold mineralisation at the Banner prospect. Diamond drilling at Banner (one hole) and three diamond tails targeting the potential down-plunge extension of high-grade gold mineralisation directly under the historic Fountain Head and Tally Ho open pits is ongoing.

The excellent assay results at the Fountain Head, Tally Ho and Banner prospects highlight the potential for the area to host a sizeable gold system, and the Company looks forward to accelerating exploration to advance this new opportunity.

EXPLORATION PROJECTS

Banner Prospect

Ten RC holes were drilled to test a 500 metre long >1g/t gold-in-soils anomaly (Figure 7). High-grade gold mineralisation was intersected in three of ten holes drilled. Significant results include:

- **6m @ 39.5g/t Au** from 54m in FHRC085; including
  - » **1m @ 215g/t Au** from 54m
- **1m @ 5.92g/t Au** from 42m
- **2m @ 5.85g/t Au** from 50m in FHRC079
- **1m @ 1.70g/t Au** from 46m in FHRC081
- **2m @ 1.86g/t Au** from 6m.

The high-grade gold intersected in FHRC085 is below the base of oxidation and represents the first known occurrence of primary gold at Banner. There are also numerous other zones of lower grade gold mineralisation within the drill holes which will require further assessment.

Fountain Head/Tally Ho Prospects

Drilling has demonstrated that mineralised vein systems continue at least 600 metres to the north-west of the historic mining area along the Fountain Head anticlinal structure. Mineralisation remains open to the north-west and at depth, indicating the potential for further mineralised extensions over at least a 1km strike extent.

Significant results from the program included (refer Figures 7 and 8):

- **3m @ 11.09g/t Au** from 93m in FHRC062, including
  - » **1m @ 29.30g/t Au** from 95m, and
- **1m @ 28.00g/t Au** from 83m in FHRC070
- **1m @ 10.86g/t Au** from 29m in FHRC072
- **6m @ 2.05g/t Au** from 2m in FHRC073
- **16m @ 1.37g/t Au** from surface in FHRC074 (Fountain Head), including;
  - » **1m @ 8.39g/t** Au from 5m
- **2m @ 4.04g/t Au** from 21m in FHRC076; and
- **5m @ 3.96g/t Au** from 107m in FHRC076 (Tally Ho lode), including
  - » **2m @ 9.17g/t Au** from 110m.

The 5m @ 3.96g/t Au intercept from 107m in drill hole FHRC076 is interpreted as an extension of the Tally Ho lode with the result suggesting a steepening of the lode structure, a concept not tested by previous drilling. The recently completed diamond tail FHRC077D was drilled to enhance this theory and intersected a sulphide-rich quartz vein system over approximately 20m that is situated 100m along strike from FHRC076 with assays pending (Figure 8). The Tally Ho lode is the higher grade of the two historically mined zones at Fountain Head and its extension is a significant outcome for this drill program.

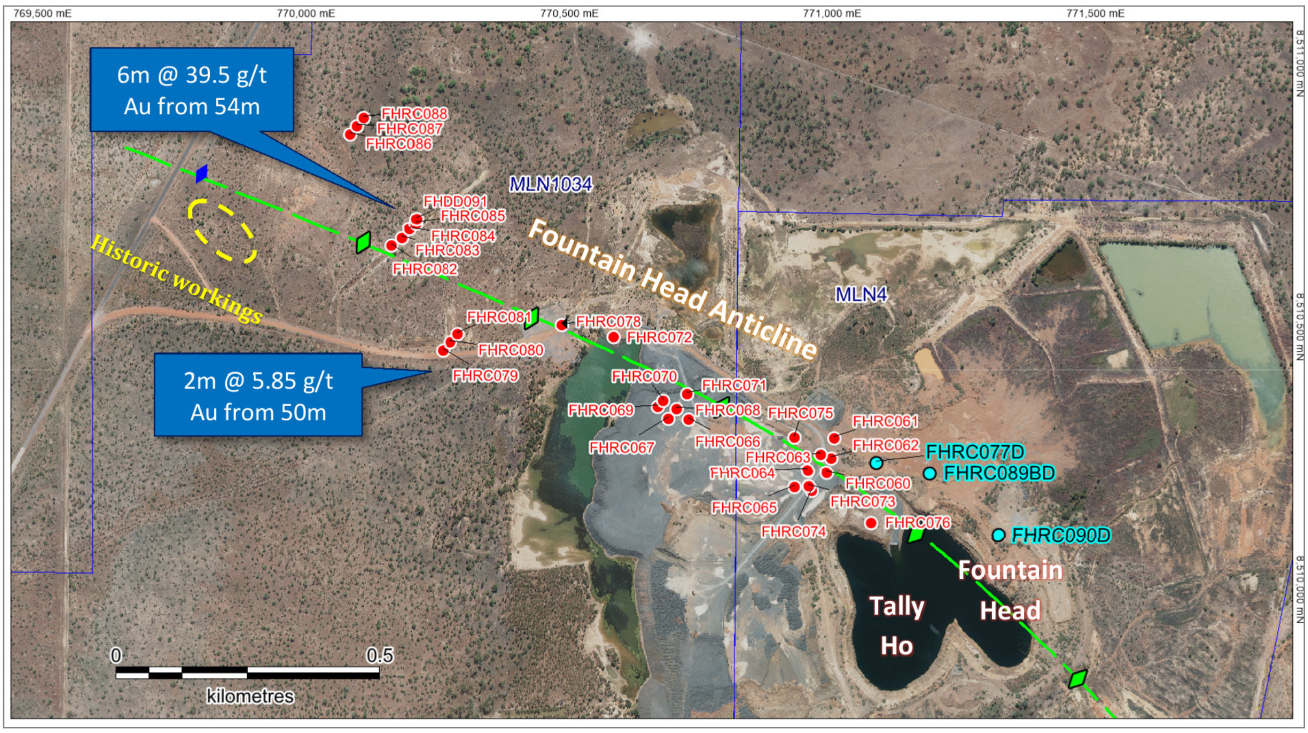


Figure 7 *Historic Fountain Head and TallyHo mining area and location of PNX drill holes. Red = assays reported; blue = diamond holes; green line is the Fountain Head Anticline thought to control mineralisation.*

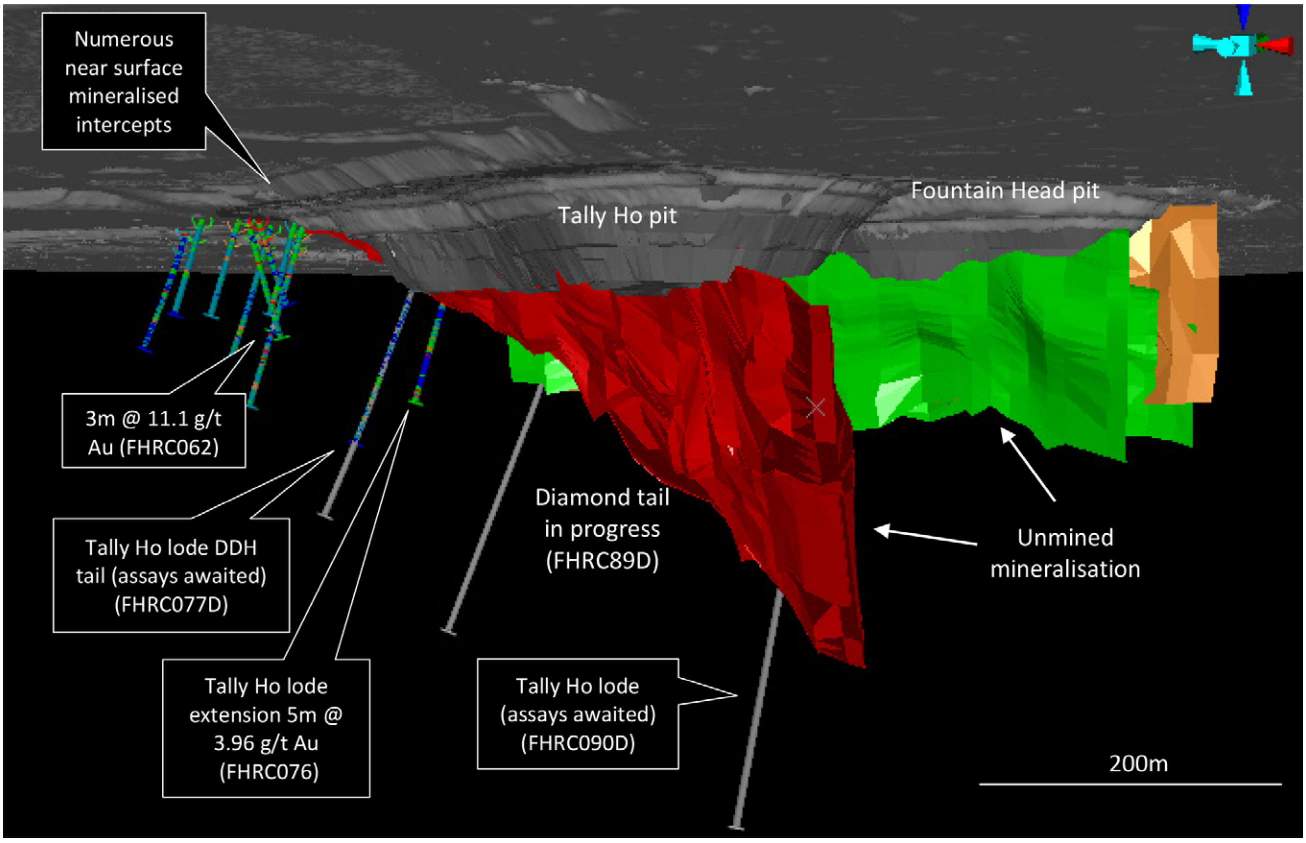


Figure 8 *Isometric view of mineralisation (modelled from historic drilling) looking approximately north-east from below surface showing Tally Ho lode (red), Fountain Head lodes (green/orange), and PNX drill holes. The limited extent of historic mining is also shown.*

MOLINE PROJECT

The Moline Project, now wholly owned by PNX, is located approximately 65km to the east of Hayes Creek in the Pine Creek region of the Northern Territory, less than 1.5km off the Kakadu Highway (Figure 6). The Moline Project comprises three main "lines of lode" hosting numerous gold and gold-zinc prospects, including Moline, School, Tumbling Dice, Swan, and Hercules (Figure 10). The Evelyn base metal skarn deposit also occurs within the tenure. Mining activities at Moline were curtailed suddenly in 1992 after a tank failure in the processing plant, leaving unmined mineralisation at the bottom of some pits. Although most historical pits were mined only to shallow depths in the oxide zone, studies have indicated that the primary mineralisation at depth could be recovered and upgraded to a high-value concentrate through the proposed Hayes Creek process plant.

A host of untested gold and base metal targets also occurs on the surrounding exploration licence.

Progress 2017/18

In August 2017, PNX conducted a 16-hole RC drill program at Moline, resulting in some very good gold and zinc sulphide intersections:

- **3m @ 7.6g/t Au from 138m in MORC15** at School;
- **2m @ 5.94g/t Au, 95.5g/t Ag, 2.53% Zn, 0.9% Pb, and 0.26% Cu from 45m in MORC026** at Swan, including
  - » **1m @ 11.37g/t Au, 128g/t Ag, 4.66% Zn, 0.98% Pb, and 0.48% Cu from 45m**
- **3m @ 2.5g/t Au from 71m and 9m @ 1.55g/t Au from 96m in MORC028** underneath the historic Moline pit

This new mineralisation is particularly encouraging due to the similarities with the Hayes Creek Project and because in most instances, mineralisation is open at depth and along strike. These results complement the similarly good results from drilling in 2016. The new results and the previous mining history show that this is part of a major mineralised system containing significant quantities of gold.

PNX continued with regional mapping and geochemical soil sampling to evaluate the numerous regional targets that exist outside of the historical mining centre. A number of new, high priority zinc targets were identified at Moline (Waterhole,

EXPLORATION PROJECTS

Figure 9 *Tumbling Dice historical pit.*

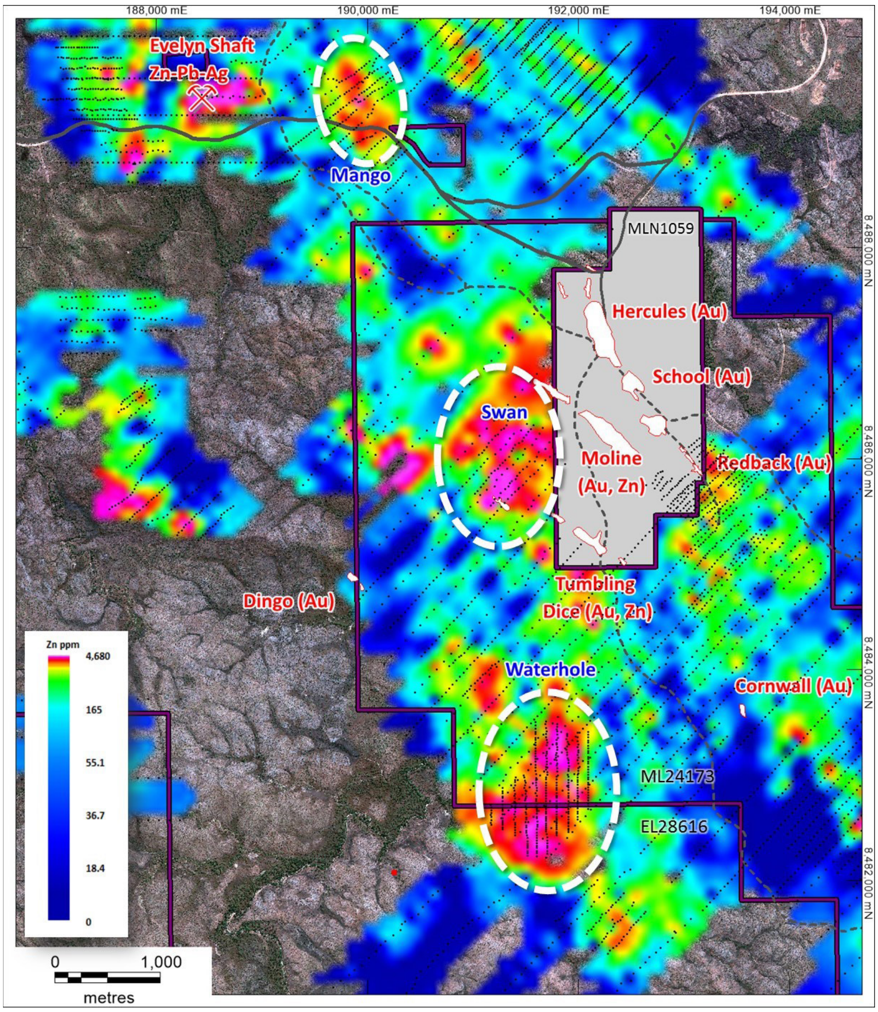


Figure 10 Zinc in soil image over aerial photo, showing prospect areas and historical open pit mines.

Mango and Swan – Figure 10) by their strong zinc/gold in soils geochemical signatures which were subsequently refined through ground Induced Polarisation (IP) geophysical surveys. The Swan and Waterhole areas in particular remain high priority targets for future drill testing.

Further work 2018/19

PNX views the Moline area as having good potential to host sizeable resources that would be compatible with the Hayes Creek Project. To further evaluate the resource potential and to collect preliminary metallurgical data, an 11 hole, ~1,300 metre RC drill program commenced in August 2018. The initial focus is on the Moline and Tumbling Dice prospects (Figure 9) in order to increase geological confidence and continue to define mineralisation within the boundaries of potential open-pit mining.

PNX intends to continue the regional mapping program and assess the regional targets for later drill testing.

BURNSIDE PROJECT

The Burnside Exploration Project is located along the Stuart Highway, only 150km south of Darwin. It surrounds the Hayes Creek and Fountain Head deposits, and therefore is strategically important in the future growth plans of PNX. There are numerous mineral deposits and mineral occurrences within the area that attest to the mineral wealth of the tenure, including Cosmo-Howley, Woolwonga, the Brocks Creek group, and Goodall, with around 2Moz gold produced historically. PNX believes there are strong similarities between the model for gold mineralisation here and the Callie deposit (7Moz+) in the Tanami. The recent discovery by PNX at Banner has many similarities to the discovery of Callie – in both cases found after following up shallow gold anomalism in soils or RAB drilling. Banner is one of many such targets that exist within the large (approx. 1000km^2) Burnside tenement package.

There are already indications that mineral resources will be defined within the Burnside project: prospects such as Ithaca, Ios and Santorini along the Howley Anticline are already well advanced; Cookies Corner and C6 in the Goodall area have what could now be considered economic drill intersections which were not followed up by Western Mining in the 1980s; and the Golden Dyke Dome contains numerous oxide pits that have not had their sulfide zones drill tested (Figure 11).

The base metals potential is evidenced by the Iron Blow and Mt Bonnie zinc-gold-silver VMS deposits and the historic Mt Ellison copper mine. A number of exciting EM targets, typical of this have been identified in the last 12 months, which need to be evaluate through fieldwork over the next year.

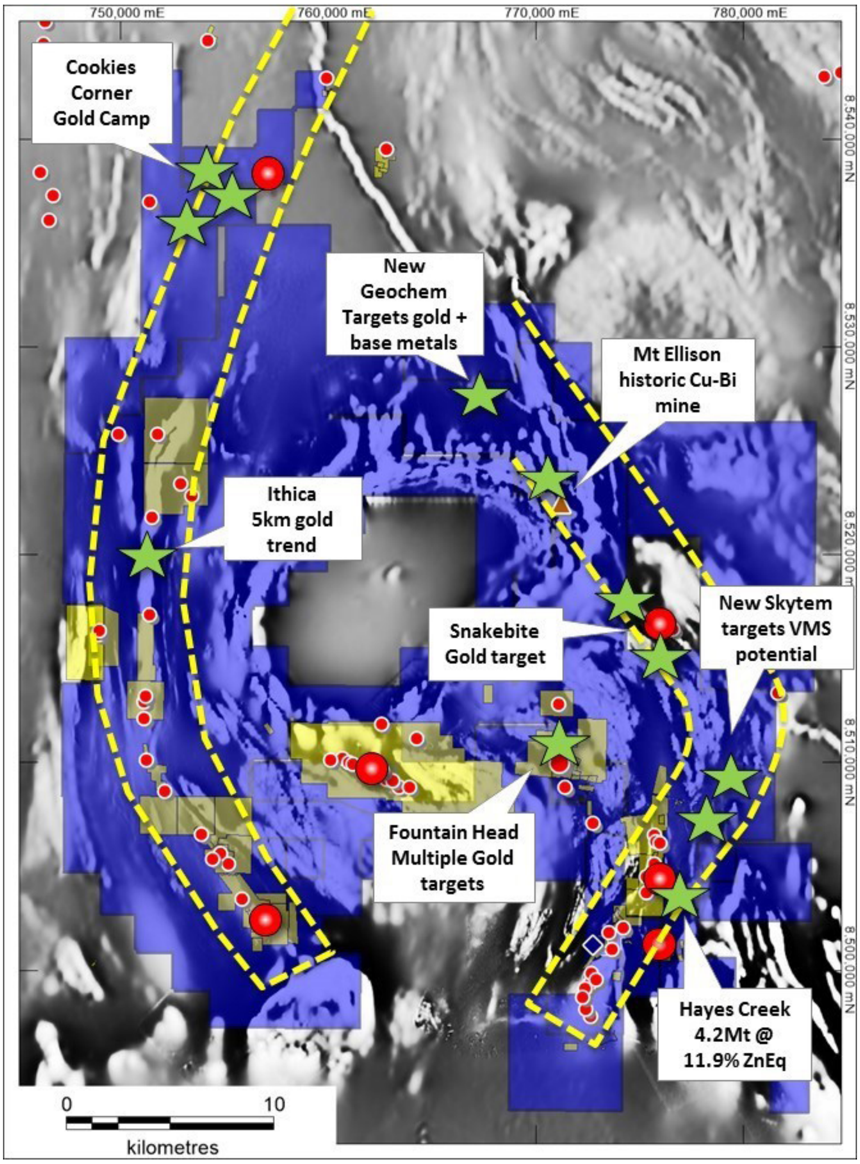


Figure 11 Burnside Project area.

Progress during 2017/18

A significant geochemical soils and mapping program continued at the Burnside Project in 2017/18. Much of the work centred on the northern extent of the Mt Ellison-Deloraine zinc target and into the “Farside” target. This has identified coherent base metals and gold-arsenic targets and is ongoing.

A SkyTEM survey was undertaken in late 2017, as a means of detecting further VMS mineralisation as seen at Iron Blow and Mt Bonnie. The survey identified a number of very high priority targets that need to be evaluated through fieldwork. The best of them lie in the Grove Hill area, close to Fountain Head.

Planned work 2018/19

A selection of priority gold targets are planned to be drilled, including Snakebite, Davies 2 and Ithaca. Drilling at Cookies Corner was completed in September 2018, with assay results pending.

Grassroots targets will continue to be advanced through soil sampling and mapping programs. This will include new SkyTEM targets.

EXPLORATION PROJECTS

KILFOYLE FARM-IN PROJECT – LITCHFIELD AREA, NT

On 31 May 2018, PNX executed a binding term sheet with May Drilling Pty Ltd to commence a farm-in over three exploration licences in the Litchfield area of the NT, approximately 80km to the west of Hayes Creek (Figures 12 and 13). PNX can earn a 90% interest in the tenements with expenditure of $1.2 million over 3 years.

Fieldwork at Kilfoyle commenced in June 2018, with ground-truthing activities including field mapping and soil and rock-chip sampling across a range of existing targets. As announced to the ASX on 16 July 2018, the initial field visit clearly confirmed the prospectivity of the Kilfoyle area for multiple styles of mineralisation. Surface rock chip samples yielded high-grade lithium and lead-silver-gold, in particular:

- Numerous outcropping pegmatites mapped over a broad area with up to 7.16% (White Rocks prospect) and 6.24% Li_2O (Goosewing prospect) in surface sampling; and
- Up to 1.92% lead, 115g/t silver and 1.04g/t gold in surface sampling at White Rocks.

The area is also considered prospective for zinc and nickel-copper-cobalt. In June 2018, PNX was successful in its application for drill co-funding to test the potential for nickel-copper-cobalt sulphide mineralisation at the Woolianna prospect. 50% of the costs of a planned drill program, to a maximum of $83k, will be funded by the Northern Territory's Geophysics and Drilling Collaborations Program, which is part of the NT Government's Resourcing the Territory initiative.

Subsequent to year-end PNX completed a detailed airborne magnetic survey over the Woolianna Gabbro and northern extension of the Daly River mineral field to detect massive sulphide accumulations.

A combined RC and diamond drilling program (co-funded as noted above) is planned to be completed by December 2018 to investigate the Ni-Cu-Co (+/- PGE) mineralisation and Zn-Pb-Ag VMS potential.

The Kilfoyle exploration project is considered to be an excellent strategic fit with, and complements, PNX's growing NT landholding in one of Australia's most prospective yet underexplored mineral provinces.

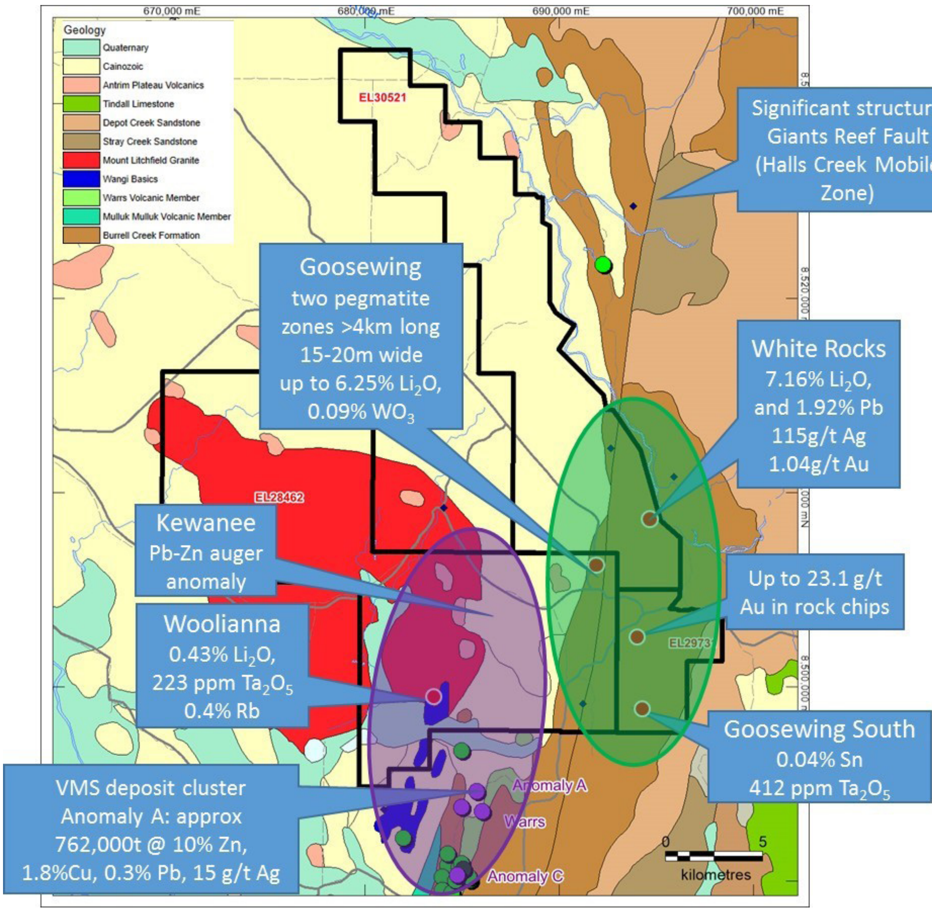


Figure 12 Kilfoyle Project prospective areas and zones of interest (green = lithium-tin-tantalum-gold) (purple = nickel-copper-cobalt & zinc-lead VMS).

Green dots = copper deposits, purple = VMS, red = sample locations.

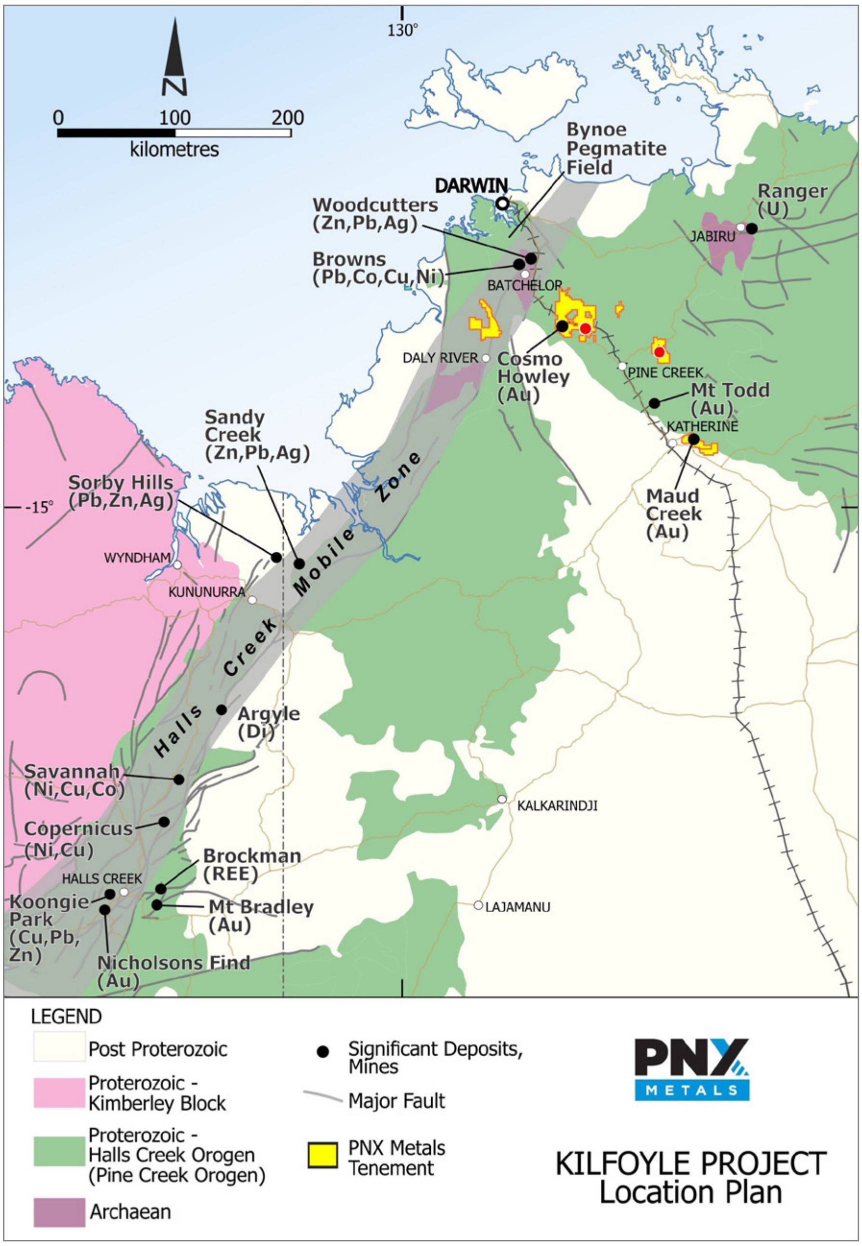


Figure 13 *Kilfoyle Project location.*

Amblygonite at Goosewing, Kilfoyle.

CHESSMAN PROJECT

The Chessman Project is located approximately 20km due east of Katherine (Figure 6) at the southern margin of the Pine Creek Orogen. Easy access is via the Stuart Highway and then along roads that were established in 2000 for ore haulage to and from the Maud Creek mining area. The Chessman Project surrounds the ~1Moz Maud Creek gold deposit which is being considered for development by Kirkland Lake Gold Ltd. Work at Chessman was limited due to the prioritisation of other exploration targets within the Company's NT project portfolio.

SOUTH AUSTRALIA - BURRA REGION & YORKE PENINSULA

No on-ground exploration activities were undertaken during the year by PNX on the Company's tenements in the Burra region (prospective for copper/gold) or Yorke Peninsula (prospective for IOCG). Ausmex Mining Group Limited has commenced a farm-in over PNX's eight exploration licences in the Burra area, to earn up to a 90% interest over two stages (60% and 90%) by spending a minimum of $300,000 in each stage on diamond drilling or other agreed exploratory work. The first stage must be completed by 30 September 2019.

All South Australian tenements remain in good standing.

ENVIRONMENT

Mine Management Plans (MMPs) are prepared and approved by the NT Department of Primary Industry & Resources for all of PNX's project areas in the NT, including the lodgement of required environmental bonds, prior to exploration activities taking place. Progressive rehabilitation of disturbed areas has occurred in accordance with licence conditions, and will continue to occur in the future.

SOCIAL AND COMMUNITY

PNX recognises and responds to the growing expectation from community, regulators and industry leaders for more open community engagement and stakeholder consultation. The Company engages with local stakeholders, including government, pastoral leaseholders, Aboriginal groups, and local community as an integral part of the exploration process.

The Company recently participated in the Mining the Territory Conference in early September 2018.

OCCUPATIONAL HEALTH AND SAFETY

PNX is committed to the health and safety of its employees, contractors and visitors. No reportable incidents occurred during the year.

The Company reviews its Health and Safety policies and procedures on a regular basis to ensure it maintains a high standard. All field staff take part in ongoing training to develop skills for supervising and conducting exploration activities in remote environments.

TENEMENTS

NORTHERN TERRITORY

PNX TENEMENTS

TENEMENT	NAME	HOLDER	AREA (HECTARE)
Hayes Creek			
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
TOTAL			168.0
Other			
MLN794	Fishers-1	PNX Metals Ltd 100%	8.1
MLN795	Fishers-2	PNX Metals Ltd 100%	8.1
ML30936	Good Shepherd	PNX Metals Ltd 100%	106
TOTAL			122.6
Fountain Head^			
ML31124	Fountain Head	PNX Metals Ltd 100%	33.5
MLN1020	Fountain Head	PNX Metals Ltd 100%	12.0
MLN4	Fountain Head	PNX Metals Ltd 100%	529.9
MLN1034	Fountain Head	PNX Metals Ltd 100%	304.2
TOTAL			879.6
Moline^			
ML24173	Moline	PNX Metals Ltd 100%	3126.0
MLN1059	Moline	PNX Metals Ltd 100%	418.7
MLN41	Mt Evelyn	PNX Metals Ltd 100%	8.9
TOTAL MINERAL LEASES			4,723.4
EL28616^	Moline	PNX Metals Ltd 100%	262.5km^2
EL31099	Bridge Creek	PNX Metals Ltd 100%	60.2km^2
TOTAL EXPLORATION LICENCES			322.7km^2

^ *Acquisition of Fountain Head tenements and additional 49% of Moline was completed in July 2018*

TENEMENTS

NORTHERN TERRITORY

FARM-IN TENEMENTS

TENEMENT	NAME	HOLDER	AREA (km^2)
Burnside Project*			
EL10012	Mt Ringwood	PNX Metals Limited 51%, Newmarket 49%	14.9
EL10347	Golden Dyke	PNX Metals Limited 51%, Newmarket 49%	10.0
EL23431	Thunderball	PNX Metals Limited 51%, Newmarket 49%	13.4
EL23536	Brocks Creek	PNX Metals Limited 51%, Newmarket 49%	70.4
EL23540	Jenkins	PNX Metals Limited 51%, Newmarket 49%	16.7
EL23541	Cosmo North	PNX Metals Limited 51%, Newmarket 49%	3.3
EL24018	Hayes Creek	PNX Metals Limited 51%, Newmarket 49%	23.4
EL24051	Margaret River	PNX Metals Limited 51%, Newmarket 49%	86.9
EL24058	Yam Creek	PNX Metals Limited 51%, Newmarket 49%	3.3
EL24351	McCallum Creek	PNX Metals Limited 51%, Newmarket 49%	13.4
EL24405	Yam Creek	PNX Metals Limited 51%, Newmarket 49%	4.1
EL24409	Brocks Creek South	PNX Metals Limited 51%, Newmarket 49%	22.1
EL24715	Mt Masson	PNX Metals Limited 51%, Newmarket 49%	56.8
EL25295	Margaret Diggings	PNX Metals Limited 51%, Newmarket 49%	10.0
EL25748	Burnside	PNX Metals Limited 51%, Newmarket 49%	584.5
EL9608	Mt Bonnie	PNX Metals Limited 51%, Newmarket 49%	10.0
Chessman Project*			
Tenement	Name		
EL25054	Maud	PNX Metals Limited 51%, Newmarket 49%	64.0
EL28902	Maud	PNX Metals Limited 51%, Newmarket 49%	104.5
ML30293	Chessman	PNX Metals Limited 51%, Newmarket 49%	1.1
Kilfoyle Project**			
EL29731	Kilfoyle	PNX 0%, May Drilling Pty Ltd 100%	51.5
EL28462	Kilfoyle	PNX 0%, May Drilling Pty Ltd 100%	360.6
EL30521	Kifoyle	PNX 0%, May Drilling Pty Ltd 100%	157.8
TOTAL EXPLORATION LICENCES			1,683

* *PNX earning 90% interest under a farm-in agreement with Newmarket.*

** *PNX earning 90% interest under a farm-in agreement with May Drilling Pty Ltd.*

SOUTH AUSTRALIA

PNX TENEMENTS

EXPLORATION LICENCES	NAME	HOLDER	AREA (km^2)
Adelaide Geosyncline* **			
EL5382	Burra Central	PNX Metals Ltd 100%	84
EL5874	Burra West	PNX Metals Ltd 100%	69
EL6150	Burra North	PNX Metals Ltd 100%	300
EL5411	Mongolata	PNX Metals Ltd 100%	60
EL5918	Princess Royal	PNX Metals Ltd 100%	314
EL5473	Bagot Well	PNX Metals Ltd 100%	71
EL5910	Spalding	PNX Metals Ltd 100%	157
EL5557	Washpool	PNX Metals Ltd 100%	135
TOTAL			1,190
Yorke Peninsula			
ELA 2018/00013	Minlaton	Wellington Exploration Pty Ltd 100%	509
ELA 2017/00169	Point Pearce	Wellington Exploration Pty Ltd 100%	38
EL5491	Koolywurtie	PNX Metals Ltd 100%	255
EL5196	Coonarie	PNX Metals Ltd 100%	254
TOTAL EXPLORATION LICENCES			1,056

*** *Ausmex Mining Group earning up to 90% in these tenements over 2 stages under a farm-in agreement.*

As at 30 June 2018

NORTHERN TERRITORY

HAYES CREEK MINERAL RESOURCES

Table 1: Iron Blow Mineral Resources by JORC Classification as at 3 May 2017

JORC CLASSIFICATION	LODE	AuEq CUT-OFF (g/t)	TONNAGE (kt)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)	ZnEq (%)	AuEq (g/t)
Indicated	East Lode	1.0	800	7.64	1.83	0.30	275	2.90	20.64	15.53
	West Lode	1.0	1,280	4.14	0.33	0.31	60	1.73	8.84	6.66
Total Indicated			2,080	5.49	0.91	0.30	143	2.19	13.39	10.08
Inferred	East Lode	1.0	20	0.48	0.34	0.16	132	6.01	13.65	9.43
	West Lode	1.0	20	0.76	0.96	0.13	109	1.02	5.90	4.44
	FW Gold	1.0	210	0.25	0.07	0.03	16	2.03	3.48	2.62
	HW Gold	1.0	40	0.06	0.09	0.01	6	1.68	2.57	1.94
	Interlode Gold	1.0	40	0.21	0.03	0.07	8	1.66	2.79	2.10
	Interlode Base Metal	1.0	120	3.52	0.32	0.14	35	0.69	5.87	4.42
Total Inferred			450	1.11	0.18	0.07	27	1.71	4.38	3.30
Total Indicated + Inferred Mineral Resource			2,530	4.71	0.78	0.26	122	2.10	11.79	8.87
Total Contained Metal (t)				119,200	19,700	6,650	9.9Moz	170.9koz	298,000t	721.5koz

Table 2: Mt Bonnie Mineral Resources by JORC Classification as at 8 February 2017

JORC CLASSIFICATION	DOMAIN	CUT-OFF GRADE	TONNAGE (kt)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)	ZnEq (%)	AuEq (g/t)
Indicated	Oxide/Transitional	0.5g/t Au	195	0.94	2.43	0.18	171	3.80	11.50	9.44
Indicated	Fresh	1% Zn	1,180	4.46	0.94	0.23	121	1.02	9.60	7.88
Total Indicated			1,375	3.96	1.15	0.23	128	1.41	9.87	8.11
Inferred	Oxide/Transitional	0.5g/t Au	32	0.43	1.33	0.29	74	2.28	6.37	5.23
Inferred	Fresh	1% Zn	118	2.91	0.90	0.15	135	0.54	7.61	6.25
Inferred	Ag Zone	50g/t Ag	21	0.17	0.03	0.04	87	0.04	2.36	1.94
Total Inferred			171	2.11	0.87	0.16	118	0.80	6.73	5.53
Total Indicated + Inferred Mineral Resource			1,545	3.76	1.12	0.22	127	1.34	9.53	7.82
Total Contained Metal (t)				58,000	17,300	3,400	6.3Moz	66.8koz	147,000t	388.5koz

Table 3: Total Hayes Creek Mineral Resources (Iron Blow + Mt Bonnie) by JORC Classification at 3 May 2017

JORC CLASSIFICATION	TONNAGE (kt)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)	ZnEq (%)	AuEq (g/t)
Total Indicated (84.7%)	3,455	4.88	1.01	0.27	137	1.88	11.99	9.29
Total Inferred (15.3%)	622	1.39	0.37	0.10	52	1.46	5.03	3.91
Total Indicated + Inferred Mineral Resource	4,077	4.35	0.91	0.25	124	1.81	10.93	8.47
Total Contained Metal (t)		177,200	37,000	10,050	16.2Moz	237.7koz	445,000t	1,110koz

Table 4: Commodity price and metal recovery assumptions

METALS	UNIT	PRICE*	RECOVERY MT BONNIE	RECOVERY IRON BLOW
Zinc	USD / t	2,450	80%	80%
Lead	USD / t	2,100	60%	60%
Copper	USD / t	6,200	60%	60%
Silver	USD / troy ounce	20.50	70%	80%
Gold	USD / troy ounce	1,350	55%	60%

* *consensus prices at the time of the resources estimates.*

Notes relating to Resource Tables

- Due to effects of rounding, the total may not represent the sum of all components. No material changes in the estimates of the Mineral Resources at Mt Bonnie and Iron Blow have occurred since they were originally reported.
- Metallurgical recoveries and metal prices (Table 4) have been applied in calculating zinc equivalent (ZnEq) and gold equivalent (AuEq) grades.
- Iron Blow – A mineralisation envelope was interpreted for each of the two main lodes, the East Lode (Zn-Au-Ag-Pb) and West Lode (Zn-Au), and four subsidiary lodes with a 1g/t AuEq cut-off used to interpret and report these lodes.
- Mt Bonnie – Zinc domains are reported above a cut-of grade of 1% zinc, gold domains are reported above a cut-off grade of 0.5g/t gold and silver domains are reported above a cut-off grade of 50g/t silver.

In order to assess the potential value of the total suite of minerals of economic interest, formulae were developed to calculate metal equivalency for the gold and zinc (see below). Metal prices as set out in Table 4 were derived from average consensus forecasts at the time of the Resource Estimates.

Metallurgical recovery information was sourced from test work completed at the Mt Bonnie and Iron Blow deposits, including historical test work. In PNX's opinion all the metals used in the equivalence calculation have a reasonable potential to be recovered and sold. PNX has chosen to report both the ZnEq and AuEq grades as although individually zinc is the dominant metal by value, the precious metals are the dominant group by value and are planned to be recovered and sold separately to the zinc.

The formulae below were 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)*

As at 30 June 2018

SOUTH AUSTRALIA

EL5918 – PRINCESS ROYAL

Table 5: Inferred Mineral Resource at Princess Royal

	CUT-OFF GRADE	TONNAGE	GRADE % COPPER	TONNES COPPER CONTAINED
Princess Royal	>0.3%	286,757	0.81%	2,325
	>0.4%	216,586	0.96%	2,083
	>0.5%	184,995	1.10%	2,034

The information pertaining to the Princess Royal Inferred Mineral Resource was prepared and first disclosed by PNX under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The reported mineral resources for Iron Blow and Mt Bonnie were updated in February 2017 and May 2017 and there have been no material changes in the estimated resources, underlying assumptions or technical parameters since then.

PNX utilises suitably qualified independent consultants to compile all new mineral resources estimates. These resources estimates, and the underlying assumptions and interpretations, are reviewed by PNX management, in particular the Company's Exploration Manager Andy Bennett (a Competent Person), for reasonableness prior to being finalised.

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 consultant to PNX Metals Limited and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors of PNX Metals Limited ('PNX' or 'Company') present their report for the financial year ended 30 June 2018.

DIRECTORS

The names and details of directors in office during and since the end of the financial year are as follows.

GRAHAM ASCOUGH

Non-executive Chairman
Appointed 7 December 2012

Graham Ascough (BSc, PGeo, MAusIMM) is a senior resources executive with more than 25 years of industry experience evaluating mineral projects and resources in Australia and overseas.

Mr Ascough, a geophysicist by training, has had broad industry involvement playing a leading role in setting the strategic direction for companies, completing financing and in implementing successful exploration programmes. Mr Ascough was the Managing Director of Mithril Resources Ltd from October 2006 until June 2012. Prior to joining Mithril in 2006, he was the Australian Manager of Nickel and PGM Exploration at a major Canadian resources house, Falconbridge Limited, which was acquired by Xstrata Plc in 2006. He is a member of the Australian Institute of Mining and Metallurgy and is a Professional Geoscientist of Ontario, Canada.

In the 3 years immediately prior to 30 June 2018, Graham Ascough held the following directorships of other listed companies for the following periods:

- Non-executive Chairman, Sunstone Metals Limited – since 30 November 2013
- Non-executive Chairman, Mithril Resources Limited – since 9 October 2006
- Non-executive Chairman, Musgrave Minerals Limited – since 26 May 2010

PAUL J DOWD

Non-executive Director
Appointed 27 September 2007

Paul Dowd has over 50 years' experience in the mining industry in Australia and many overseas countries. In April 2012 he retired as Managing Director of PNX, a position he assumed in September 2008. Mr Dowd's experience includes executive management roles including Vice President of Newmont Mining Corporation's Australian and New Zealand Operations and Managing Director of Newmont Australia Limited, and as a senior public servant – head of the resources and petroleum department in the Kennett Government of Victoria. In 2015, he retired as Chairman of the SA Mineral Resources & Heavy Engineering Skills Centre but remains on the Board. In 2017, Mr Dowd retired as a non-executive director of Oz Minerals Limited after 8 years of service. He is a non-executive director of Energy Resources of Australia Limited (ERA), a board member of the Sustainable Minerals Institute (University of Queensland) and Chairman of the Mineral Resources Sector Advisory Council of the CSIRO. In the 3 years immediately prior to 30 June 2018, Paul Dowd held the following directorships of other listed companies for the following periods:

- Non-executive director, Oz Minerals Limited – from 23 July 2009 to 24 May 2017
- Non-executive director, Energy Resources of Australia Limited – since 26 October 2015

PETER WATSON

Non-executive Director
Appointed 7 September 2007

Peter Watson, a founder of PNX, studied Law at Melbourne University and graduated with honours. He has practiced law for over 45 years, specialising in commercial, corporate, resources and trade practices law. He is admitted to practice in South Australia, New South Wales, Victoria and Western Australia as well as the High Court of Australia. For over 20 years, Mr Watson was a partner in the national law firm now known as Norton Rose Fulbright. During that time he established, and for 4 years managed, its Perth office. He also managed its Melbourne office for 2 years. In 1996 Mr Watson joined Andersen Legal as its first Melbourne partner and in 1999 was recruited by Normandy Mining Limited as its group legal counsel and a group executive. Following the takeover of Normandy by Newmont Mining Corporation, he returned to private legal practice and founded the boutique law firm Watsons Lawyers in Adelaide which on 1 July 2016 merged with Piper Alderman. Mr Watson is a director of BGRF Company Ltd, the trustee of the Bethlehem Griffiths Research Foundation (a medical research charitable foundation), non-executive director of Felton Grimwade & Bosisto's Pty Ltd (a manufacturer and supplier of eucalyptus products and over-the-counter therapeutic products) and a trustee of a perpetual charitable trust. In the 3 years immediately prior to 30 June 2018, Peter Watson held no directorships of other listed companies.

DAVID HILLIER

Non-executive Director
Appointed 17 September 2010

David Hillier is a Chartered Accountant and has more than 40 years' experience in commercial aspects of the resources industry. He has served as Chairman and as a director of a number of public companies in the mining and exploration field, including Lawson Gold Limited and Buka Gold Limited. Throughout 2008 he was Chief Financial Officer and an executive director of AIM listed Minerals Securities Limited, based in London. Between 1989 and 2002, Mr Hillier held a range of senior executive positions in the Normandy Mining Limited Group of companies and was Chief Financial Officer of Normandy for six of these years. In the 3 years immediately prior to 30 June 2018, David Hillier held no directorships of other listed companies.

JAMES FOX

Managing Director &
Chief Executive Officer (MD & CEO)
Appointed 26 November 2014

James Fox has been CEO of the Company since May 2012. He has over 20 years' experience in the mining industry. Prior to joining PNX, he was responsible for the development and operation of the Nickel Laterite Heap Leach project at the Murrin Murrin operations in Western Australia. Mr Fox has held various senior processing positions including Process Manager at the Nifty Copper Operation in Western Australia. He has worked in the UK, Cyprus, Uganda and Australia in gold, lead, zinc, copper, nickel and cobalt mining and processing operations. In the 3 years immediately prior to 30 June 2018, James Fox held no directorships of other listed companies.

COMPANY SECRETARY

Tim Moran

Tim Moran is a Chartered Accountant with over 20 years' experience in accounting and finance and over 10 years' experience in the mining and energy industries. Prior to commencing with PNX, Mr Moran was the Chief Financial Officer and Company Secretary of a Canadian listed oil and gas company in Calgary, Canada, and before that spent 12 years with global accounting and professional advisory firm KPMG.

INTERESTS IN SHARES AND PERFORMANCE RIGHTS OF THE COMPANY

As at the date of this report, the interests of the Directors in the Shares and Performance Rights of PNX are as follows:

Graham Ascough,
Non-Executive Chairman
Graham Ascough has an indirect interest in 3,791,581 Shares.

Paul Dowd,
Non-Executive Director
Paul Dowd has a direct interest in 500,000 Shares, and an indirect interest in 7,096,648 Shares.

Peter Watson,
Non-Executive Director
Peter Watson has a direct interest in 1,767,231 Shares and an indirect interest in 8,428,571 Shares.

David Hillier,
Non-executive Director
David Hillier has an indirect interest in 3,428,571 Shares.

James Fox,
Managing Director & CEO
James Fox holds 3,200,000 Performance Rights, and a related party of Mr Fox holds 6,577,381 Shares.

DIVIDENDS AND DISTRIBUTIONS

No dividends or distributions were paid to members during the financial year and none were recommended or declared for payment.

PRINCIPAL ACTIVITIES

The principal activity of the Company and its wholly owned subsidiary ('Group') during the financial year was progression of a Definitive Feasibility Study ('DFS') over its zinc-gold-silver Hayes Creek Project, as well as conducting near-mine and regional mineral exploration at its Moline, Burnside, and Chessman projects in the Pine Creek region of the Northern Territory ('NT').

Refer to the Overview and Exploration Report sections of this Annual Report for detail on the Hayes Creek Project and regional exploration activities conducted during the year in the NT.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

The Group reported an overall loss after tax for the year of $0.7 million (2017: $2.7 million). The pre-tax loss from continuing operations was $1.3 million compared to $1.5 million (excluding impairment charges) in the prior year. The lower loss figure was due primarily to lower non-cash equity-based compensation (down $0.1 million) and lower interest expense on a loan that was settled during the year.

The Group's other corporate costs, which include head office wages, directors' fees, professional fees, and insurance, regulatory, occupancy and communication costs have not changed significantly.

Net operating cash outflows of $0.7 million for the year reflect the loss after tax. Exploration cash outflows of $3.0 million consisted of $1.6 million on the Hayes Creek DFS, including a 75 hole drilling program for resource definition and geotechnical, hydrological and metallurgical purposes. NT regional exploration costs for the year were $1.4 million, notably drilling at Moline ($0.5 million) and Fountain Head ($0.2 million), with the latter program ongoing at year end.

In the first half of the 2018 financial year, the Company raised a total of $3.3m ($3.1m after costs) via a share placement at 1.05 cents per share to sophisticated and institutional investors ($1.9 million), a Share Purchase Plan ($0.6m), and through the receipt of $0.8m from a second forward sale of silver from the Hayes Creek Project. PNX also reached agreement with convertible note holders and a lender to settle both the notes ($0.6 million) and the loan ($1.2 million) via the issue of 24 million and 80 million shares in PNX respectively. The notes were converted in late November 2017 and the loan was converted in February 2018.

At 30 June 2018, the Group had cash holdings of $0.9 million and net working capital of $0.7 million excluding the investment in Sunstone Metals Limited. In August 2018, the Company raised $2.1 million from the first tranche of a two-part share placement to sophisticated and professional investors. A further $1.36 million is expected to be received in late September 2018, including $115,000 from Company Directors, following receipt on 12 September 2018 of shareholder approval for the issue of the second tranche of shares. All shares (total 433,125,000) have an issue price of 0.8 cents per share, and each share includes an attaching free unquoted option, exercisable at 1.5 cents and expiring on 30 September 2021. The options (total 433,125,000) are expected to be issued under a disclosure document in October 2018, following receipt of shareholder approval for the issue on 12 September 2018.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during or since the end of the year.

Significant Events Subsequent to the end of the Financial Year

Aside from the capital raising noted above, subsequent to year end PNX formally completed the acquisition of 100% of the Fountain Head mineral leases and an incremental 49% interest (total now 100%) in the Moline project tenements. The Fountain Head and Moline tenements were acquired from Newmarket Gold NT Holdings Pty Ltd ('Newmarket'), a subsidiary of dual listed (ASX and TSX) gold producer Kirkland Lake Gold Limited.

There has been no other matter or circumstance that has occurred subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS

PNX's aim is to be a sustainable, profitable gold and base metals producer and successful minerals explorer by advancing the Hayes Creek Project to development and production, and by making new mineral discoveries in the Pine Creek region of the Northern Territory to either supplement Hayes Creek or to be developed as stand-alone operations.

In 2018-19, PNX plans to complete detailed feasibility studies over the Hayes Creek Project, including finalisation of metallurgical studies and process plant design. The Company also hopes to secure marketing and sales agreements, and to prepare the Project's Environmental Impact Statement for publication.

The Company will continue near-mine and regional exploration, targeting gold and base metals mineralisation that could supplement the established mineral resources at Hayes Creek. PNX expects to complete the second stage of its farm-in agreement with Newmarket by December 2018, thereby earning an incremental 39%, and total 90%, interest in the Burnside and Chessman projects.

ENVIRONMENT REGULATION AND PERFORMANCE

The Group continues to meet all environmental obligations across its tenements. An environmental Notice of Intent was lodged with the NT's Department of Primary Industry & Resources in August 2018, as the first step toward completing an Environmental Impact Statement over the Hayes Creek Project.

OPTIONS AND PERFORMANCE RIGHTS

During the year, 3,090,000 shares were issued in satisfaction of Performance Rights that vested under the Company's Performance Rights Plan. 1,250,000 Performance Rights expired at 30 June 2018 as the vesting conditions were not met. At the date of this report, 7,070,000 Performance Rights are on issue.

During the year 20,000,000 unquoted options were issued to a subsidiary of Hartleys Limited under the terms of a service agreement. The options, of which 10,000,000 have vested, have an exercise price of 1.47 cents and expire on 30 October 2020. As at the date of this report, a total of 85,450,000 Options are on issue, including 65,450,000 held by participants in a 2016 capital raising, with a 5.0 cent exercise price and expiring on 31 May 2019.

As noted previously under *Significant Events Subsequent to the end of the Financial Year*, following receipt of shareholder approval on 12 September 2018, 433,125,000 unquoted options will be issued in October 2018 to participants in the August/September share placement, with an exercise price of 1.5 cents and expiring on 30 September 2021.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company entered into a Deed of Access, Insurance and Indemnity with Peter Watson and Paul Dowd on 12 November 2007, David Hillier on 22 September 2010, Graham Ascough on 11 December 2012, and James Fox on 26 November 2014. Under the terms of these Deeds, the Company has undertaken, subject to restrictions in the *Corporations Act 2001*, to:

- indemnify each Director in certain circumstances;
- advance money to a Director for the payment of legal costs incurred by a Director in defending legal proceedings before the outcome of those proceedings is known (subject to an obligation by the Director to repay money advanced if the costs become costs in respect of which the Director is not entitled to be indemnified under the Deed);
- maintain Directors' and Officers' insurance cover (if available) in favour of each Director whilst they remain a Director of the Company and for a run out period after ceasing to be such a director; and
- provide each Director with access to Board papers and other documents provided or available to the Director as an Officer of the Company.

Throughout and since the end of the financial year, the Company has had in place and paid premiums for insurance policies, with a limit of liability of $10 million, indemnifying Directors and Officers of the Company against certain liabilities incurred in the conduct of business or in the discharge of their duties as Directors or Officers of the Company. The contracts of insurance contain confidentiality provisions that preclude disclosure of the premium paid.

DIRECTORS' ATTENDANCE AT MEETINGS

There were 9 Board meetings held during the financial year. Graham Ascough and James Fox attended all 9, while Paul Dowd, Peter Watson, and David Hillier attended 8 of the 9 meetings.

4 Audit Committee meetings were held during the financial year. Audit Committee members David Hillier, Graham Ascough and Peter Watson attended each meeting, as did James Fox by invitation. Paul Dowd attended 3 of the 4 meetings by invitation.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 38.

NON-AUDIT SERVICES

During the year no services other than the external audit were provided by the Company's auditor Grant Thornton.

REMUNERATION REPORT – AUDITED

This Report outlines the remuneration arrangements in place for the Directors, Company Secretary and key management personnel of the Group.

Where this Report refers to the 'Grant Date' of Shares or Performance Rights, the date mentioned is the date on which those Shares or Performance Rights were agreed to be issued (whether conditionally or otherwise) or, if later, the date on which key terms of the Shares or Performance Rights (e.g. performance conditions) were determined.

DIRECTORS AND KEY MANAGEMENT PERSONNEL DETAILS

The following persons acted as Directors of the Company during and since the end of the financial year:

- Graham Ascough (Non-executive Chairman)
- Paul Dowd (Non-executive Director)
- Peter Watson (Non-executive Director)
- David Hillier (Non-executive Director)
- James Fox (Managing Director & CEO)

The following persons were key management personnel of the Company and Group during and since the end of the financial year:

- Tim Moran (Company Secretary & Chief Financial Officer)
- Andy Bennett (Exploration Manager – resigned 16 August 2018)

RELATIONSHIP BETWEEN REMUNERATION POLICY AND GROUP PERFORMANCE

There is no direct link between the Group's financial and operating performance and the setting of remuneration except as discussed below in relation to certain Performance Rights.

REMUNERATION PHILOSOPHY

The performance of the Group depends on the quality of its Directors and management and therefore the Group must attract, motivate and retain appropriately qualified industry personnel. The Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract and retain high calibre executives, directors and employees;
- link executive rewards to Group operating performance and shareholder value by the granting of Performance Rights with performance-based vesting conditions; and
- ensure total remuneration is competitive by market standards.

The Group does not currently have a policy on trading in derivatives that would limit exposure to losses resulting from share price decreases applicable to Directors and employees who receive part of their remuneration in securities of the Company. The Board is not aware of any member of the Company's Directors or key management personnel ever conducting such activity.

REMUNERATION POLICY

The Group does not have a separately established remuneration committee. The full Board acts as the Group's remuneration committee. The Board is responsible for determining and reviewing remuneration arrangements for non-executive Directors, the Managing Director & CEO, the Company Secretary and other senior management. The Board assesses the appropriateness of the nature and amount of remuneration of such persons on a periodic basis with reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. External advice on remuneration matters is sought when the Board deems it necessary.

The remuneration of non-executive Directors and senior management is not dependent on the satisfaction of performance conditions, except in relation to Performance Rights as described below.

The Company has established an Employee Performance Rights Plan ('Plan'), where the Directors can, at their discretion, grant Performance Rights to eligible participants. Upon a grant of Performance Rights, the Board may set vesting conditions, determined at the Board's discretion, which if not satisfied will result in the lapse of the Performance Rights granted to the particular employee.

Each Performance Right granted converts into one ordinary share in PNX on vesting. No amounts are paid or payable by the recipient on receipt of the Performance Right, nor at vesting. Performance Rights have no entitlement to dividends or voting rights.

NON-EXECUTIVE DIRECTOR REMUNERATION

The Board seeks to set remuneration of non-executive Directors at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Company's development.

As non-executive Chairman, Graham Ascough is entitled to receive $75,000 per annum inclusive of superannuation and non-executive directors are each entitled to receive $40,000 per annum inclusive of superannuation. Non-executive Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of Directors and otherwise in the execution of their duties as Directors. Non-executive Directors are also entitled to additional remuneration for extra services or special exertions, in accordance with the Company's Constitution. There are no schemes for retirement benefits other than government mandated superannuation.

Summary details of remuneration for non-executive Directors are given in the tables on pages 36 and 37. Remuneration is not dependent on the satisfaction of performance conditions. The maximum aggregate remuneration of non-executive Directors, other than for extra services or special exertions, is $500,000 per annum.

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER REMUNERATION

The Group aims to reward the Managing Director & Chief Executive Officer (MD & CEO) with a level and mix of remuneration commensurate with his position and responsibilities within the Group to:

- align the interests of the MD & CEO with those of shareholders;
- through Performance Rights, link reward with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

James Fox has been Chief Executive Officer of PNX since 1 May 2012 and assumed the title Managing Director & CEO on 26 November 2014 with his appointment to the Board. Mr Fox is entitled to an annual salary of $275,000, vehicle and telephone benefits to a maximum of $20,000, as well as mandated superannuation contributions, 20 days annual leave and 10 days sick leave per annum.

At 30 June 2018 and as of the date of this report, Mr Fox held no Shares in the Company. At 30 June 2018 and the date of this report, a related party of Mr Fox held 6,577,381 Shares in the Company.

During the year, 800,000 of a total of a 4,000,000 Performance Rights issued to Mr Fox in the prior financial year vested, and 800,000 shares were consequently issued to Mr Fox's nominee. Mr Fox continues to hold 3,200,000 Performance Rights which have performance conditions related to key Company objectives, including development of the Hayes Creek project, exploration discoveries and Company share price performance. Performance conditions are required to be achieved within specified time periods (extending to 31 December 2019) in order for the rights to vest.

At 30 June 2018, 1,250,000 Performance Rights issued to Mr Fox in 2016 expired as the performance conditions were not met.

James Fox's employment with the Company may be terminated on 3 months written notice or on summary notice if he:

- is charged with any criminal offence or is guilty of any other conduct which, in the reasonable opinion of the Board, is prejudicial to the interests of the Group;
- is negligent in the performance of his duties;
- is incapacitated from performing his duties as Chief Executive Officer by illness or injury for a period of 2 consecutive months;
- materially breaches any term of his contract of employment and this is not remedied within 14 days of notice of the breach to him by the Company;
- materially contravenes any share dealing code relating to shares;
- is the subject of, or causes the Company or Group to be the subject of, a material penalty or serious reprimand imposed by any regulatory authority; or
- independently acts in a manner contravening the directives and expressed wishes of the Board.

Chief Financial Officer & Company Secretary Remuneration

Tim Moran has been Chief Financial Officer and Company Secretary since January 2012. In June 2013, Mr Moran ceased as an employee of the Company and from July 2013 has provided CFO and Company Secretary services on a contract basis. During the 2018 financial year, Mr Moran's fees were $155,640 inclusive of superannuation.

In the prior financial year, Mr Moran was granted 1,200,000 Performance Rights, with similar performance conditions to those noted above for Mr Fox. During the year 300,000 of these Performance Rights vested and the related 300,000 shares were issued to Mr Moran. At 30 June 2018 and as at the date of this report, Tim Moran holds 300,000 Shares and 900,000 Performance Rights.

EXPLORATION MANAGER REMUNERATION

Andy Bennett commenced as Exploration Manger on 1 January 2015, and resigned on 16 August 2018. Mr Bennett's annual salary was $195,000 plus mandated superannuation contributions, and he was entitled to 20 days annual leave and 10 days sick leave each year.

In the prior financial year, Mr Bennett was granted 3,000,000 Performance Rights under the Plan, with similar performance conditions to those noted previously for Mr Fox. During the year 750,000 of these Performance Rights vested and the related 750,000 shares were issued to Mr Bennett. At 30 June 2018 and at the date of this report, Mr Bennett held 988,095 Shares and 2,250,000 Performance Rights.

REMUNERATION REPORT – AUDITED

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Directors', Company Secretary and Key Management Personnel remuneration (all amounts are paid or payable) for the year ended 30 June 2018:

	SHORT TERM EMPLOYMENT BENEFITS	POST-EMPLOYMENT	EQUITY		
	SALARY & FEES	SUPERANNUATION	SHARES AND PERFORMANCE RIGHTS	TOTAL	% OF TOTAL REMUNERATION CONSISTING OF EQUITY
Directors					
Graham Ascough	$75,000	-	-	$75,000	0%
Paul Dowd	$36,530	$3,470	-	$40,000	0%
Peter Watson	$36,530	$3,470	-	$40,000	0%
David Hillier	$40,000	-	-	$40,000	0%
James Fox	$275,000	$26,125	$11,554[1]	$312,679	3.7%
Chief Financial Officer & Company Secretary					
Tim Moran	$142,137	$13,503	$2,641[1]	$158,281	1.7%
Other Key Management Personnel					
Andy Bennett	$195,000	$18,525	$7,529[1]	$221,054	3.4%
TOTALS	$800,197	$65,093	$21,724	$887,014	

1 *Value of Performance Rights that have not yet vested that is attributable to the 2018 financial year.*

Directors', Company Secretary and Key Management Personnel remuneration (all amounts are paid or payable) for the year ended 30 June 2017:

	SHORT TERM EMPLOYMENT BENEFITS	POST-EMPLOYMENT	EQUITY		
	SALARY & FEES	SUPERANNUATION	SHARES AND PERFORMANCE RIGHTS	TOTAL	% OF TOTAL REMUNERATION CONSISTING OF EQUITY
Directors					
Graham Ascough	$75,000	-	-	$75,000	0%
Paul Dowd[1]	$18,265	$19,235	-	$37,500	0%
Peter Watson[1]	$34,247	$3,253	-	$37,500	0%
David Hillier	$40,000	-	-	$40,000	0%
James Fox	$262,500	$24,938	$46,447[2,3]	$333,885	14%
Chief Financial Officer & Company Secretary					
Tim Moran	$148,151	$14,074	$9,370[3]	$171,595	5%
Other Key Management Personnel					
Andy Bennett	$195,000	$18,525	$23,773[3]	$237,298	10%
TOTALS	$773,163	$80,025	$79,590	$932,778	

1 *Mr Dowd and Mr Watson waived 25% of their fees for one quarter of the financial year (total $2,500 waived each).*

2 *Includes $21,000 representing the value of 1,000,000 shares issued in November 2016, and $25,447 being the value of Performance Rights issued to Mr Fox attributable to the 2017 financial year (vested and unvested).*

3 *Total value of Performance Rights that had vested at 30 June 2017: James Fox $18,571; Tim Moran $7,347; Andy Bennett $18,367.*

Other than the amounts disclosed in the column for equity, all other remuneration amounts are fixed.

EQUITY HOLDINGS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

i) Fully paid ordinary shares issued by PNX Metals Limited:

	BALANCE 01/07/17	NET CHANGES[3]	BALANCE 30/06/18
Directors			
Graham Ascough	2,363,010	1,428,571	3,791,581
Paul Dowd	6,168,077	1,428,571	7,596,648
Peter Watson[1]	8,767,231	1,428,571	10,195,802
David Hillier	2,000,000	1,428,571	3,428,571
James Fox[2]	-	-	-
Key Management Personnel			
Tim Moran	-	300,000	300,000
Andy Bennett	-	988,095	988,095

1 *Additional shares held by related parties: 1,354,165 (2017: 1,354,165)*
2 *Shares held by related party at 30 June 2018: 6,577,381 (2017: 4,825,000)*
3 *Movement in Director holdings from participation in an SPP during the year*

ii) Performance Rights issued by PNX Metals Limited and outstanding:

2015	BALANCE 01/07/17	GRANTED	VESTED	LAPSED	BALANCE 30/06/18	
					VESTED	UNVESTED
James Fox	5,250,000	-	800,000	1,250,000	-	3,200,000
Tim Moran	1,200,000	-	300,000	-	-	900,000
Andy Bennett	3,000,000	-	750,000	-	-	2,250,000

OTHER RELATED PARTY TRANSACTIONS

During the financial year the Group engaged Piper Alderman, an entity in which a Director (Peter Watson) is a senior consultant, to advise on legal matters. The cost of these services during the financial year inclusive of GST was $40,524 (2017:$24,518).

END OF REMUNERATION REPORT

Signed on 20th September 2018 in accordance with a resolution of the Board made pursuant to section 298(2) of the *Corporations Act 2001*.

Graham Ascough

CHAIRMAN

Grant Thornton Audit Pty Ltd
Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA
5000

T +61 8 8372 6666
F +61 8 8372 6677

Auditor's Independence Declaration

To the Directors of PNX Metals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of PNX Metals Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 20 September 2018

The Board has adopted a Corporate Governance Charter (Charter), which includes a code of conduct, an audit committee charter, a shareholder communication policy, a continuous disclosure policy and a securities dealing policy. The Charter is available on the Company's website. The Company's corporate governance principles and policies and this corporate governance statement are structured with reference to the ASX Corporate Governance Principles and Recommendations, 3rd Edition (**Principles and Recommendations**). This Corporate Governance statement is current as of 21 September 2018 and has been approved by the Board.

FUNCTIONS AND OPERATION OF THE BOARD

The Board is responsible for the corporate governance of the Company. The Board's primary responsibility is to shareholders but it also has regard for the interests of other stakeholders and the broader community.

The Board is comprised of an independent Chairman, independent non-executive directors, and the Managing Director and Chief Executive Officer (MD & CEO). The most important responsibilities of the Board include:

- Providing oversight and strategic direction to the Company, including reviewing and approving business and project plans and monitoring the achievement of the Company's strategic goals and objectives;
- Identifying and managing material business and legal risks, including sources of capital, regulatory, safety, and environmental. This process includes ensuring an effective Risk Management system is in place to monitor material risks and opportunities and reviewing the effectiveness of the Company's internal controls to manage risks;
- Appointing, removing and monitoring the performance of the Chairman, MD & CEO, senior executives, consultants and the Company Secretary;
- Approving the remuneration of Directors within the limits approved by shareholders, and the remuneration of senior executives and consultants;
- Evaluating the Board's performance and recommending the appointment and removal of Directors;
- Reporting to and communicating with shareholders;
- Reviewing, approving and monitoring the progress of budgets, financial plans, acquisitions, divestments and major capital expenditure;
- Monitoring the financial performance of the Company and approving all external financial reporting including the annual and half-year reports; and
- Improving and protecting the reputation of the Company.

The Board has delegated the day-to-day management of the Company to its senior executives, and in particular the MD & CEO. Only the tasks of Director remuneration, MD & CEO appointment, removal and remuneration, Director appointment and removal, and Board performance evaluation are expressly reserved to the Board. The appointment of the Company Secretary is also finalised by the Board, and the Company Secretary is accountable directly to the Board on matters to do with the proper functioning of the Board.

Appointment

The Directors may appoint any person as a Director to fill a casual vacancy or as an addition to the existing Directors. Unless the Director is an Executive Director and the ASX Listing Rules do not require that Director to be subject to retirement, a Director so appointed will hold office until the end of the next annual general meeting of the Company, at which time the Director may be re-elected but he or she will not be taken into account in determining the number of Directors who must retire by rotation at the meeting. A detailed description of the background, qualifications and experience of a Director nominated for appointment or re-election, as well as his or her financial interest in the Company, is provided to the Company's security holders via the Notice of Meeting prior to the relevant annual general meeting at which the appointment or re-election will be voted on.

The Board does not have a separate Nominations Committee as the Board considers it is not necessary or practical for the Company given its current small size and low level of complexity. The full Board is responsible for the duties and responsibilities typically delegated to a nomination committee. The Board undertakes background checks and evaluates the qualifications, skills and experience of any Directors before making an appointment. The Company has an informal induction process for new Directors that includes meetings with other Directors and senior executives, as well as providing a new Director with relevant governance (including the Code of Conduct), financial and project related information.

Each Director has entered into a services agreement with the Company that sets out the terms of his or her appointment including fees and responsibilities and matters of independence. Each Director has also entered into a Deed of Access, Insurance and Indemnity with the Company. Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense where prior written or email approval has been obtained from the Chairman. Such approval will not be unreasonably withheld.

Retirement and removal

A person, other than a Director retiring by rotation or because he or she is a Director appointed by the other Directors and is seeking re-election, is not eligible for election as a Director at a general meeting unless:

- the person is proposed as a candidate by at least 50 Members or Members holding between them at least 5% of the votes that may be cast at a general meeting of the Company; and
- the proposing Members leave a notice at the Company's registered office not less than 35 business days before the relevant general meeting which nominates the candidate for the office of Director and includes the signed consent of the candidate.

The retirement by rotation of Directors is governed by the Company's Constitution, the *Corporations Act 2001* and the ASX Listing Rules. Clause 2.5 of the Company's Constitution specifies that one-third of the Directors (excluding any executive Directors) must retire from office at the end of each annual general meeting. A retiring Director remains in office until the end of the meeting and will be eligible for re-election at the meeting. The Directors to retire by rotation at an annual general meeting are those Directors who have been longest in office since their last election.

According to the Company's Constitution, the Company may, subject to the Corporations Act, pass a resolution in a general meeting to:

- remove any Director before the end of the Director's term of office; and
- if the outgoing Director is a non-executive Director, elect another person to replace the Director.

STRUCTURE OF THE BOARD: SKILLS, QUALIFICATION, EXPERIENCE & DIVERSITY

The names, term of office, skills, experience and expertise of the Directors in office are set out at the beginning of the Directors' Report. As part of the Director appointment process, the Board considers the necessary balance of skills and knowledge of the Board as a whole to ensure the Board is able to discharge its duties effectively.

The Board looks to maintain an appropriate balance of geological, minerals processing, capital project management, financial, legal and funding skills and experience that is relevant for a minerals exploration company with aspirations to becoming a successful mining company.

The Board does not keep a formal 'skills matrix' of current Directors; however, the Board considers that collectively the Directors have the appropriate range of skills and experience to guide and direct the Company toward achieving its business objectives.

The Board recognises the benefits of diversity in terms of both the composition of the Board and senior executives of the Company. The Board, however, does not have specific objectives in relation to the gender, age, cultural background or ethnicity of its Board or senior executives. Board members and senior executives are appointed or employed based on their skills and experience and candidates are not discriminated against based on age, gender or background.

The Board currently has no female representation. Of the Company's four permanent employees and one contractor, four are male and one is female.

PERFORMANCE EVALUATION AND REMUNERATION

The performance of the Board, Audit Committee and individual Directors is periodically reviewed by self-assessing whether or not the Company is achieving its strategic objectives, and by assessing the Company's exploration success, project development, financial performance and movement in its market capitalisation. The last formal board performance evaluation was completed in January 2017. No major deficiencies in Board or individual director performance were noted, although some improvement areas were identified and actioned. The next board performance review is scheduled to occur in 2018/19.

A performance appraisal process exists regarding the Company's senior executives, whereby the performance of executives is formally reviewed against previously set goals relating to both Company and individual performance. The performance of the MD & CEO is monitored by the Board, and his performance is informally reviewed each year.

The performance of the Company's Chief Financial Officer/Company Secretary and Exploration Manager is monitored by the MD & CEO and informally reviewed from time to time.

The Board considers that a separate remuneration committee is not necessary for the Company given its current size and complexity. The full Board acts as the Company's remuneration committee. All senior executives of the Company have entered into written agreements with the Company outlining their responsibilities, remuneration arrangements, and other terms of their employment.

Remuneration arrangements for non-executive Directors are structured separately from those of the MD & CEO and senior executives. Non-executive directors are entitled to fixed fees for services, whereas the MD & CEO and senior executives can earn equity-based remuneration (performance rights) at the Board's discretion, in addition to fixed salary arrangements. Details of the Company's remuneration policies and levels are provided in the Remuneration Report in the Directors' Report.

The Company's Constitution states that, subject to the *Corporations Act 2001*, the Company may provide a retirement benefit to persons retiring from the Board or from employment with the Company.

COMMUNICATION

Communication with the Company's shareholders occurs through ASX announcements, updates to the Company's website, in person at the Annual General Meeting and other general meetings (when held), through its share registry, and through other means as appropriate including the channels of investor relations consultants. The Company, via its share registrar, provides an option to shareholders to receive Company communications by electronic means.

The Board is mindful of its obligations under the Continuous Disclosure rules set by the ASX, and also of its disclosure requirements under the *Corporations Act 2001*. The Board has delegated the day-to-day management of public disclosure to its MD & CEO and Company Secretary. All price sensitive information is disclosed to the ASX before being disclosed to any other party outside the Company.

AUDIT COMMITTEE

The Audit Committee consists of three Non-executive directors David Hiller, Peter Watson and Graham Ascough and is chaired by David Hillier. All three members are considered to be independent. Peter Watson is a senior consultant at the Company's legal advisor Piper Alderman; however, as Mr Watson is not actively engaged in the day-to-day management of the Company's key business activities, he is considered by the Board to be independent. The qualifications of the Audit Committee members are set out at the beginning of the Directors' Report.

All members of the Board are encouraged to attend Audit Committee Meetings.

The Audit Committee's responsibilities are set out in the Company's Corporate Governance Charter and include:

- establishing a framework for identifying and managing the Company's key business risks;
- reviewing, at least twice annually including once with the Company external auditors, the Company's risk management systems, controls and procedures, ensuring these controls are regularly tested for effectiveness, and that recommended improvements are implemented;
- recommending the appointment, liaising with, and reviewing the performance of the external auditors;
- evaluating the independence of the external auditor, including considering the auditor's policy on rotating the external audit engagement partner;
- reviewing the Company's annual reports and half year reports and ensuring that the financial reports comply with accounting standards and the law;
- evaluating the adequacy and effectiveness of the Company's accounting policies through ongoing communication with management and the Company's external auditors; and
- investigating any matters raised by the external auditors.

The Audit Committee discharges its responsibilities by making recommendations to the Board. The Audit Committee does not have any executive powers to commit the Board or management to implement its recommendations.

The Company's auditor Grant Thornton was appointed at the 2014 Annual General Meeting in accordance with section 327B of the *Corporations Act 2001*. Any subsequent appointment or rotation of external auditors will occur in accordance with the *Corporations Act 2001*. The auditor is available at each annual general meeting of the Company to answer questions related to the audit from shareholders. Grant Thornton has a policy, in accordance with the Corporations Act, of rotating the partner responsible for the PNX Metals Limited audit engagement every five years.

RISK MANAGEMENT

Whilst the Board is ultimately responsible for identifying and managing areas of significant business risk, it has delegated the management of this function to the Audit Committee as noted above. The Audit Committee is responsible for maintaining effective Risk Management systems, identifying and managing key Company risks, establishing and maintaining effective controls, ensuring compliance with risk management policies and reporting of any non-compliance occurrences. The Company has created a Corporate Risk Register, which lists and rates these risks in terms of likelihood and consequence, and documents the controls in place to manage these risks.

The key areas of risk that have been identified are as follows:

- Financial
- Statutory/regulatory
- Legal
- Personnel and safety
- Asset management and protection
- Tenement management
- Information Technology and Security
- Community
- Environmental

The Company has no material exposure at present to economic, social, or sustainability risks. The Company is exposed to environmental and permitting risks as a mineral exploration company with its key project at Hayes Creek progressing toward development. Environmental matters are identified and addressed by management and communicated to the Board as part of normal business activities. External environmental consultants have been and continue to be used for feasibility studies in relation to the Company's Hayes Creek Project.

All risks facing the Company are managed on an ongoing basis and are reviewed at least annually by the Board and Audit Committee.

Management ensures that the Risk Register is kept up-to-date so as to reflect changes in the Company's business activities and risks, the law and current best practice within the mining industry. A thorough review of the Corporate Risk Register is undertaken by management and the Audit Committee each year to identify any further risks, evaluate existing controls and, if necessary, develop and implement further strategies and action plans for minimising and controlling the risks.

The Audit Committee, in conjunction with management, has developed specific cost-effective strategies, controls and action plans for minimising and treating the risks. The current control measures and improvement actions for minimising and managing each risk are noted in detail on the Company's Corporate Risk Register and followed by employees and contractors.

The Board requires management to report to it at least annually in a comprehensive manner, and by exception at each Board meeting, on compliance with the Company's risk management policies and whether the Company's material business risks are being managed effectively. While the Company does not have an internal audit function, the comprehensive risk review process is seen by the Board as an effective and appropriate substitute for the internal audit function.

The Board has received assurance from the MD & CEO and Chief Financial Officer that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

ONGOING MONITORING AND IMPROVEMENT

The Corporate Governance policies of the Company are reviewed on an ongoing basis by the Directors to ensure they meet the standards set by the Board, as well as those required by ASX, ASIC and other stakeholders.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

	NOTE	YEAR ENDED 30/06/18 $	YEAR ENDED 30/06/17 $
Interest income	4(a)	34,160	50,605
Other income		24,920	-
Employee benefits		(247,490)	(306,551)
Professional fees		(369,824)	(413,512)
Directors' fees		(195,000)	(190,000)
Exploration – tenement maintenance	11	(87,158)	(86,964)
Occupancy	4(c)	(66,284)	(66,294)
Insurance		(28,226)	(31,522)
Share registry and regulatory		(88,019)	(102,775)
Communication		(11,275)	(11,607)
Audit fees	23	(38,436)	(30,882)
Equity-based remuneration	21	(24,134)	(111,687)
Other expenses		(91,421)	(98,173)
Depreciation	4(b)	(5,263)	(7,605)
Impairment – exploration and evaluation assets	4(d), 11	-	(1,500,000)
Impairment – financial assets	10	-	(64,460)
Interest charges	14	(59,845)	(100,000)
Loss before income tax – continuing operations		(1,253,295)	(3,071,427)
Income tax benefit	5	252,620	404,958
Loss for the year – continuing operations		(1,000,675)	(2,666,469)
Loss from discontinued operations, net of tax	6	-	(38,535)
Total loss for the year		(1,000,675)	(2,705,004)
Other comprehensive loss:			
Increase in fair value of investment (tax: nil)	10, 19	296,516	-
Total comprehensive loss for the year, attributable to equity holders of the parent		(704,159)	(2,705,004)
Loss per share – continuing operations			
Basic and diluted (cents per share)	28	(0.1)	(0.4)
Loss per share – total			
Basic and diluted (cents per share)	28	(0.1)	(0.4)

The above *Consolidated Statement of Profit or Loss and Other Comprehensive Income* should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	NOTE	30/06/18 $	30/06/17 $
CURRENT ASSETS			
Cash and cash equivalents	7	860,076	1,430,630
Trade and other receivables	8	143,071	293,179
Prepayments and deposits	9	153,739	133,832
Other financial assets	10	489,896	193,380
Total current assets		1,646,782	2,051,021
NON-CURRENT ASSETS			
Other receivable	6	-	50,000
Exploration and evaluation expenditure	11	9,706,714	6,899,372
Plant and equipment	12	22,161	38,015
Total non-current assets		9,728,875	6,987,387
Total assets		11,375,657	9,038,408
CURRENT LIABILITIES			
Trade and other payables	13	358,075	541,669
Provisions	15	101,670	95,095
Total current liabilities		459,745	636,764
NON-CURRENT LIABILITIES			
Provisions	15	67,340	50,950
Loan	14	-	1,200,000
Deferred Revenue	16	2,400,000	1,600,000
Total non-current liabilities		2,467,340	2,850,950
Total liabilities		2,927,085	3,487,714
Net assets		8,448,572	5,550,694
EQUITY			
Issued capital	17	36,917,796	32,665,302
Other contributed equity	18	-	600,000
Reserves	19	336,746	90,687
Accumulated losses	20	(28,805,970)	(27,805,295)
Total equity		8,448,572	5,550,694

The above *Consolidated Statement of Financial Position* should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	ISSUED CAPITAL $	OTHER EQUITY $	RESERVES $	ACCUMULATED LOSSES $	TOTAL $
Balance at 30 June 2016	28,377,292	600,000	-	(25,100,291)	3,877,001
Total comprehensive loss for the year	-	-	-	(2,705,004)	(2,705,004)
Shares issued	4,586,250	-	-	-	4,586,250
Share issue costs	(268,240)	-	-	-	(268,240)
Interest on convertible notes – reduction to equity	(30,000)	-	-	-	(30,000)
Fair value of equity settled payments	-	-	90,687	-	90,687
Balance at 30 June 2017	32,665,302	600,000	90,687	(27,805,295)	5,550,694
Total loss for the year	-	-	-	(1,000,675)	(1,000,675)
Other comprehensive income	-	-	296,516	-	296,516
Total comprehensive loss for the year	-	-	296,516	(1,000,675)	(704,159)
Shares issued	2,619,213	-	(74,591)	-	2,544,622
Share issue costs	(155,007)	-	-	-	(155,007)
Shares issued – settlement of convertible notes and loan principal	1,800,000	(600,000)	-	-	1,200,000
Interest on convertible notes – reduction to equity	(11,712)	-		-	(11,712)
Fair value of equity settled payments	-	-	24,134	-	24,134
Balance at 30 June 2018	36,917,796	-	336,746	(28,805,970)	8,448,572

The above *Consolidated Statement of Changes in Equity* should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	INFLOWS/(OUTFLOWS) YEAR ENDED 30/06/18 $	INFLOWS/(OUTFLOWS) YEAR ENDED 30/06/17 $
CASH FLOWS RELATING TO OPERATING ACTIVITIES		
Receipt of Research and Development tax refunds (Note 5)	402,620	400,863
Payments to suppliers and employees	(1,133,950)	(1,267,271)
Net operating cash flows	(731,330)	(866,408)
CASH FLOWS RELATING TO INVESTING ACTIVITIES		
Interest received	32,736	51,897
Loan repaid/(advanced) (Note 6)	50,000	(50,000)
Payments for exploration activities	(3,027,395)	(3,435,597)
Payments for plant and equipment	(2,773)	(20,654)
Net investing cash flows	(2,947,432)	(3,454,354)
CASH FLOWS RELATING TO FINANCING ACTIVITIES		
Proceeds from metal streaming transactions (Note 16)	800,000	-
Proceeds from share issues (Note 17)	2,463,215	4,354,000
Payments for capital raising costs	(155,007)	(246,240)
Net financing cash flows	3,108,208	4,107,760
Net increase/(decrease) in cash	(570,554)	(213,002)
Cash at beginning of financial year	1,430,630	1,643,632
Cash at end of financial year	860,076	1,430,630
Loss for the year	(1,000,675)	(2,705,004)
Interest income	(34,160)	(50,605)
Non-cash miscellaneous income	(24,398)	-
Equity-based remuneration	24,134	111,687
Interest expense – equity settled	52,845	90,000
Depreciation and amortisation	5,263	7,605
Equity-settled marketing services	-	50,250
Exploration not capitalised – investing	87,158	-
Impairment charges – exploration and evaluation assets	-	1,500,000
Impairment charges – investment (other financial asset)	-	64,460
(Increase)/decrease in receivables - operating	142,133	(10,585)
(Increase)/decrease in other current assets - operating	(1,266)	3,530
Increase/(decrease) in payables - operating	(5,329)	20,444
Increase/(decrease) in employee provisions	22,965	51,810
Net operating cash flows	(731,330)	(866,408)

The above *Consolidated Statement of Cash Flows* should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

1. GENERAL INFORMATION AND BASIS OF PREPARATION

PNX Metals Limited ("Company") is a for-profit Australian publicly listed company, incorporated and operating in Australia. Its registered office and principal place of business is
Level 1, 135 Fullarton Road,
Rose Park, South Australia 5067.

The consolidated financial statements of PNX Metals Limited comprises the Company and its controlled entity ("Group") and is a general purpose financial report prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

The consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on the basis of historical cost, which is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The financial statements were authorised for issue by the Directors on 21st September 2018.

2. NEW AND REVISED ACCOUNTING STANDARDS

None of the standards and amendments to standards that are mandatory for the first time for the financial year ending 30 June 2018 had any material effect on any amounts recognised or disclosed in the current or prior period and are not likely to affect future periods.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on several issued but not yet effective standards that may be relevant to the Group's financial statements in future periods is provided below.

Year ending 30 June 2019: AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

This Standard amends AASB 2 *Share-based Payment* to address:

a. The accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

b. The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and

c. The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

When this standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

Year ending 30 June 2019: AASB 9: *Financial Instruments*

This standard introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

» Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.

» Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

» Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

» Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

» Where the fair value option is used for financial liabilities the change in fair value is to be accounted by presenting changes in credit risk in other comprehensive income (OCI) and the remaining change in the statement of profit or loss.

When this standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

Year ending 30 June 2020: AASB 16 *Leases*

This standard replaces AASB 117 *Leases* and some lease-related Interpretations. The new standard:

» requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases

» provides new guidance on the application of the definition of lease and on sale and lease back accounting

» largely retains the existing lessor accounting requirements in AASB 117

» requires new and different disclosures about leases

When this standard is first adopted for the year ending 30 June 2020, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements or on the notes to the financial statements. The Group has only a few operating leases currently in place.

3. SIGNIFICANT ACCOUNTING POLICIES

In the application of the Group's accounting policies, which are described below, management is required to make judgements, estimates and assumptions. Key areas of judgement and estimation uncertainty are discussed in Note 3(u).

The following significant accounting policies have been adopted in the preparation of the financial report:

a) Going concern basis

The financial report has been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2018, the Group made a total comprehensive loss of $704,159 (2017: total comprehensive loss of $2,705,004) and recorded a net cash outflow from operating and investing activities of $3,678,762 (2017: $4,320,762). At 30 June 2018, the Group had cash of $860,076 (2017: $1,430,630), net current assets excluding the investment in Sunstone Metals Ltd of $697,141 (2017: $1,200,877) and net assets of $8,448,572 (2017: $5,550,694).

The Directors believe that it is appropriate to prepare the financial statements on the going concern basis, as the Group plans to raise sufficient capital in the future to allow planned feasibility studies, mineral exploration and administrative activities to continue over at least the next 12 months. Subsequent to year-end, the Company raised $3.4 million after costs via the placement of 433 million shares at 0.8 cents per share to sophisticated and professional investors, and Company directors. The placement was conducted in two parts, with $2.1 million received in August 2018, and a further $1.4 million will be received by the end of September 2018, following receipt of shareholder approval on 12 September 2018.

Notwithstanding the raising of these funds, additional capital will be required in 2019 to complete detailed feasibility studies on the Hayes Creek Project and allow mineral exploration and administrative activities to continue at planned levels.

If sufficient additional capital is not raised, the going concern basis of accounting may not be appropriate, and the Group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The results of subsidiaries acquired or disposed of are included in the Statement of Profit or Loss and Other Comprehensive Income from the effective date of acquisition and up to the effective date of disposal.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses, and cash flows are eliminated in full on consolidation.

c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, payables to the vendors, and any equity instruments issued by the Group in exchange for control of the acquired entity. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income taxes* and AASB 119 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquired entity, or share-based payment arrangements of the Group that are entered into to replace
- share-based payment arrangements of the acquired entity, are measured in accordance with AASB 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposals groups) classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the subsequent measurement period, or, if applicable, additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

d) Discontinued operations & assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset or disposal group to fair value less costs to sell. Non-current assets that are part of a disposal group are not depreciated or amortised while they are classified as held for sale.

Assets of the disposal group held for sale are presented separately from other assets in the *Statement of Financial Position*.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operation. The results of discontinued operations are presented separately in the *Statement of Profit or Loss and Other Comprehensive Income*.

e) Revenue

Revenue is measured at the fair value of consideration received or receivable.

Deferred revenue

Cash received from the forward sale of metal from future mining projects is accounted for as a long-term liability until such time as the metal is delivered. Deferred revenue amounts are recognised as revenue from the sale of goods in the period that the related metal is delivered.

Interest

Interest income is accrued on a time basis, with reference to the principal balance and at the effective interest rate applicable, which is that rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

f) Government grants

Government grants that are received or receivable as direct compensation for mineral exploration expenditure already incurred are recognised as a reduction in the accumulated cost of the relevant exploration and evaluation asset.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash held at financial institutions and bank deposits with a maturity of less than 3 months.

h) Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held to maturity investments', 'loans and receivables', and 'available for sale financial assets'. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Other financial assets – available for sale

Other financial assets are those that are not held for trading and have no fixed maturity date. These assets are initially measured at fair value and any subsequent changes in fair value prior to disposal are recognised in other comprehensive income. Upon disposal, the cumulative balance in the reserve in equity is reclassified to the income statement.

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Trade and other receivables'. Trade and other receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition of the financial asset.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, the estimated future cash flows have been impacted.

For available for sale (AFS) financial assets carried at fair value, the amount of any impairment is recorded in profit and loss, including any cumulative loss carried in other comprehensive income with the latter recorded as a reclassification adjustment. Any further decline in the fair value of the AFS asset is recorded as an impairment loss. Subsequent increases in the carrying value of the AFS asset are not reversed back through profit and loss, but rather are recorded in other comprehensive income.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is determined to be uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was first recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

i) Exploration and evaluation expenditure

Exploration and evaluation expenditure in relation to each separate area of interest are recognised as an asset in the year in which they are incurred or acquired and where the following conditions are satisfied:

¬ the rights to tenure of the area of interest are current; and

¬ at least one of the following conditions is also met:

  › the exploration and evaluation expenditure is expected to be recouped through successful development of the mineral exploration project, or alternatively, by its sale;

  or

  › exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include the acquisition cost of rights to explore, studies, exploration drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation assets where they relate directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances (as defined in AASB 6 *Exploration for and Evaluation of Mineral Resources*) suggest that the asset's carrying amount may exceed its recoverable amount. The recoverable amount of exploration and evaluation assets (or the cash-generating unit to which they have been allocated, being no larger than the relevant area of interest), is determined in accordance with AASB 136 *Impairment of Assets*, being the higher of fair value less costs to sell and value in use. If the recoverable amount as determined is less than the carrying amount, an impairment loss is recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment, reclassified to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

j) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Estimated useful lives of 3-5 years are used in the calculation of depreciation for plant and equipment.

k) Impairment of assets (other than financial assets, exploration and evaluation assets)

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset which have not already been incorporated into the future cash flows estimates.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in profit or loss.

l) Trade and other payables

Liabilities for goods and services provided to the Group are recognised initially at their fair value and subsequently at amortised cost using the effective interest method. Trade and other payables are unsecured.

m) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Contracts settled via the delivery of a fixed number of equity instruments in the Company in exchange for cash or other assets are accounted for as equity instruments. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

n) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and amounts are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. The present value is calculated using a discount rate that references market yields on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash flows.

Contributions to accumulated benefit superannuation plans are expensed when incurred.

o) Site restoration and environmental rehabilitation

Provision for the costs of environmental restoration and rehabilitation are recognised when the Group has a present obligation (legal or constructive) to perform restoration activities, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Restoration and rehabilitation provisions are measured as the present value of estimated future cash flows to perform the rehabilitation activities, discounted at pre-tax rate that reflects market assessments of the time value of money and risks specific to the rehabilitation obligation.

p) Share-based payments

Equity-settled share-based payments made to employees and directors are measured at fair value at the grant date, which is the date on which the equity instruments were agreed to be issued (whether conditionally or otherwise) or, if later, the date on which key terms (e.g. subscription or exercise price) were determined. Fair value is determined using the Black-Scholes model or another binomial model, depending on the type of equity instrument issued.

The fair value of the equity instruments at grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest, with a corresponding increase to the equity settled benefits reserve in shareholders' equity.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case the transactions are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service.

q) Leases

Operating lease payments made by the Group are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

r) Income tax

Income tax expense represents the sum of tax currently payable and deferred tax. Refundable tax offsets received or receivable under the Australian government's Research & Development Tax Incentive program are classified as an income tax benefit (current or deferred) in the Statement of Profit or Loss.

Current tax

Current tax is calculated with reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the financial year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities for accounting purposes and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period(s) when the assets or liabilities giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of the related assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax recognition

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited directly to equity (in which case the deferred tax is also recognised directly in equity), or where it arises from the initial accounting for a business combination.

Tax consolidation

The Company and its wholly-owned Australian resident entity are part of a tax-consolidated group under Australian taxation law. The members of the tax consolidated group are disclosed in Note 29. PNX Metals Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as the head entity in the tax-consolidated group).

Under a tax funding arrangement between the entities in the tax-consolidated group, amounts transferred from entities within the tax consolidated group and recognised by the Company ('tax contribution amounts') are recorded in intercompany accounts in accordance with the arrangement.

Where the tax contribution amount recognised by a member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) the group member.

s) Goods and service tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except:

i) where the amount of GST incurred is not recoverable from the taxation authority, in which case it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

t) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the Company (excluding any costs of servicing equity other than ordinary shares) by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

¬ the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

¬ the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

u) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets, liabilities and equity. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the current period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment

Determining whether assets are impaired requires an estimation of the value in use or fair value of the assets or cash-generating units to which assets are allocated. The fair value of exploration assets is inherently difficult to estimate, particularly in the absence of comparable transactions and where a purchase offer has not been made, and relies on management judgement.

During the prior year an impairment loss of $1,500,000 was recognised in relation to certain Exploration and Evaluation Assets – refer to Note 11 for detail.

Equity-based payments

The determination of the fair value at grant date of options and performance rights utilises a financial asset pricing model with a number of assumptions, the most critical of which is an estimate of the Company's future share price volatility. Refer to Note 21 for detail on assumptions regarding equity-based payments made during the year.

4. LOSS FROM CONTINUING OPERATIONS

		YEAR ENDED 30/06/18 $	YEAR ENDED 30/06/17 $
a)	**Interest income**		
	Interest on bank deposits	32,125	49,105
	Interest on loan receivable	2,035	1,500
		34,160	50,605
b)	**Depreciation**		
	Depreciation of plant and equipment	5,263	7,605
c)	**Occupancy**		
	Operating lease rental expenses	66,284	66,294
d)	**Impairment**		
	Exploration and evaluation assets	-	1,500,000

5. INCOME TAX

		YEAR ENDED 30/06/18 $	YEAR ENDED 30/06/17 $
a)	**Income tax recognised in profit or loss**		
	Current tax expense/(benefit)	(100,000)	(250,000)
	Deferred tax expense/(benefit)	(152,620)	(154,958)
	Total tax expense/(benefit)	(252,620)	(404,958)
	The prima facie income tax benefit on the loss before income tax reconciles to the tax expense/(benefit) in the financial statements as follows:		
	Total loss for the year before tax	1,253,295	3,109,962
	Income tax benefit calculated at 27.5% (2017: 27.5%)	(344,656)	(855,240)
	Equity-based remuneration – performance rights	6,637	24,938
	Current year tax losses and movements in temporary differences not recognised	338,019	830,302
	Recognition of estimated research and development tax refund related to the current tax year	(100,000)	(250,000)
	Recognition of actual research and development tax refund related to the previous tax year	(152,620)	(154,958)
	Tax expense (benefit)	(252,620)	(404,958)
	The tax rate used in the above reconciliation is the corporate tax rate of 27.5% payable by Australian small business entities (those with less than $10 million of revenue).		
b)	**Recognised tax assets and liabilities**		
	Deferred tax assets and (liabilities) are attributable to the following:		
	Exploration and evaluation expenditure	(2,861,314)	(2,033,098)
	Plant and equipment	(6,648)	(11,404)
	Trade and other payables	7,200	35,998
	Employee benefits	50,703	43,814
	Share issue costs	89,600	75,344
	Net deferred tax liabilities	(2,720,459)	(1,889,346)
	Tax losses recognised	2,720,459	1,889,346
Net deferred tax assets / (liabilities)		-	-

A net deferred tax liability will only arise if the Company generates taxable income in the future (for example via a profitable mining operation). Deferred tax balances shown above have been calculated utilising a 30% tax rate, the corporate tax rate applicable for entities that are not small business entities, as that is the rate expected to apply if and when the net deferred tax liability is settled in the future via utilisation of carried forward tax losses. The potential benefit of unrecognised tax losses (shown below) has similarly been calculated utilising a 30% tax rate.

c) Unrecognised tax losses:

A deferred tax asset has not been recognised in respect of the following:

	30/06/18 $	30/06/17 $
Tax losses – operating (tax effected)	8,143,312	8,004,469
Tax losses – capital (tax effected)	160,307	115,307

Of the total operating tax losses of approximately $36 million in the Group at 30 June 2018, $27 million are unrecognised as shown above as an $8.1 million potential tax benefit. A deferred tax asset has not been recognised in respect of these losses because it is not considered probable at this time that future taxable profit will be available against which to utilise the losses.

6. DISPOSAL OF SUBSIDIARY

In the prior year, the Company completed the sale of its wholly owned subsidiary Leigh Creek Copper Mine Pty Ltd ('LCCM') to Resilience Mining Australia Limited ('RMA'), effective 21 November 2016.

There was no up-front cash consideration; however, RMA assumed all rehabilitation obligations and is required to pay the Company $100,000 if and when 3,000 tonnes of copper are produced from future operations at the three mining leases. No gain or loss was recorded on the sale as the disposal group had been carried in the consolidated financial statements at a net nil value and the fair value of the contingent consideration has been assessed as nil.

To assist RMA with its costs of transitioning to ownership of LCCM, the Company provided RMA with a loan of $50,000, which was drawn on 16 December 2016. The loan was repaid in March 2018 in full. Interest on the loan received during the 2018 financial year was $2,035 (2017: $1,500) as shown in Note 4(a).

The loss incurred on discontinued operations at Leigh Creek up to 21 November 2016 has been shown in the prior year's Statement of Profit or Loss as a separate line, and is detailed below:

LCCM SALE – 21/11/2016	30/06/17 $
Mine site maintenance	38,535
Loss – discontinued operations	38,535
Loss per share (cents) basic and diluted	0.01
Cash outflows	38,535

Detail of the assets and liabilities of the disposal group at the point of sale and the net nil gain or loss on sale from the prior year is shown below:

LCCM SALE – 21/11/2016	30/06/17 $
Assets	
Environmental deposit	150,000
Plant & equipment – cost	3,634,902
Plant & equipment – accumulated depreciation	(3,634,902)
Mineral rights	410,250
Total assets	560,250
Liabilities	
Rehabilitation	(560,250)
Net assets	-
Fair value of consideration	-
Net gain or loss on sale	-

7. CASH AND CASH EQUIVALENTS

	30/06/18 $	30/06/17 $
Cash at bank	360,076	780,630
Term deposits	500,000	650,000
	860,076	1,430,630

At year end, term deposits were invested for 90 days earning 2.4% annual interest, with all amounts set to mature in less than 90 days.

8. TRADE AND OTHER RECEIVABLES

	30/06/18 $	30/06/17 $
Interest	2,942	1,519
Research & development tax incentive	100,000	250,000
Goods & services tax	29,013	41,544
Other	11,116	116
	143,071	293,179

The Research & development claim for the 2017-18 year of $100,000 has been accrued based on estimated qualifying expenditure, and will be finalised with the lodgement of PNX's 2018 tax return.

9. PREPAYMENTS AND DEPOSITS

	30/06/18 $	30/06/17 $
Prepayments	16,755	16,988
Environmental Deposits – Northern Territory	104,224	84,084
Deposit – office bond	32,760	32,760
	153,739	133,832

Environmental deposits are required to be lodged with the Department of Primary Industry & Resources in the Northern Territory prior to the commencement of exploration activities.

The office bond is invested in a 365 day term deposit maturing February 2019 and earning 2.4% interest.

10. OTHER FINANCIAL ASSETS

	30/06/18 $	30/06/17 $
Investment in Sunstone Metals Ltd	489,896	193,380

The Company continues to hold 12,892,013 shares in ASX listed Sunstone Metals Limited ('Sunstone', previously Avalon Minerals Limited).

At each reporting date, the carrying value of the investment in Sunstone is revalued to fair value. Under AASB 13 *Fair Value Measurement*, and consistent with prior periods, the fair value of the investment in Sunstone is determined with reference to its quoted market price on the ASX.

At 30 June 2018, the investment was revalued up to $489,896, with the incremental movement recorded in Other Comprehensive Income/Loss in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* – refer Note 19.

In the prior year, an impairment charge of $64,460 was recorded based on the market value of Sunstone's shares at that time. The impairment was recorded in profit or loss in accordance with AASB 139.

11. EXPLORATION AND EVALUATION EXPENDITURE

	30/06/18 $	30/06/17 $
Costs brought forward	6,899,372	4,688,184
Expenditure incurred during the year	2,894,500	3,798,152
Recognised as an expense (tenements previously impaired)	(87,158)	(86,964)
Impairment charges	-	(1,500,000)
	9,706,714	6,899,372

Expenditure during the year related to ongoing detailed feasibility studies on the Hayes Creek Project (100% owned) as well as near-mine and regional mineral exploration activity on the Group's Northern Territory tenements (51% owned progressing toward 90% under a farm-in agreement).

During the year, PNX executed an agreement with Newmarket Gold NT Holdings Pty Ltd ('Newmarket') for the acquisition of 4 mineral leases at Fountain Head in the Pine Creek region of the Northern Territory, thereby securing the preferred location for the proposed processing plant and tailings facility for the Hayes Creek Project. As part of the agreement, PNX took 100% ownership of the Moline Exploration Project (previously 51% owned).

In return, PNX agreed to carve out (and return to Newmarket its 100% ownership of) three exploration areas within the Burnside project area that were part of the farm-in agreement with Newmarket, and to provide a 2% royalty over any future gold and silver produced from the Moline and Fountain Head tenements. Completion of this transaction occurred in July 2018.

In the prior year, an impairment charge of $1.5 million was recognised in relation to the Group's Burra and Yorke Peninsula exploration tenements in South Australia. The fair value less costs to sell of these projects was assessed as $0.5 million, based on their estimated value in an arms-length sale transaction in current market conditions. At 30 June 2018, the fair value of PNX's SA tenements remains at $0.5 million, assessed on the same basis as the prior year.

12. PLANT AND EQUIPMENT

COST	$
Balance at 30 June 2016	440,235
Additions	20,654
Disposals	-
Balance at 30 June 2017	460,889
Additions	2,773
Disposals	-
Balance at 30 June 2018	463,662
Accumulated depreciation	
Balance at 30 June 2016	402,765
Depreciation expense	7,605
Depreciation capitalised to exploration assets	12,504
Disposals	-
Balance at 30 June 2017	422,874
Depreciation Expense	5,263
Depreciation capitalised to exploration assets	13,364
Disposals	-
Balance at 30 June 2018	441,501
Net book value – plant and equipment	
Balance at 30 June 2017	38,015
Balance at 30 June 2018	22,161

The useful lives applied in the determination of depreciation for all items of plant and equipment is 3-5 years.

13. TRADE AND OTHER PAYABLES

	30/06/18 $	30/06/17 $
Trade payables	303,419	363,455
Accrued expenses	32,221	153,942
Other payables	22,435	24,272
	358,075	541,669

Average credit period on trade payables is 30 days.

14. LOAN

	30/06/18 $	30/06/17 $
Loan	-	1,200,000

During the year, the Company reached agreement with Marilei International Limited to settle the $1.2 million loan through the issue of 80,000,000 ordinary shares (1.5 cents per share). This agreement was negotiated in conjunction with an agreement to settle the convertible notes held by Marilei and Sochrastem SA, as outlined in Note 18.

In February 2018 81.4 million shares were issued to settle and extinguish the loan principal and final interest owing (refer Note 17 (d) and (f)). Total interest incurred during the year was $59,845 (2017:$100,000), of which $52,845 was settled by issuing shares.

15. PROVISIONS

	30/06/18 $	30/06/17 $
Current		
Employee benefits	101,670	95,095
Non-current		
Employee benefits	67,340	50,950

16. DEFERRED REVENUE

	30/06/18 $	30/06/17 $
Silver streaming receipts	2,400,000	1,600,000

During the year the two parties to the silver streaming and royalty agreements with the Company each exercised their option to acquire an additional 56,000 troy ounces of silver, for a forward payment of $400,000 each (total $0.8 million).

The Company has received a total of $2.4 million under these agreements, for the forward sale of a total of 336,000 oz of silver, to be delivered over a 3 year period once commissioning and ramp up of the Hayes Creek Project is complete. At the end of the three year silver delivery period, each investor is to receive a 0.36% Net Smelter Return (NSR) royalty over gold and silver produced from the Hayes Creek Project, and will be paid for a 5 year period. PNX can buy back the NSR royalty from an investor prior to production commencing for $0.4 million.

Cash received from the forward sale of silver has been accounted for as deferred revenue, classified in the Statement of Financial Position as a long-term liability. Revenue will be recognised as the silver is delivered in the future. In the event the Hayes Creek Project is not developed, the forward payments will be converted to shares in the Company.

17. ISSUED CAPITAL

	30/06/18 $	30/06/17 $
1,088,930,020 fully paid ordinary shares (2017: 741,055,537)	36,917,796	32,665,302

Movement in ordinary shares for the year:

Ref		NO.	30/06/18 $	NO.	30/06/17 $
Balance at beginning of year		741,055,537	32,665,302	507,783,980	28,377,292
a)	Shares issued under Performance Rights Plan	3,090,000	74,591	-	-
b)	Shares issued at 1.05 cents	234,591,886	2,463,215	-	-
c)	Shares issued to settle convertible notes	24,000,000	600,000	-	-
d)	Shares issued to settle loan	80,000,000	1,200,000	-	-
e)	Shares issued to settle interest on convertible notes	1,156,698	15,000	1,551,938	30,000
f)	Shares issued to settle interest on loan	5,035,899	66,407	4,153,830	90,000
g)	Shares issued to acquire tenements	-	-	1,000,000	19,000
h)	Shares issued as remuneration	-	-	1,000,000	21,000
i)	Shares issued at 1.9 cents	-	-	93,065,789	1,768,250
j)	Shares issued at 2.0 cents	-	-	130,900,000	2,618,000
k)	Shares issued for services	-	-	1,600,000	40,000
l)	Interest on convertible notes – reduction in share capital	-	(11,712)	-	(30,000)
Share issue costs		-	(155,007)	-	(268,240)
Balance at end of year		1,088,930,020	36,917,796	741,055,537	32,665,302

Fully paid shares carry one vote per share and a right to dividends.

a) 3,090,000 shares were issued in August 2017 to PNX personnel or their associates following the vesting of an equivalent number of performance rights.

b) Shares were issued under a placement to sophisticated and professional investors (179,830,000 shares, September 2017) and a Share Purchase Plan (54,761,886 shares, October 2017) at 1.05 cents per share, raising a total of $2.5 million before costs.

c) 24,000,000 shares were issued to settle $0.6 million of convertible notes (refer Note 18).

d) 80,000,000 shares were issued to settle a $1.2 million loan (refer Note 14).

e) Shares were issued in November 2017 at the Company's preceding 30 day volume-weighted average share price (VWAP) of 1.3 cents to settle a total of $15,000 (2017: $30,000) of interest payable on convertible notes.

f) Shares were issued in November 2017 (3,599,194 shares) and February 2018 (1,436,705 shares) at the Company's 30 day VWAP of 1.25 cents and 1.49 cents respectively to settle a total of $66,407 (2017: $90,000) of interest payable on a $1.2 million loan.

g) *Prior year:* Shares were issued in July 2016 to Newmarket Gold NT Holdings Pty Ltd as consideration for the acquisition by the Company of 3 tenements near the Hayes Creek Project in the Northern Territory.

h) *Prior year:* Shares were issued in November 2016 to the Company's Managing Director as a performance bonus.

i) *Prior year:* Shares were issued as a placement to sophisticated and institutional investors, including 750,000 shares to settle fees associated with the placement, in September 2016 and November 2016 at 1.9 cents per share raising $1.75 million before costs.

j) *Prior year:* Shares were issued as a placement to sophisticated and institutional investors, including 900,000 shares to settle fees associated with the placement, in December 2016 at 2.0 cents per share raising $2.6 million before costs. A total of 65,450,000 attaching unquoted options (one-for-two basis) were issued in March 2017 to participants in the placement.

k) *Prior year:* Shares were issued in return for investor relations services, at an agreed value of 2.5 cents per share.

l) Interest paid by issuing shares on convertible notes has been accounted for as a reduction in share capital, consistent with the treatment of the convertible notes as an equity item.

18. OTHER CONTRIBUTED EQUITY

	30/06/18 $	30/06/17 $
Convertible notes – equity settled	-	600,000

During the year, the Company reached agreement with Marilei International Limited and Sochrastem SA to convert the notes into 24,000,000 shares (12 million each), at a price of 2.5 cents per share. The shares were issued in November 2017. The agreement was negotiated in conjunction with the settlement of a loan due to Marilei, as detailed in Note 14.

Final six monthly interest payable of $15,000 was settled in November 2017 by issuing shares as outlined in Note 17(e).

19. RESERVES

	30/06/18 $	30/06/17 $
Available for sale investment	296,516	-
Equity-settled benefits	40,230	90,687
	336,746	90,687

The available for sale investment reserve reflects the movement in the fair value of the Company's investment in Sunstone Metals Ltd, which increased during the year.

The equity-settled benefits reserve arises on the vesting of Performance Rights granted to employees, consultants and executives under the PNX Metals Limited Employee Performance Rights Plan. Amounts are transferred out of the reserve and into issued capital when the rights are converted into shares, or to accumulated losses if rights lapse.

During the year $74,591 was transferred from the reserve to share capital following the conversion of 3,090,000 performance rights to shares as outlined in Note 17(a).

There was also an increase to the reserve of $24,134 from share-based payment expense for the year, which reflects that portion of the value of performance rights granted under the Plan in 2017 that is applicable to the 2018 financial year.

Further information on share-based payments is disclosed in Note 21.

20. ACCUMULATED LOSSES

	30/06/18 $	30/06/17 $
Balance at beginning of year	27,805,295	25,100,291
Loss for the year	1,000,675	2,705,004
Balance at end of year	28,805,970	27,805,295

21. SHARE OPTIONS AND PERFORMANCE RIGHTS

Under PNX's Employee Performance Rights Plan ('Plan'), Directors may issue Performance Rights to Company executives, employees and consultants. Performance Rights are granted for no monetary consideration and entitle the holder to be issued one fully paid ordinary share per performance right upon vesting.

No Performance Rights were issued during the year.

In relation to 11,410,000 Performance Rights issued to PNX personnel under the Plan in the previous financial year:

» 1,250,000 rights held by the Company's Managing Director & CEO expired on 30 June 2018 as the performance conditions were not met;

» 3,090,000 vested and 3,090,000 shares were issued in August 2017 (refer Note 17(a)); and

» 7,070,000 remaining rights remain unvested at 30 June 2018.

The remaining 7,070,000 Performance Rights have performance vesting conditions related to key Company objectives, including development of the Hayes Creek project, exploration discoveries and Company share price performance. Performance conditions are required to be achieved within specified time periods (extending to 31 December 2019) in order for the rights to vest.

Share-based payment expense of $24,134 was recognised during the year in relation to the 7,070,000 unvested Performance Rights, based on the grant date fair value and the estimated number of Performance Rights likely to ultimately vest. This assessment, which is done at each reporting date, involves estimating the probability of each performance condition being achieved within the specified time period.

Options

At the discretion of the Directors, and subject to shareholder approval, options to acquire shares can be issued, for example as part of corporate and asset acquisitions or as part of a capital raising process.

During the year, 20,000,000 unquoted options were issued to a subsidiary of a corporate advisor, with an exercise price of 1.47 cents each and an expiry date of 30 October 2020.

In the prior year, the Company issued 65,450,000 unlisted options to participants in the December 2016 share placement that raised $2.6 million. The options have an exercise price of 5.0 cents each and expire on 31 May 2019.

At 30 June 2018, a total of 85,450,000 options were on issue, as shown in the table below.

OPTIONS	30/06/18 NUMBER OF OPTIONS	30/06/18 WEIGHTED AVERAGE EXERCISE PRICE $	30/06/17 NUMBER OF OPTIONS	30/06/17 WEIGHTED AVERAGE EXERCISE PRICE $
Balance at beginning of the year	65,450,000	0.05	-	-
Options granted	20,000,000	0.0147	65,450,000	0.05
Options exercised or lapsed	-	-	-	-
Balance at end of the year	85,450,000	0.042	65,450,000	0.05

As discussed in Note 31, in conjunction with a capital raising subsequent to year end, the Company will issue 433,125,000 unquoted options with an exercise price of 1.5 cents each and an expiry date of 30 September 2021.

22. KEY MANAGEMENT PERSONNEL DISCLOSURE

The key management personnel of the Group during the year were:

» Graham Ascough (Non-Executive Chairman)

» Paul Dowd (Non-Executive Director)

» Peter Watson (Non-Executive Director)

» David Hillier (Non-Executive Director)

» James Fox (Managing Director & Chief Executive Officer)

» Tim Moran (Chief Financial Officer and Company Secretary)

» Andy Bennett (Exploration Manager)

The aggregate compensation of Key Management Personnel of the Group is set out below:

	30/06/18 $	30/06/17 $
Short-term employee benefits	800,197	773,163
Post-employment benefits	65,093	80,025
Share-based payments	21,724	79,590
	887,014	932,778

Details of key management personnel compensation are disclosed within the Remuneration Report in the Directors' Report.

23. REMUNERATION OF AUDITOR

	30/06/18 $	30/06/17 $
Audit and review of the financial reports	38,436	30,882

The Company's auditor is Grant Thornton Audit Pty Ltd.

24. RELATED PARTY DISCLOSURES

a) Subsidiaries

Detail of the percentage of ordinary shares held in the Company's subsidiary is disclosed in Note 29.

b) Other related party transactions

During the year the Company engaged Piper Alderman, an entity in which a Director (Peter Watson) is a senior consultant, to advise on legal matters. The cost of those services during the financial year inclusive of GST was $40,524 (2017: $24,518). $7,893 inclusive of GST was owed to Piper Alderman at 30 June 2018 (2017: $1,997) and paid subsequent to year end.

25. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

a) Expenditure commitments

The Group has certain obligations to perform exploration work and expend minimum amounts of money on mineral exploration tenements in the Northern Territory and South Australia in order to retain the full tenement lease. There are no minimum expenditure requirements on the Company's mineral leases in the Northern Territory.

These obligations vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry will alter the expenditure commitments of the Company.

Total expenditure commitments at 30 June 2018 in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	30/06/18 $	30/06/17 $
Minimum exploration expenditure on exploration licences	450,000	1,000,000

Ausmex Mining Group Limited has commenced a farm-in to earn up to 90% of the Group's 8 Burra South Australia tenements, and all farm-in expenditure will go towards the Group's expenditure requirements in SA.

The Group's office lease in Rose Park, South Australia, with annual lease payments of $68,754 exclusive of GST, extends to August 2019.

b) Reilly Tenement Acquisition Agreement

Under the Reilly Tenement Acquisition Agreement dated 19 October 2007 between the Company and Matthew Reilly, as amended by deed dated 19 November 2007 (RTAA), the Company agreed to purchase mineral exploration licence EL 3161 (now EL 5382) from Mr Reilly.

Contingent consideration pursuant to this agreement:

¬ the issue and allotment to Mr Reilly of 800,000 Shares and 800,000 Options upon grant of an Exploration Licence over some or all of the area within EL 5382 reserved from the operation of the Mining Act 1971 (SA), comprising the area, and immediate surroundings, of the historic Burra Mine and the historic Burra Smelter, as gazetted in March 1988;

¬ the payment of $100,000 upon commencement of processing of any tailings, waste residues, waste rock, spoiled leach materials and other materials located on the surface of the land the subject matter of EL 5382 or derived from that land by or on behalf of the Company; and

¬ the payment of $200,000 upon the Company announcing an ore reserve, prepared in accordance with the JORC Code, on EL 5382 of at least 15,000 tonnes of contained copper.

c) Royalty agreements

The Company has granted the following royalties:

¬ Newmarket Gold NT Holdings Pty Ltd – 2% royalty on the market value of any future production of gold and silver from the 14 mineral leases in the Northern Territory comprising the Hayes Creek Project.

¬ Newmarket – 2% net smelter return royalty on precious metals produced from the Moline and Fountain Head tenements.

¬ Mr Matthew Reilly – 6% of the aggregate net revenue in respect of all metals derived from EL 5382.

¬ Avanti Resources Pty Ltd – 2.5% of the net smelter return on all metals derived from ELs 5874, 6150, and 5910.

¬ Leigh Creek Energy Limited (previously Marathon Resources Limited) - 2.5% net smelter return on all metals derived from EL 5411.

¬ Copper Range (SA) Pty Limited – 1.5% net smelter return on all metals derived from EL 5918.

¬ Copper Range (SA) Pty Limited – 50% of a 1.5% net smelter return on all metals derived from EL 5557.

¬ Flinders Mines Limited – 50% of a 1.5% net smelter return on all metals derived from EL 5557.

d) Native title

A native title claim application was lodged several years ago with the Federal Court of Australia over land on which the majority of the Group's tenements in South Australia are located. The Group is unable to determine the prospects of success or otherwise of the claim application, and to what extent an approved claim might affect the Group or its projects. There were no developments of significance in this claim application over the 2018 financial year, and no costs incurred by the Company in relation to it.

e) Other rights held by Newmarket Gold NT Holdings Pty Ltd

Newmarket can re-acquire 90% of any gold or silver deposits with a JORC compliant resource on the tenements subject to a farm-in agreement by paying PNX three times the Company's accumulated expenditure on the deposit(s).

A payment of $500,000, either in cash or shares at the Company's election, is also due to Newmarket if a bankable feasibility study is completed over the Hayes Creek Project or on any of the tenements that are subject to a farm-in agreement between the two companies.

26. FINANCIAL INSTRUMENTS & FINANCIAL RISK MANAGEMENT

Categories of financial instruments

	30/06/18 $	30/06/17 $
Financial assets		
Cash and cash equivalents	860,076	1,430,630
Deposits	136,984	116,844
Trade and other receivables	143,071	293,179
Other receivable	-	50,000
Other financial assets – Investment in Sunstone	489,896	193,380
Financial liabilities		
Trade and other payables	358,075	541,669
Loan	-	1,200,000

The Group's activities expose it to several financial risks which impact on the measurement of, and potentially could affect the ultimate settlement amount of, its financial instruments including market risk, credit risk, and liquidity risk.

Market risk

The development prospects of the Hayes Creek Project are to some extent exposed to the risk of unfavourable movements in the US/ Australian dollar exchange rate and zinc, gold and silver commodity prices. However, the Group has no direct exposure to foreign exchange or commodity price risk at present.

The Group has some exposure to movements in the share price of Sunstone Metals Limited, as the Company's investment of 12,892,013 shares is carried at fair value, and price movements are reflected through profit or loss or other comprehensive income/loss. Each one cent change in the market value of Sunstone's shares changes the fair value of the Company's investment by $128,920.

The Group's exposure to interest rate movements is limited to increases or decreases in interest earned on cash, cash equivalents, and deposits.

If interest rates had been 50 basis points higher or lower during the financial year and all other variables were held constant, the Group's net loss would increase or decrease by approximately $9,000 (2017: increase or decrease by approximately $11,000).

As the Group's exposure to market risks is not significant, management of these risks is limited to monitoring movements in commodity prices, foreign exchange rates, interest rates, and the market value of the shares of Sunstone Metals Ltd.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from activities.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk

Ultimate responsibility for managing liquidity risk rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Board and senior management manage liquidity risk by continuously monitoring forecast and actual cash flows, and raising capital as needed, primarily through new equity issuances, in order to meet the Group's exploration expenditure commitments and corporate and administrative costs.

Liquidity and interest risk tables

The following table details the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows.

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	LESS THAN ONE MONTH $	1-3 MONTHS $	3-12 MONTHS $	1-5 YEARS $
2018					
Non-interest bearing	-	334,000	24,000	-	-
Fixed Interest bearing	-	-	-	-	-
2017					
Non-interest bearing	-	521,281	17,100	3,288	-
Fixed Interest bearing	7.5	-	-	90,000	1,365,000

Fair value of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns through the optimisation of debt and equity balances. Due to the nature of the Group's activities, the Directors believe that the most appropriate and advantageous way to fund activities is through equity issuances, and all capital raised to date with the exception of the silver streaming transactions (Note 16) has been equity based.

The Group closely monitors and forecasts its cash flow and working capital to ensure that adequate funds are available in the future to meet project development, exploration and administrative activities.

27. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is both activity and project based. The principal activity is mineral exploration and development in the Northern Territory. Projects are evaluated individually, and the decision to allocate resources to individual projects in the Group's overall portfolio is predominantly based on available cash reserves, technical data and expectations of resource potential and future metal prices.

The Group's reportable segments under AASB 8 are therefore as follows:

» Exploration in the Northern Territory

» Exploration in South Australia

Financial information regarding these segments is presented below. The accounting policies for reportable segments are the same as the Group's accounting policies.

	REVENUE YEAR ENDED 30/06/18 $	REVENUE YEAR ENDED 30/06/17 $	SEGMENT LOSS YEAR ENDED 30/06/18 $	SEGMENT LOSS YEAR ENDED 30/06/17 $
Exploration – NT	-	-	-	-
Exploration – SA[1]	-	-	(87,158)	(1,586,964)
Discontinued operation	-	-	-	(38,535)
Unallocated/corporate	-	-	(1,166,137)	(1,484,463)
Total loss before tax			(1,253,295)	(3,109,962)
Income tax benefit			252,620	404,958
Total loss for the year			(1,000,675)	(2,705,004)

1 Prior year includes $1,500,000 impairment loss on exploration assets in SA.

Segment loss represents the loss incurred by each segment without allocation of corporate administration costs, interest income and income tax. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

	30/06/18 $	30/06/17 $
Assets		
Exploration – NT	9,348,815	6,548,116
Exploration – SA	500,000	500,000
Unallocated assets	1,526,842	1,990,292
Total assets	11,375,657	9,038,408
Liabilities		
Exploration – NT	232,049	368,643
Exploration – SA	-	-
Unallocated liabilities	2,695,036	3,119,071
Total liabilities	2,927,085	3,487,714

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments except for cash/cash equivalents, other financial assets, prepayments, loan and corporate office equipment.

All liabilities are allocated to reportable segments other than employee provisions, loans, deferred revenue and corporate/administrative payables.

28. EARNINGS PER SHARE

	30/06/18 CENTS PER SHARE	30/06/17 CENTS PER SHARE
Basic and diluted loss per share – continuing operations	(0.1)	(0.4)
Basic and diluted loss per share – discontinued operations	-	(0.0)
Total loss per share	(0.1)	(0.4)

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

Loss after tax – continuing operations $	(1,000,675)	(2,666,469)
Loss after tax – discontinued operations $	-	(38,535)
Weighted average number of ordinary shares	974,058,242	654,172,546

The weighted average number of ordinary shares in the calculation of diluted earnings per share is the same as for basic earnings per share, as the inclusion of potential ordinary shares in the diluted earnings per share calculation is anti-dilutive due to the loss incurred for the year.

29. CONTROLLED ENTITIES

NAME OF ENTITY		COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2018 %	OWNERSHIP INTEREST 2017 %
Parent Entity				
PNX Metals Limited	(i)	Australia		
Subsidiaries				
Wellington Exploration Pty Ltd	(ii)	Australia	100%	100%

(i) Head entity in tax consolidated group

(ii) Member of tax consolidated group

The ultimate parent entity in the wholly-owned group is PNX Metals Limited. During the financial year, PNX Metals Limited provided accounting and administrative services at no cost to the controlled entity and advanced interest free loans to the entity. Tax losses have been transferred to PNX Metals Limited by way of inter-company loans.

30. PARENT ENTITY DISCLOSURES

The summarised Statement of Financial Position and Statement of Profit or Loss for PNX Metals Limited as parent entity in the Group is identical to that of the Group, as the investment in subsidiary and intercompany loan receivable (parent) and related exploration and evaluation asset (subsidiary) are both non-current assets.

Commitments for expenditure and contingent liabilities of the parent entity

Note 25 discloses the Group's commitments for expenditure and contingent liabilities, which are also applicable to the parent entity.

31. SUBSEQUENT EVENTS

In August 2018 the Company raised $2.1 million from the first tranche of a two-part share placement to sophisticated and professional investors. A further $1.36 million will be received in late September 2018 following receipt on 12 September 2018 of shareholder approval to issue the second tranche of shares. All shares (total 433,125,000) have an issue price of 0.8 cents per share, and include an attaching free unquoted option, exercisable at 1.5 cents and expiring 30 September 2021. The 433,125,000 options will be issued under a disclosure document in October 2018.

There are no other matters or circumstances that have arisen since 30 June 2018 that have significantly affected or may significantly affect:

» the Group's operations in future financial years;

» the results of those operations in future financial years; or

» the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

a) the consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including

   i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

   ii. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;

b) the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board;

c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

d) at the date of this declaration, there are reasonable grounds to believe that the members of the Group will be able to meet any obligations or liabilities to which they are, or may become subject.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to Section 295(5) of the *Corporations Act 2001*.

Graham Ascough
CHAIRMAN

20th September 2018

Grant Thornton Audit Pty Ltd
Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA
5000

T +61 8 8372 6666
F +61 8 8372 6677

Independent Auditor's Report

To the Members of PNX Metals Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of PNX Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 3(a) in the financial statements, which indicates that the Group incurred a total comprehensive loss of $704,159 and cash outflows from operating and investing activities of $3,678,762 during the year ended 30 June 2018. As stated in Note 3(a), these events or conditions, along with other matters as set forth in Note 3(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Grant Thornton

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Exploration and evaluation assets - Note 11	

At 30 June 2018 the carrying value of exploration and evaluation assets was $9,706,714.
 	
In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.
 	
The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.
 	
This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.
	Our procedures included, amongst others:
	
	• obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;
	• reviewing management's area of interest considerations against AASB 6;
	• conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including;
	  – tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed;
	  – enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure;
	  – understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale;
	• assessing the accuracy of impairment recorded for the year as it pertained to exploration interests;
	• evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; and
	• assessing the appropriateness of the related financial statement disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Grant Thornton

Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2018.
In our opinion, the Remuneration Report of PNX Metals Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 20 September 2018

SHARES

The total number of shares issued as at 21 September 2018 was 1,352,680,020 held by 1283 registered shareholders.

500 shareholders hold less than a marketable parcel, based on the market price of a share as at 21 September 2018.

Each share carries one vote.

PERFORMANCE RIGHTS/OPTIONS

As at 21 September 2018, the Company had 7,070,000 Performance Rights and 85,450,000 unquoted options on issue. 20 million options have a 1.47 cent exercise price and expire 30 October 2020 and the remaining 65,450,000 have a 5.0 cent exercise price expiring 31 May 2019.

TWENTY LARGEST SHAREHOLDERS

As at 21 September 2018, the twenty largest Shareholders were as shown in the following table and held 61.7% of the Shares.

RANK	NAME	SHARES	% OF SHARES
1.	MARILEI INTERNATIONAL LIMITED	156,766,095	11.59
2.	BNP PARIBAS NOMS PTY LTD <DRP>	143,706,928	10.62
3.	DELPHI UNTERNEHMENSBERATUNG AKTIENGESELLSCHAFT	134,536,793	9.95
4.	SOCHRASTEM SA	85,653,239	6.33
5.	POTEZNA GROMADKA LIMITED	81,457,053	6.02
6.	TALIS SA	39,319,603	2.91
7.	AUSTRALIAN MINERAL & WATERWELL DRILLING PTY LTD	31,250,000	2.31
8.	BNP PARIBAS NOMS PTY LTD <UOB KH P/L AC UOB KH DRP>	20,139,278	1.49
9.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	18,737,919	1.39
10.	ESM LIMITED	15,000,000	1.11
11.	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	13,638,179	1.01
12.	MCNEIL NOMINEES PTY LIMITED	13,000,000	0.96
13.	MR JOHN PHILIP DANIELS	12,000,000	0.89
14.	QIU FAMILY SUPER PTY LTD <QIU FAMILY SUPER FUND A/C>	11,908,397	0.88
15.	MR PAUL DOSTAL	11,428,571	0.84
16.	LATSOD PTY LTD <DOSTAL SUPERFUND A/C>	10,000,000	0.74
17.	JETOSEA PTY LIMITED	9,196,316	0.68
18.	KOMON NOMINEES PTY LTD <OWEN SUPER FUND A/C>	9,174,395	0.68
19.	MR ROGER DOUGLAS STABLES <THE CELLAR A/C>	9,131,578	0.68
20.	CITICORP NOMINEES PTY LIMITED	8,720,519	0.64
	Total	834,764,863	61.71

SUBSTANTIAL SHAREHOLDERS

As at 21 September 2018, the substantial Shareholders as disclosed in substantial holding notices given to the Company are:

	HOLDING	%
Marilei International Limited	156,766,095	14.40%
Delphi Unternehmensberatung Aktiengesellschaft	134,536,793	9.95%
Asia Image Limited	80,302,204	7.37%
Sochrastem SA	63,153,239	5.80%
Potezna Gromadka Limited	30,799,159	5.23%

DISTRIBUTION SCHEDULES

A distribution schedule of the number of Shareholders, by size of holding, as at 21 September 2018 is set out below:

SIZE OF HOLDINGS	NUMBER OF SHAREHOLDERS
1 – 1000	48
1,001 – 10,000	104
10,001 – 100,000	492
100,001 and over	639
Total	1283

There is no current on-market buy-back.

A distribution schedule of the number of Optionholders, by size of holding, as at 31 August 2018 is set out below:

SIZE OF HOLDINGS	NUMBER OF OPTIONHOLDERS
1 – 1000	0
1,001 – 10,000	0
10,001 – 100,000	2
100,001 and over	68
Total	70

ENQUIRIES FROM SHAREHOLDERS

Shareholders wishing to record a change of address or other holder details or with queries regarding their Shareholding should contact the Company's share registry, Computershare, as detailed in the Corporate Directory at the front of this Annual Report. Shareholders with any other query are invited to contact the Company's registered office as detailed in the Corporate Directory at the front of this Annual Report.