PNX METALS

PNX METALS LIMITED ABN 67 127 446 271

ANNUAL REPORT 2019

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
Angelo Gaudio

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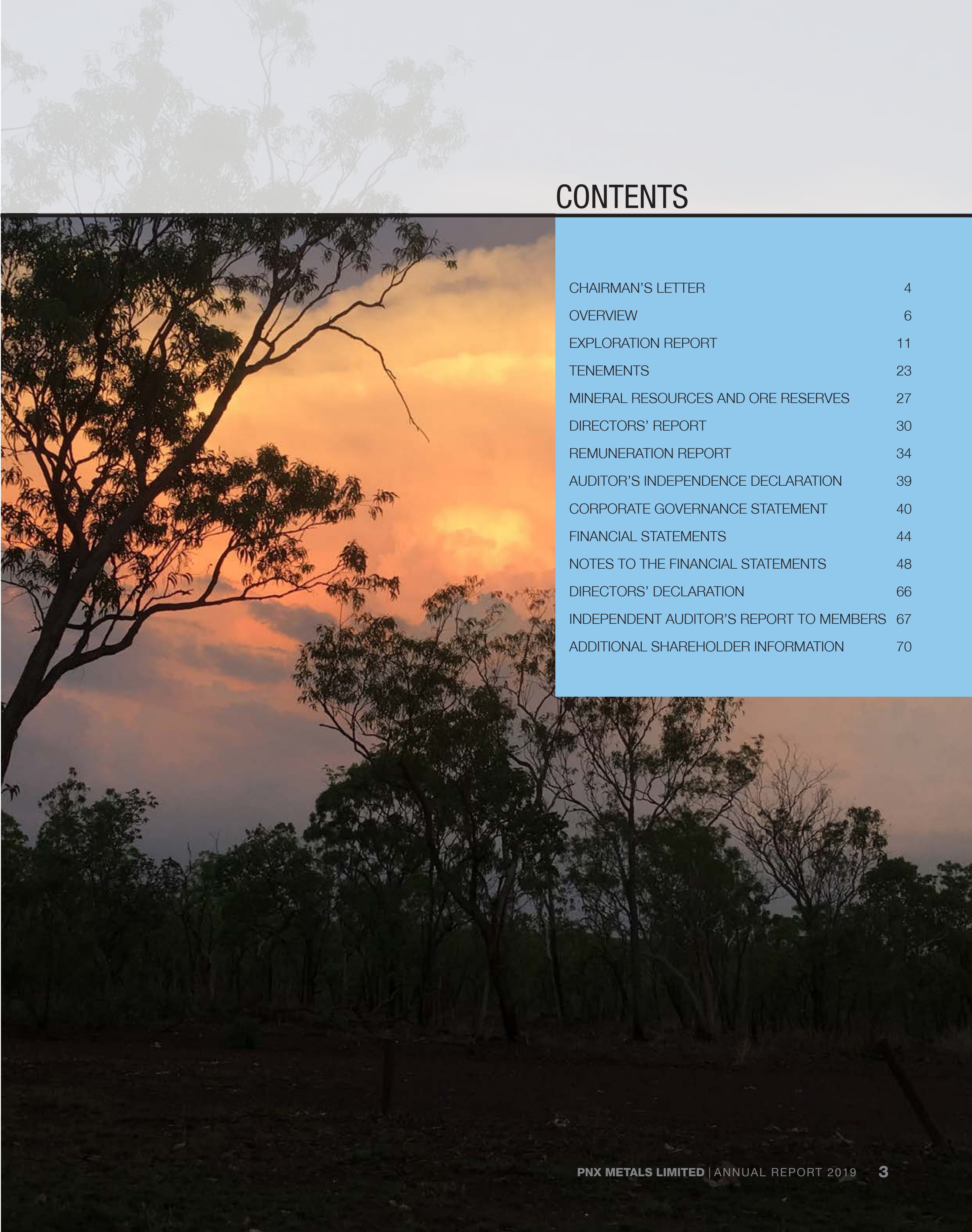
ASX
The Company's fully paid ordinary shares are quoted on the ASX under the code PNX.

Cover photo: Fountain Head and Tally Ho pit.



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CHAIRMAN'S LETTER

Dear Fellow Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the 2019 Annual Report for PNX Metals Limited (PNX or Company).

During the year, the Company focused on advancing the Hayes Creek Project in the Northern Territory towards a development decision.

A Detailed Feasibility Study (DFS) is currently underway on Hayes Creek and this follows the successful completion of a Pre-Feasibility Study (PFS) in July 2017 which confirmed that the project is a promising, high value, relatively low risk and technically strong development opportunity. The DFS is expected to provide increased confidence in all aspects of the project and will also investigate opportunities to improve overall project economics and meet the Company's objective to be a successful explorer and a sustainable and profitable gold and base metals producer.

The finalisation of the DFS is expected to take until at least the end of the first quarter of 2020, subject to any unplanned delays. A significant amount of technical work is also underway that will be used to prepare the Project's Environmental Impact Statement (EIS) for submission by mid-2020.

Located less than 15km from the Hayes Creek deposits, the Fountain Head site is an integral part of the Hayes Creek Project as it is the preferred location for the processing plant and tailings facility. Fountain Head is also host to a number of high-grade gold prospects and drilling during the year identified new gold mineralisation that lead to development of a new geological model for the area. As a result, the Company completed its first JORC compliant mineral resource estimate for Fountain Head containing 138Koz of gold (see ASX announcement dated 11 July 2019). The relative values of PNX mining some or all of these mineral resources versus utilising the historic open pits for tailings disposal from the Hayes Creek project is being assessed, including how the two strategies might be combined.

The new gold mineral resource at Fountain Head provides confidence that a significant gold system may be emerging, and drilling success during the year, including at Cookies Corner, highlights the potential of the Company's large NT exploration tenure. Regionally, our tenement interests cover in excess of 1,500 km^2 and host numerous base metal and gold prospects. The exploration strategy for this large area is to identify significant additional mineralisation with the potential to complement and enhance the Hayes Creek Project as well as to identify new, potentially stand-alone resources.

The Company continues to receive strong support from its shareholders demonstrated through successful fund raisings completed during the year. In May 2019 the Company completed a three (3) for five (5) underwritten non-renounceable pro-rata rights issue raising $5.48 million (before costs and expenses). The proceeds are being used to fund the significant level of activity at Hayes Creek, including the completion of the DFS, and ongoing assessment of the Fountain Head gold project.

The Board and management are confident that continued exploration work will be successful in growing the resource base and that the completion of the DFS at the Hayes Creek project during 2020 will provide confidence in this development opportunity, with the potential to deliver strong returns for PNX shareholders.

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 stakeholders.

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 2020.

Yours sincerely,

Graham Ascough
Chairman

17 September 2019

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 holds a large and prospective precious and base metals tenement portfolio, primarily located in the Pine Creek region of the Northern Territory (NT) (Figure 1).

The main activities of the Company during the 2019 financial year were progression of technical studies and work programs to inform a Detailed Feasibility Study (DFS) over the Hayes Creek zinc-gold-silver project (Project or Hayes Creek), in addition to conducting nearby precious metal exploration at the Fountain Head project, and Cookies Corner gold prospect.

The Fountain Head mineral leases were acquired in 2018 from Newmarket Gold NT Holdings Pty Ltd (Newmarket), a subsidiary of Kirkland Lake Gold Ltd (KL Gold, ASX: KLA) as part of a land swap and royalty agreement. The acquisition secured the preferred site for the Project's proposed processing plant and tailings facility, and also added a new project area that is highly prospective for gold. Since acquiring the Fountain Head mineral leases a review of historical data and the results of PNX drilling has enabled PNX to publish a new gold mineral resource estimate for the Fountain Head project in mid-2019. As part of the agreement with Newmarket, PNX also acquired the then outstanding 49% interest in the Moline project tenements, taking its ownership of that project to 100%.

PNX also holds a 90% interest in a further 19 tenements in the Pine Creek region of the NT (Burnside and Chessman projects) under joint venture with Newmarket which now holds a 10% interest free-carried until a decision to mine is made. A full listing of PNX's tenements is contained in the Exploration Report.

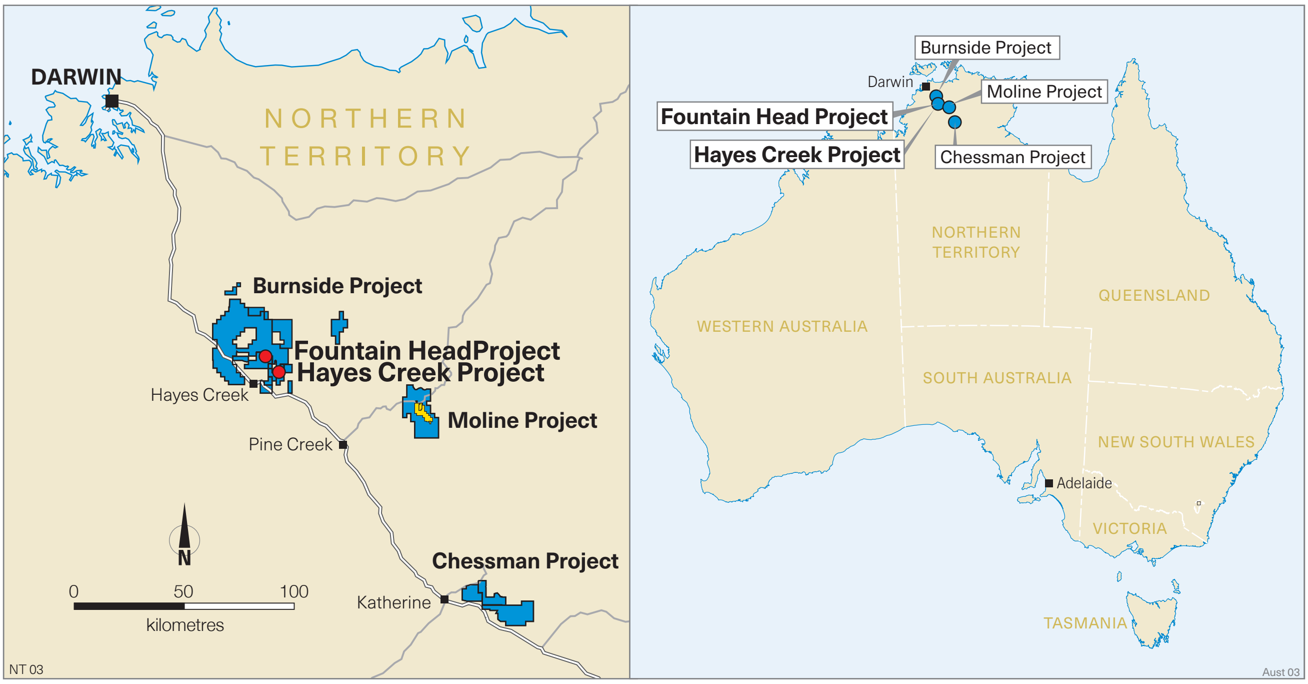

Figure 1 *NT Project locations.*

HAYES CREEK PROJECT

The Hayes Creek Project comprises the Mt Bonnie (open-cut) and Iron Blow (underground) zinc-gold-silver deposits, and the Fountain Head gold deposit, located in close proximity to each other on wholly-owned mineral leases within the Pine Creek region of the Northern Territory, 170 km south of Darwin.

The leases are located in a favourable mining jurisdiction where the development scenario considers utilising existing infrastructure that includes rail, road, high voltage power lines, gas pipeline and water, further enhancing Project fundamentals and lowering development risks.

The Project hosts considerable Mineral Resources, including at Mt Bonnie and Iron Blow which together contain 238koz of gold, 16.2Moz of silver and 177kt of zinc, and the Fountain Head gold deposit which hosts 138koz of gold – further information is contained within the Exploration Report.

The Company is well-funded to complete the DFS which recommenced during the year subsequent to completion of a fully-underwritten rights issue to raise \$5.48 million, (before costs) in May 2019. The DFS is progressing well and follows on from a successful Pre-Feasibility Study (PFS) published in mid-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 (PNX ASX release 12 July 2017).

The DFS is expected to provide increased confidence in all aspects of the Project as well as investigate opportunities to improve mine life and overall Project economics, thereby increasing the prospect of favourable development finance terms and structure.

The development of a Mineral Resource at the Fountain Head Project and new near-surface gold/silver mineralisation intersected at Iron Blow (ASX release 27 June 2019) has the potential to provide flexibility within the Company's development strategy with the prospect of additional feed for Hayes Creek to be assessed.

Project approvals are well advanced with a referral being made to the Commonwealth Department of Environment and Energy in accordance with the *Environmental Protection Biodiversity Act 1999*, and development of terms of reference to assist with preparing an Environmental Impact Statement (EIS) being completed.

The Company received the positive decision from the Commonwealth Department of Environment and Energy that the Hayes Creek proposal is not a controlled action, but, as expected, it does require assessment under the *Environmental Assessment Act 1982* (NT) at the level of an EIS.

Feedback from public consultation was received from the NT Environmental Protection Authority (EPA) during August 2019 which is being incorporated in the EIS, due for submission from May 2020.

Technical work to inform the DFS is ongoing and expected to be complete no earlier than end of the first quarter 2020. Subject to securing offtake agreements, funding and various Government approvals the Project is envisaged to be ready for development to commence later that year directly employing approximately 130 people.

OVERVIEW

HAYES CREEK PROJECT

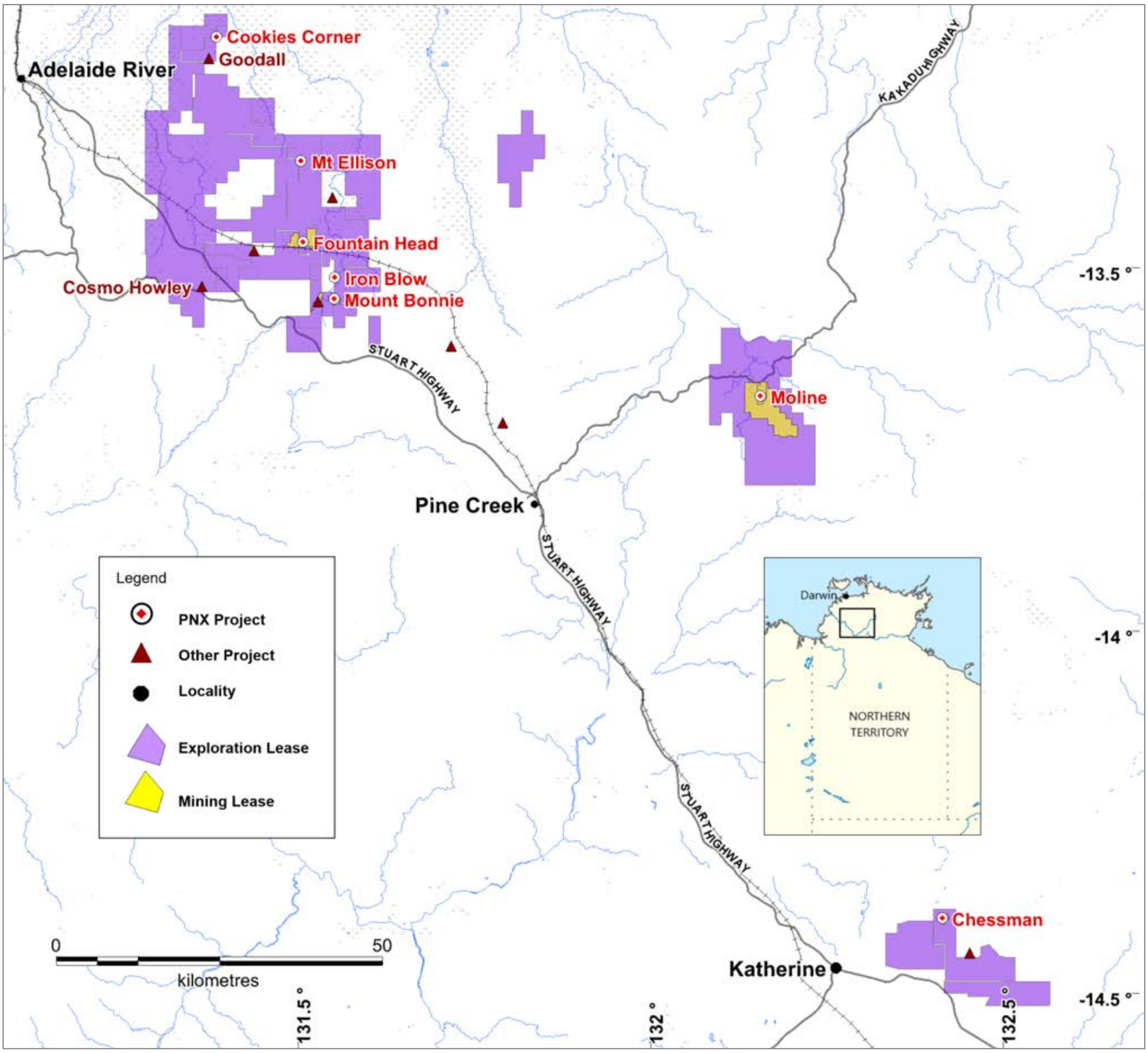

Figure 2 *Hayes Creek Project.*

NT REGIONAL EXPLORATION

PNX's regional exploration project areas host numerous gold and base metals exploration prospects, and cover in excess of 1,500 square kilometres in the Pine Creek region of the Northern Territory.

The Company's strategy is to discover 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 four regional project areas:

- Fountain Head (100%) – gold
- Moline (100%) – gold and base metals
- Burnside (90% earned) – gold and base metals
- Chessman (90% earned) – gold and base metals.

Drilling completed at Fountain Head in June 2019, resulted in a new mineral resource estimate containing 138,000 oz gold being reported in accordance with the JORC (2012) code, reported to the ASX on 11 July 2019. PNX also completed drilling campaigns at Burnside (Cookies Corner prospect) with extensive gold mineralisation identified over an 800m strike.

The Company elected to exit from the Litchfield farm-in agreement over the Kilfoyle project during June 2019.

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

OVERVIEW

KEY FINANCIAL RESULTS

($000's, except as indicated)	30 JUNE 2019	30 JUNE 2018
Interest/other income	95	59
Research & development tax offset refund	220	253
Corporate/administrative costs	(1,258)	(1,252)
Impairment – NT exploration assets	(137)	-
Fair value movement on Sunstone investment	39	297
Interest charges	-	(60)
Comprehensive loss after tax	(1,041)	(704)
Comprehensive loss per share	(0.07) cents	(0.10) cents
Net operating cashflows	(1,214)	(731)
Exploration expenditure	(2,941)	(3,027)
Funds raised – equity (net of costs)	8,552	2,308
Funds raised – silver streaming	-	800
Cash on hand	2,804	860
Financial assets – term deposits[1]	2,500	-
Net working-capital[2]	5,315	698
Investment in Sunstone – at fair value	529	490
Capitalised exploration expenditure	12,505	9,707
Debt	-	-
Contract liabilities – silver streaming	2,400	2,400
Net assets	15,969	8,449
Number of shares on issue	2,435,288,142	1,088,930,020
Number of performance rights on issue	12,440,000	7,070,000
Number of unlisted options on issue	453,125,000	85,450,000
Share price (ASX: PNX)[3]	0.8 cents	0.8 cents

1 *Includes term deposits (with maturity terms greater than 90 days) as at 30 June 2019.*

2 *Excludes investment in Sunstone Metals Ltd.*

3 *Closing share price as at 30 June.*

PNX reported an overall loss for the year after tax of $1.1 million (2018: $1.0 million), including a $0.137 million impairment charge to reduce the carrying value of the Kilfoyle tenements to $Nil. The loss for the year was net of a $0.22 million (2018: $0.25 million) income tax benefit relating to the Company's research and development tax offset claims.

Pre-tax loss for the year was $1.30 million compared to $1.25 million in 2018. The increased loss is primarily due to the difference in non-cash items, notably the Kilfoyle impairment charge in 2019 and interest expense of $60K settled by issuing shares in 2018.

The Company raised $3.4 million net of costs from placements to sophisticated and professional investors in August/ September 2018, and completed a fully underwritten non-renounceable rights issue in May 2019 which raised $5.1 million net of costs. PNX spent $2.94 million on exploration activities during the year, of which $0.94 million related to Hayes Creek feasibility studies and $2.0 million to its key regional exploration projects in the NT.

At 30 June 2019, the Group had no debt, and:

- cash holdings of $2.8 million,
- term deposits of $2.5 million, and
- an investment in Sunstone Metals Limited at a market value of $0.5 million.

HAYES CREEK PROJECT

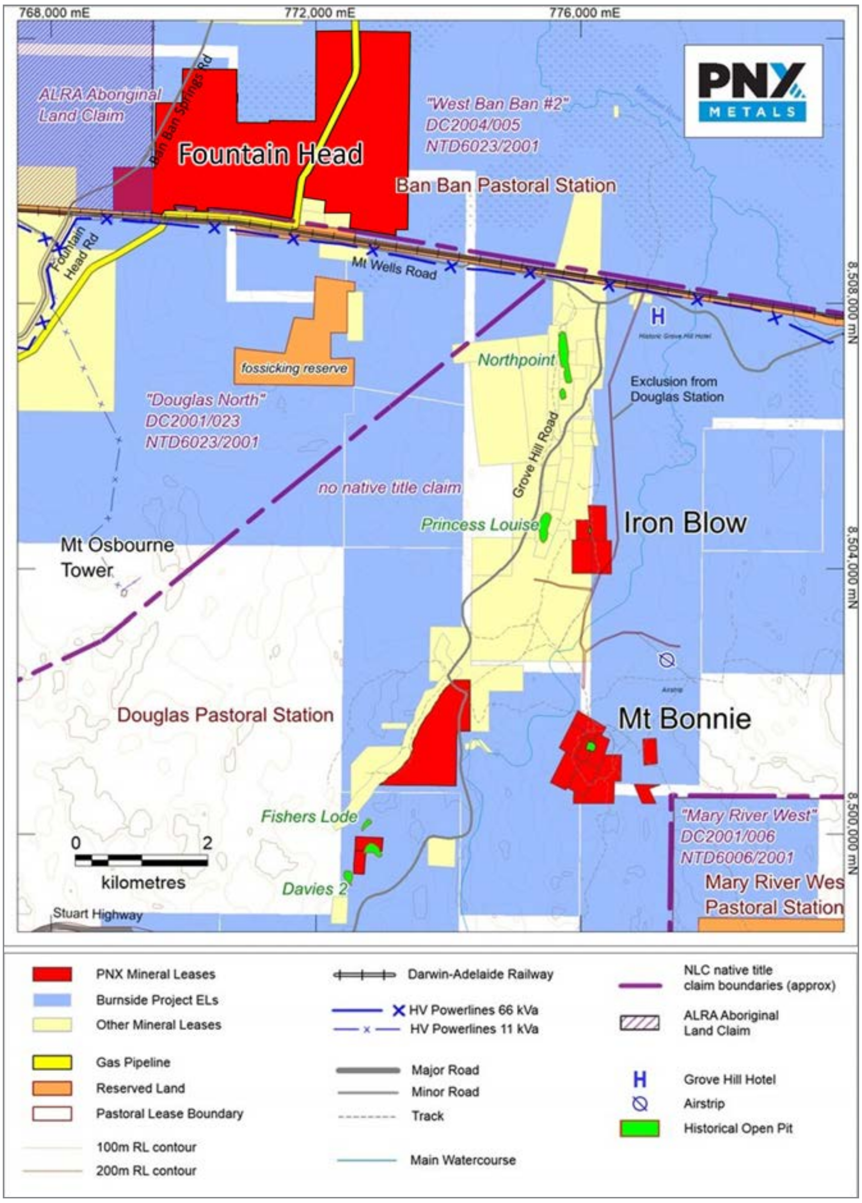

Figure 3 *Hayes Creek Project.*

DEVELOPMENT STUDIES REPORT

Detailed feasibility studies are currently underway on the Hayes Creek Project and this follows the successful completion of a PFS in July 2017 which confirmed that the Project is a promising, high value, relatively low risk and technically strong development opportunity. The DFS is expected to provide increased confidence in all aspects of the Project and will also investigate opportunities to improve overall Project economics and meet the Company's objective to be a successful explorer and a sustainable and profitable gold and base metals producer.

The proposed process plant is planned to be constructed at the historic Fountain Head mining area located approximately 15 km to the north of the Iron Blow and Mt Bonnie deposits. It is anticipated that two product streams will be produced, a zinc concentrate and a precious metals concentrate, as well as tailings. All concentrates would be trucked to the main port of Darwin for shipment to international markets.

Activities at Hayes Creek during the year focused on the progression of technical studies to inform the DFS, and exploration drilling. These are summarised below and include:

- Diamond drilling at Iron Blow
- Reverse circulation and diamond drilling at Fountain Head and Cookies Corner
- Metallurgical test-work and process design
- Environmental permitting and approvals
- Geochemical (waste rock characterisation) and hydrological studies
- Power and infrastructure studies
- Fountain Head resource estimate.

HAYES CREEK PROJECT

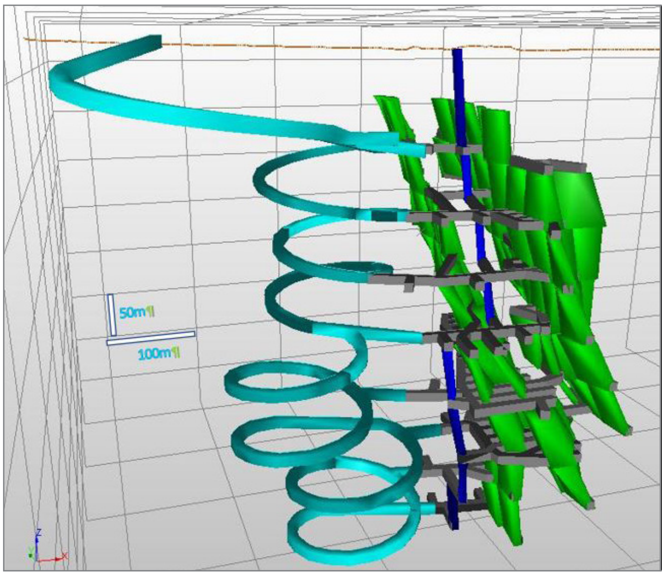

Figure 4 *Long section of Iron Blow underground mine depicting; stopes = green, decline = light blue, vent raise = blue, ore drives = grey.*

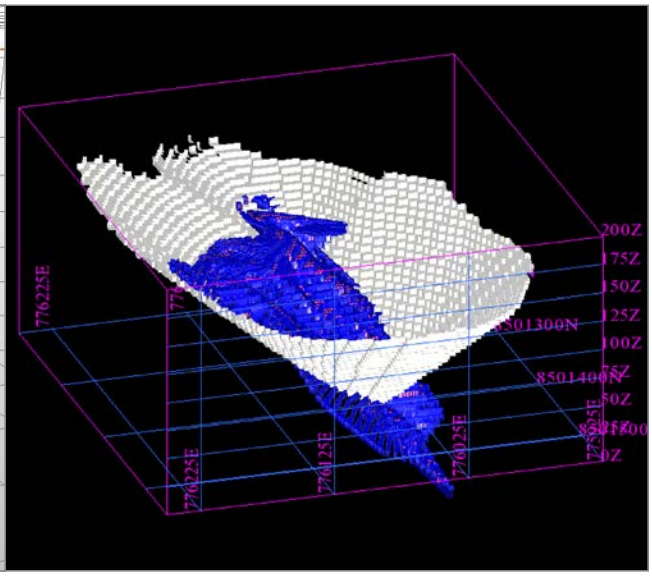

Figure 5 *Mt Bonnie open pit shell.*

DIAMOND DRILLING AT IRON BLOW

In late 2018, two diamond drill holes were completed at Iron Blow which provided samples for DFS level metallurgical test-work, additional geotechnical information, and assay data for stope design and scheduling of the proposed underground development. The results of the metallurgical test-work will also assist in plant design and establish parameters to be used in offtake and marketing negotiations.

Thick intersections of massive sulphide mineralisation were reported from within the eastern and western lodes, consistent with the geological model (ASX release 27 June 2019). Significant assays include:

- 85.22m at 11.87% zinc, 4.19g/t gold, 309g/t silver, 1.94% lead, 0.49% copper from 115.9m in IBDH061 (eastern lode)
- 48.07m at 5.67% zinc, 2.45g/t gold, and 90.6g/t silver from 230.3m in IBDH063 (western lode)

Drill hole IBDH062 also intersected a near-surface zone of oxide gold and silver mineralisation in the western lode:

- 21.42m at 1.98g/t gold and 161g/t silver from 2.3m in IBDH062

Significantly, this zone is situated up-dip of previous testing and is outside the current resource estimate and mining plan.

Figure 6 *Core samples from Iron Blow drilling, Hole IBDH023 – from 162m to 166m.*

METALLURGY AND PROCESS DESIGN

Samples of the various ore types were collected from Iron Blow and Mt Bonnie, along with water from Fountain Head (which will likely be used as process water) for metallurgical test-work and process design.

Previous test-work used master composites, being a combination of eastern and western lodes to reflect the resource as a whole. The new metallurgical locked cycle test-work will assess Iron Blow eastern and western lodes separately and then three variability samples will also be tested to ensure proposed operating parameters are sufficient to manage the variable ore grades and ore types likely to be received.

Figure 7 *Flotation and leaching test-work.*

The first of the Iron Blow baseline batch flotation tests have been completed to confirm the grinding (initial and re-grind), reagent and residence time conditions for the subsequent locked cycle testing conditions.

Mt Bonnie samples will be used to re-establish baseline flotation conditions. Concentrate cleaner optimisation is also to be completed to maximise the upside in zinc recovery prior to undertaking the locked cycle testing.

New innovative flotation and leaching test-work was also completed on the Iron Blow float tailings stream and achieved additional recoveries of precious metals to solution and then to doré (a semi-pure alloy of gold and silver cast as a doré bar) of at least 10.7% gold and 17.0% silver. This indicates potential for the recovery of approximately 13koz of gold and 1Moz of silver over life-of-mine creating a new revenue stream for the Project that would otherwise be lost to tailings.

ENVIRONMENTAL PERMITTING AND APPROVALS

A Notice of Intent (NOI) was submitted to the NT Environment Protection Authority (EPA) in August 2018. The NOI is the first step in the environmental approval process in the NT and provides a description of the project including the options being considered together with a background environmental description.

As expected, the EPA determined that the appropriate level of assessment of the project should be an EIS. Final terms of reference have been developed by the EPA to assist PNX in preparing the EIS for the Project after a period of public consultation in August 2019.

In February 2019, the Company submitted a referral regarding the Hayes Creek development under the Australian Government's *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). The Company has received the positive notice that the Hayes Creek development is not considered a controlled action and does not require further assessment and approval under the EPBC Act.

Submission of the EIS is expected around May 2020 with the operations mine management plan to be drafted and submitted thereafter.

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.

Technical studies to support the EIS are underway and both an aquatic survey and a site investigation and water sampling survey have been completed. Additional site ethnographic, flora and fauna and air quality surveys have commenced. The majority of the technical and project inputs necessary to underpin the specific studies have also been provided.

Column leach tests utilising waste rock collected during various drilling campaigns have continued to collect water quality data which will be used in modelling of groundwater both during and post completion of mining.

HAYES CREEK PROJECT

POWER AND INFRASTRUCTURE STUDIES

Further work has taken place during the year to define potential infrastructure locations and requirements, combined with reviews of numerous options for base power generation and supply.

With the Bonaparte gas pipeline being less than 1km from the proposed processing facility at Fountain Head, gas fired base load power appears to be the most viable option for the Project and negotiations for gas supply and pipeline access have commenced.

Detailed designs for office layout and plant locations have been reviewed that consider access options and with the view to utilising as much previously disturbed ground as possible. These details will be utilised in the EIS study moving forward and provide more clarity to the DFS.

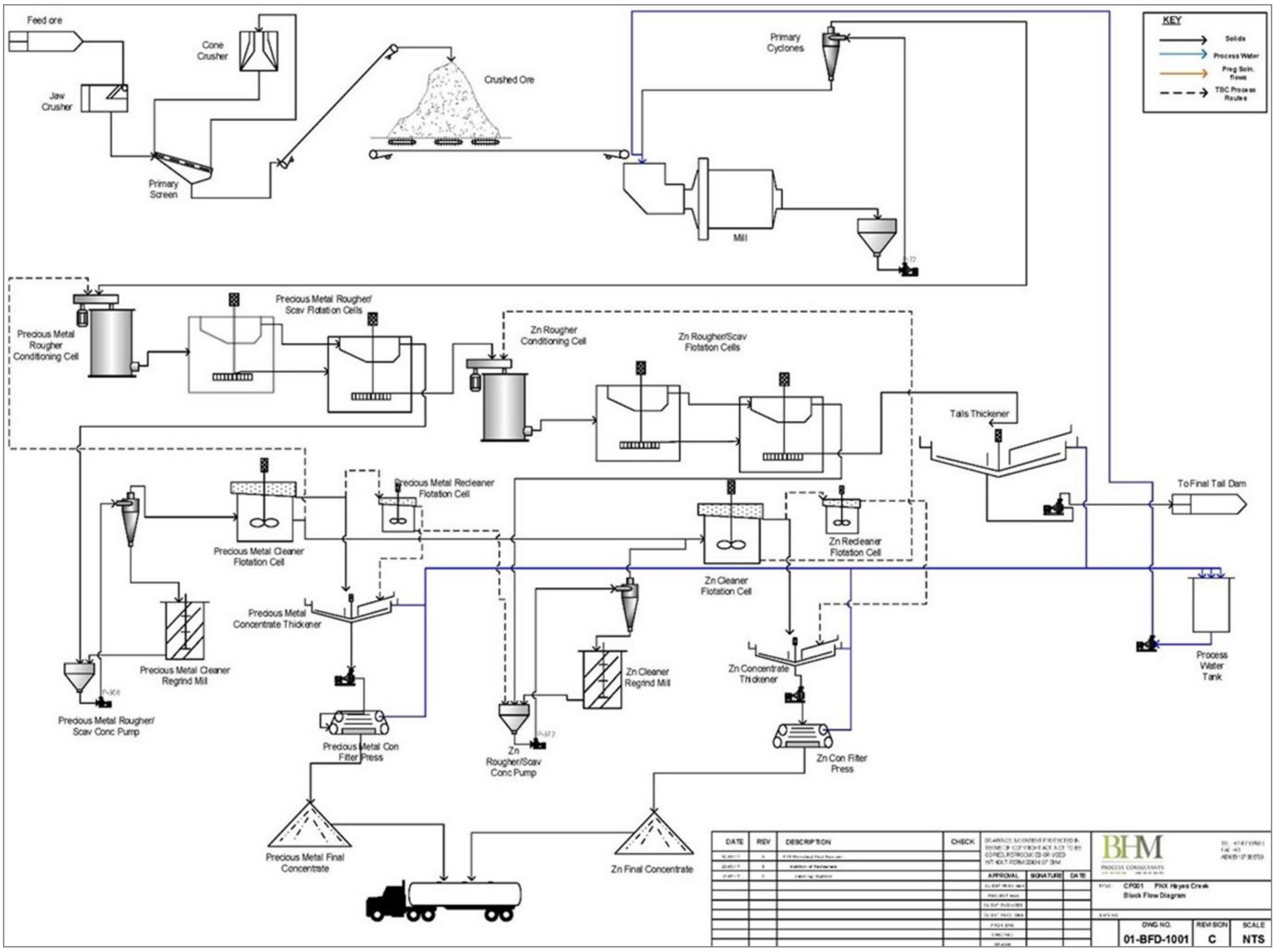

Figure 8 *Process flowsheet.*

REGIONAL EXPLORATION PROJECTS

In addition to the Hayes Creek Project, PNX holds significant exploration tenure in the highly prospective Pine Creek Orogen (Figure 9).

PNX's strategy regarding regional exploration is to discover and delineate additional high-value base metals and/or gold deposits to complement and enhance the proposed development at Hayes Creek or feed into existing free milling gold infrastructure in the region. During the year under review exploration drilling was completed at the Fountain Head (100%), Moline (100%), and Burnside Projects (90%).

The Burnside and Chessman Projects (Figure 9) consist of 18 Exploration Licences and one Mineral Lease and are subject to a farm-in agreement with Newmarket. PNX completed the second stage of the farm-in during December 2018 increasing its interest in these areas from 51% to 90%.

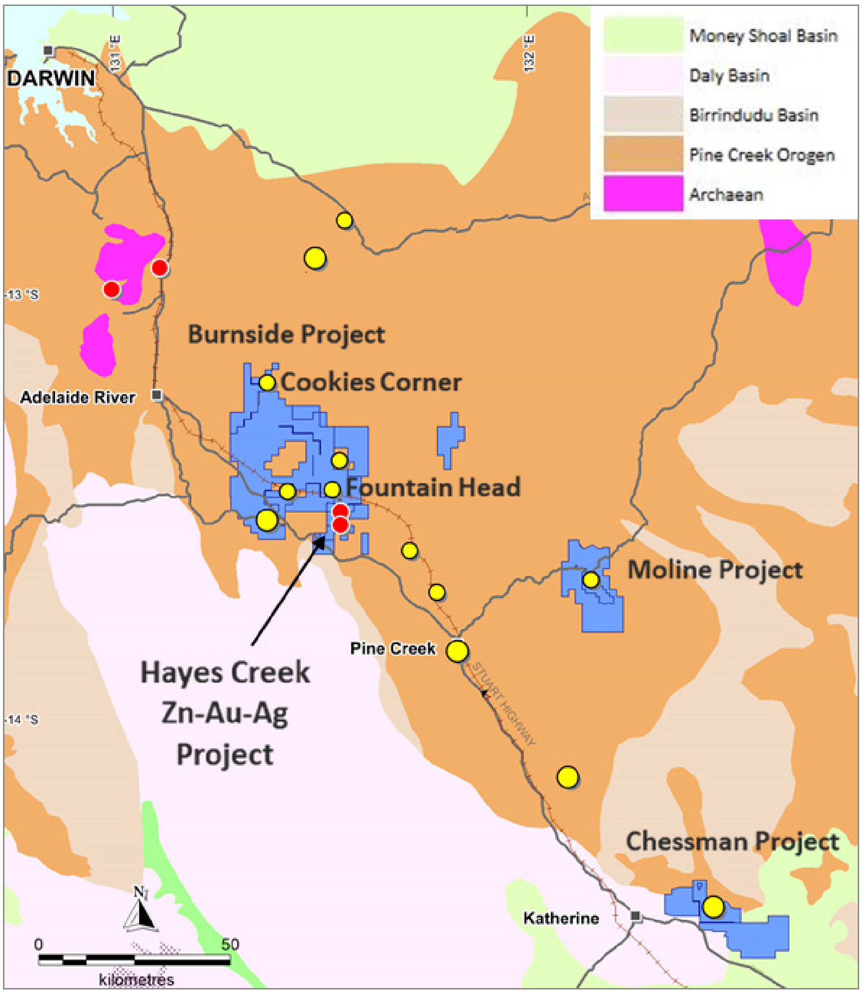

Figure 9 *Regional exploration projects.*

REGIONAL EXPLORATION PROJECTS

FOUNTAIN HEAD

In addition to being the preferred site for the processing plant and tailings facility for Hayes Creek, the Fountain Head area is also host to a number of high-grade gold prospects.

During July 2018, a large drill program was completed at the Fountain Head project consisting of approximately 2,700 metres of RC and 770 metres of diamond drilling (see ASX releases 23 July 2018, 2 August 2018, 22 August 2018, 23 August 2018, 19 September 2018, and 20 December 2018).

The program was designed to test for gold mineralisation directly under the existing Fountain Head and Tally Ho historic mining areas and over an approximate 1.6 km strike extent to the north-west along the Fountain Head anticline. The return of numerous high-grade gold intersections along a 1.6 km strike extent demonstrates that a sizeable gold system is emerging at the Fountain Head project.

Highlights from the drill program include:

Banner prospect

- 6m at 39.5g/t Au from 54m in FHRC085, including:
  - » 1m at 215g/t Au from 54m

Fountain Head lode

- 1m at 10.86g/t Au from 29m in FHRC072;
- 3m at 11.09g/t Au from 93m in FHRC062;
- 1m at 28.00g/t Au from 83m in FHRC070; and
- 16m @ 1.37g/t Au from surface in FHRC074, including:
  - » 1m @ 8.39g/t Au from 5m

Tally Ho lode

- 5m @ 3.96g/t Au from 107m in FHRC076, including:
  - » 2m @ 9.17g/t Au from 110m

Assays results from the diamond drill component of the program containing high-grade gold include:

- 6.67m at 11.35g/t Au from 201.15m in FHRC077D (Tally Ho lode), including:
  - » 0.85m at 84.8g/t Au from 201.15m
- 1m at 6.64g/t Au from 172.48m in FHDD092 (Tally Ho lode)

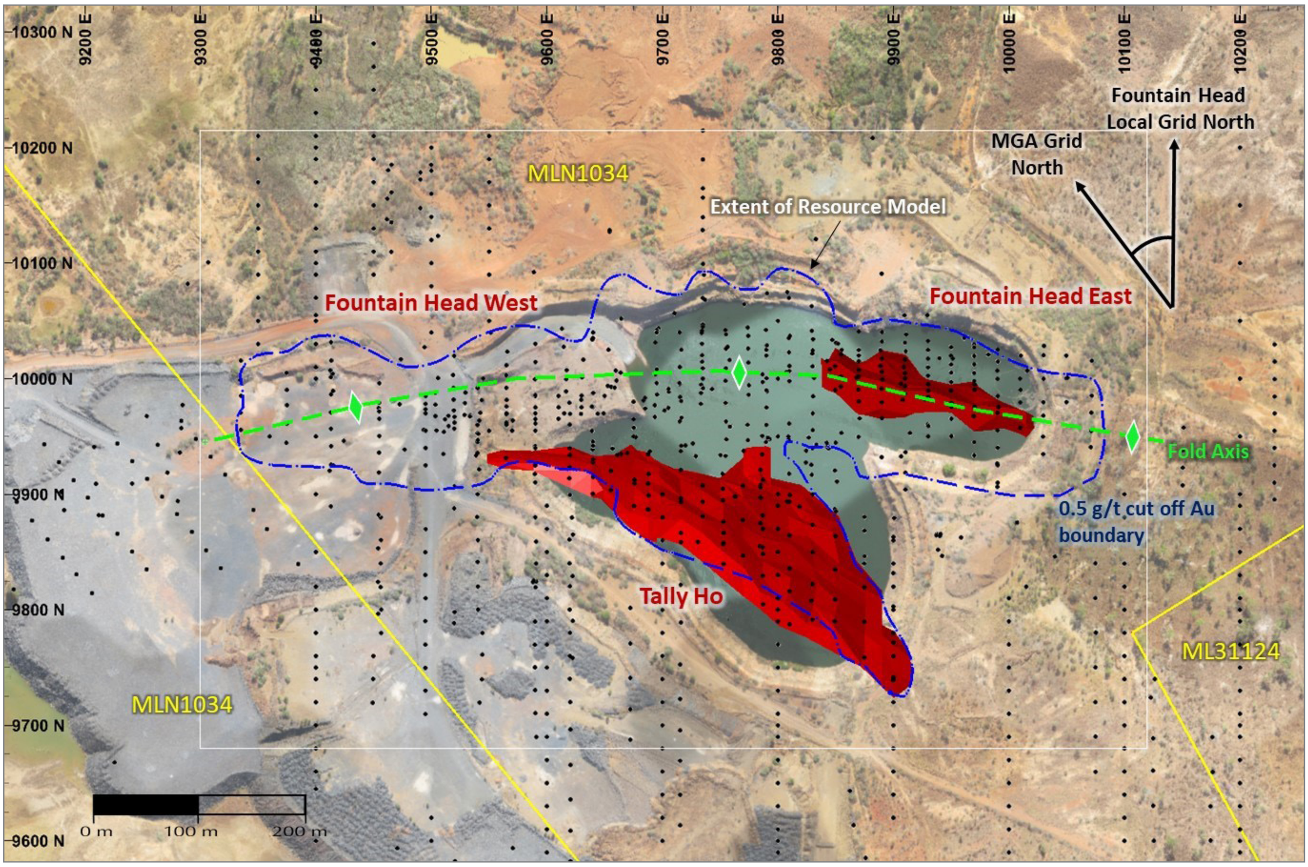

Figure 10 *Plan view of the Fountain Head and Tally Ho Mineral Resources showing proximity to historic mining areas, mineral leases and drill collar locations. Fountain Head anticline is shown in green.*

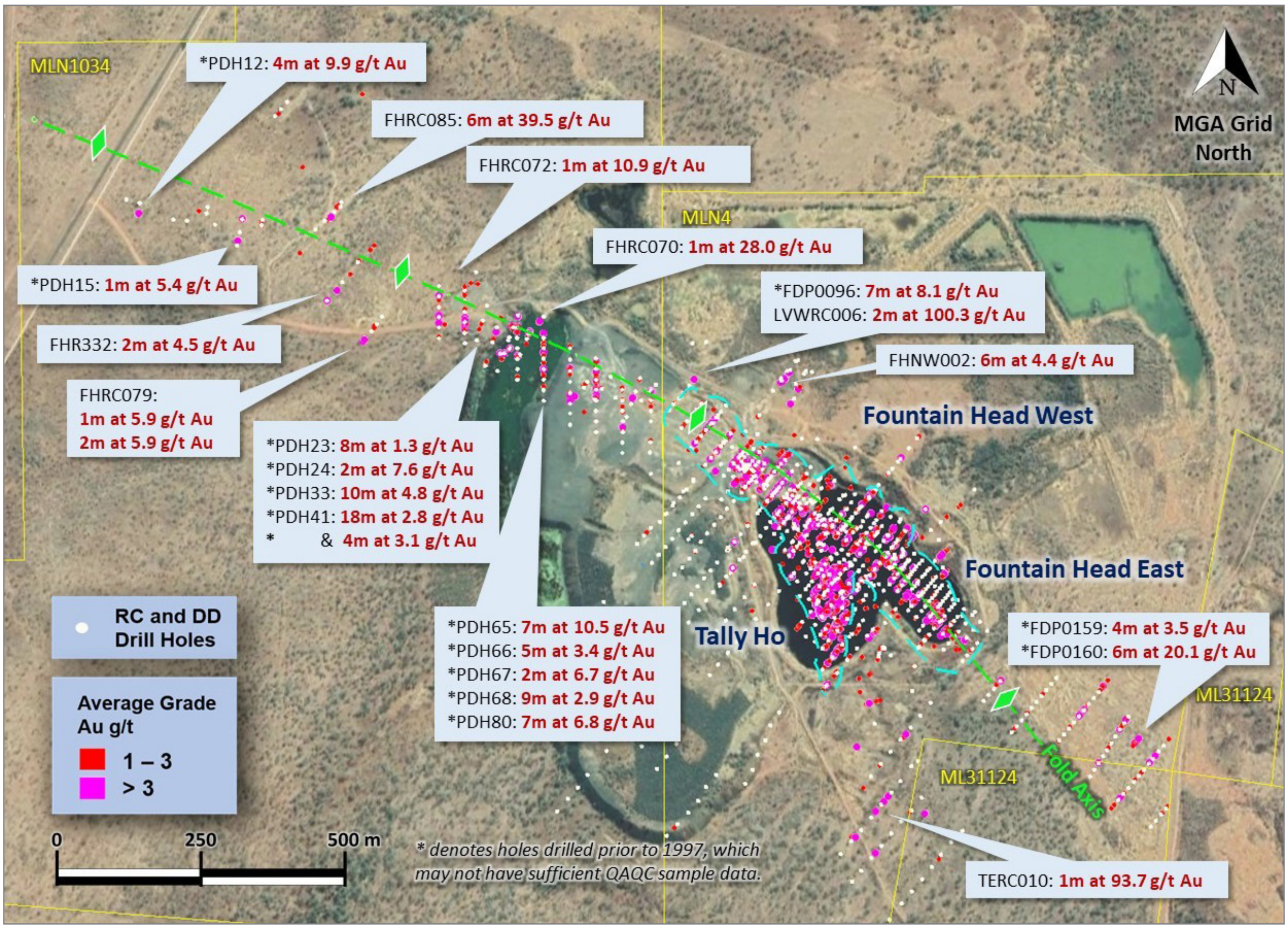

Figure 11 *Fountain Head plan showing selection of mineralised drill hole intercepts greater than 1 g/t Au outside of the mineral resource estimate.*

Mineral Resource Estimate

Analysis of this drilling and re-interpretation of historic drill hole data has resulted in the development of a new geological model, and the Company's' first mineral resource for Fountain Head containing 138,000oz gold (reported in accordance with the JORC Code 2012) for the Fountain Head and Tally Ho deposits, (refer to Table 5 on Page 28, see ASX announcement dated 11 July 2019).

This new resource is an important development as it highlights the significant potential of the Company's large NT exploration tenure. Detailed studies are being undertaken to determine if all or some of these mineral resources may be incorporated into the overall Hayes Creek Project.

Additional drill testing is required to target depth extensions to mineralised zones and to increase the density of drill data along strike to support additional mineral resources. Interpretation of the newly developed geological model suggests that drilling of the hinge of the anticline and associated sub-vertical structures could provide the greatest return; this concept is part of a drill program ongoing as at the date of this report.

REGIONAL EXPLORATION PROJECTS

MOLINE

The 100% owned Moline project is located approximately 65km to the east of Hayes Creek and less than 1.5 km off the Kakadu Highway (Figure 9). Moline comprises three main "lines of lode" hosting numerous gold and gold-zinc prospects, including Moline, School, Tumbling Dice, Swan, and Hercules.

The majority of historical mining only extended to shallow depths in the oxide zone and studies have indicated that the primary mineralisation at depth could potentially be recovered and upgraded to a high-value concentrate utilising the proposed Hayes Creek process plant.

Following up on positive results from 2016 and 2017 drill campaigns, PNX carried out RC and diamond drilling for approximately 1,500m in late 2018 to further evaluate the resource potential and to collect samples for preliminary metallurgical data (Figure 12).

The initial program was focused on the Moline and Tumbling Dice prospects in order to increase geological confidence and continue to define mineralisation within the boundaries of potential open-pit mining.

Highlights of drilling include:

- 5m at 1.08g/t Au and 1.6g/t Ag from 92m in MORC035;
  - » Including 1m at 2.45g/t Au, 7.0g/t Ag and 1.33% Zn
- 6m at 1.50g/t Au, 1.03% Zn from 104m and 4.13m at 1.62g/t Au from 144.42m in MORC036;
- 14m at 0.9g/t Au from 97m in MORC038;
  - » Including 6m at 1.5g/t Au from 99m
- 1m at 8.4g/t Au from 69m in MORC039;
- 1m at 1.33% Zn from 72m and 2m at 1.61% Zn from 81m in MORC040;
- 2.49m at 3.38g/t Au from 134.48m in MORC014; and
- 1.64m at 2.28g/t Au from 132.42m and 2.79m at 1.85g/t Au from 142.2m in MORC042

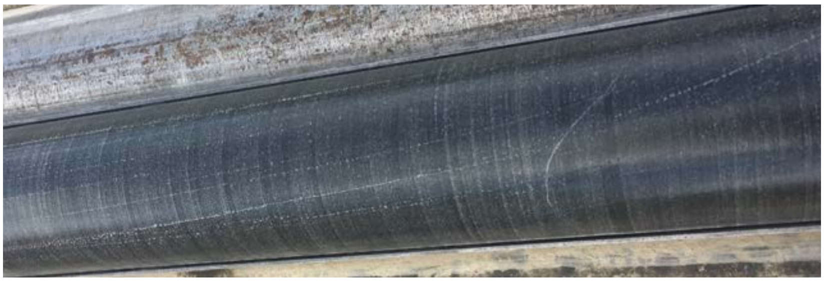

Figure 12 *Core samples at Moline.*

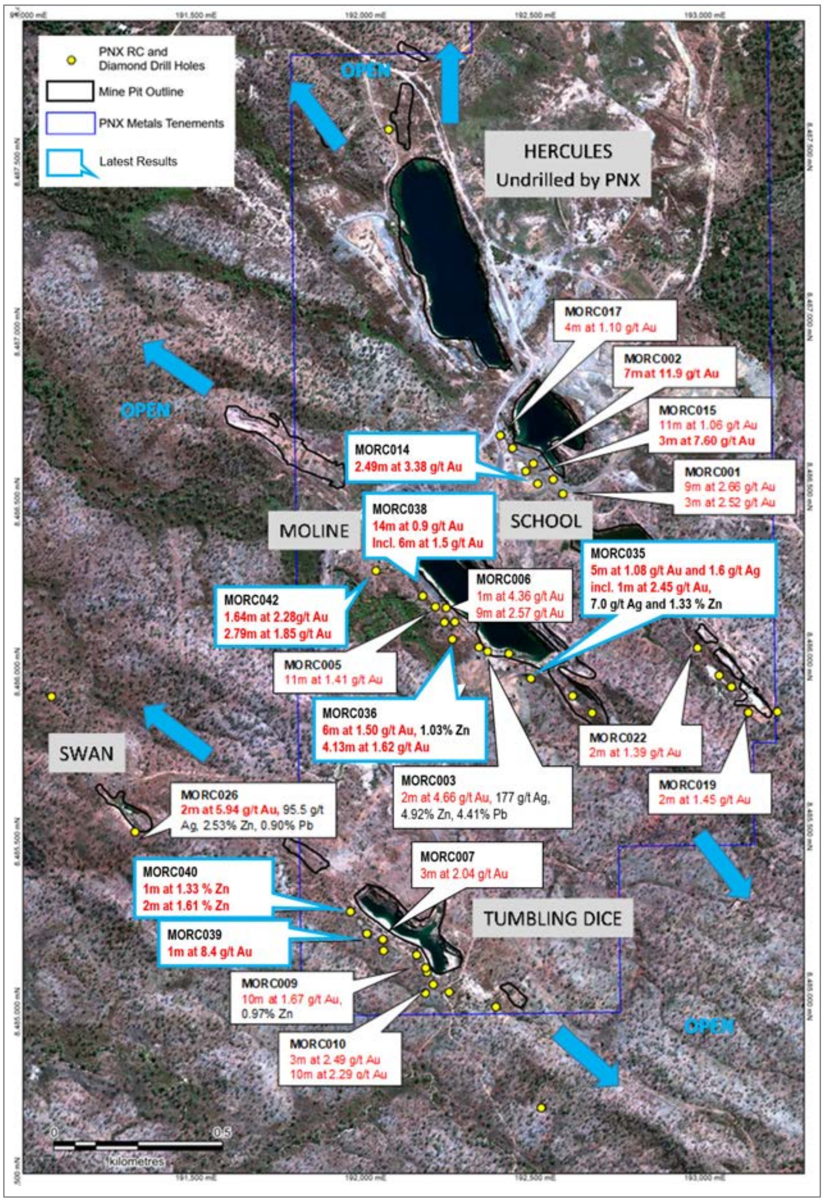

Figure 13 *Moline Project drill collar locations.*

REGIONAL EXPLORATION PROJECTS

BURNSIDE

The Burnside project (90%) is located along the Stuart Highway, 150km south of Darwin. It surrounds Hayes Creek and Fountain Head project, and therefore is strategically important in the future growth plans of PNX. There are numerous mineral deposits and mineral occurrences within the Pine Creek Orogen that attest to the mineral wealth of the area, these include the third-party owned Cosmo-Howley, Woolwonga, the Brocks Creek group, and Goodall deposits, with around 2Moz of gold produced historically.

Drilling was completed at Cookies Corner, one of a cluster of gold targets in the north-west of PNX's Burnside exploration project, located at the convergence of two major gold-producing structural corridors, the Pine Creek Shear Zone and the Howley Anticline (host to Kirkland Lake Gold Limited's Cosmo gold mine). The Cookies Corner geochemical anomaly is directly analogous to that observed over the historic Goodall mine located 4km to the south-west. Goodall was discovered via geochemical sampling in 1981, mined from 1988-1993 and produced, on average over that time, 41,500oz Au per year[1].

Twenty-three holes were drilled to test the source of a consistent >0.1g/t gold in soils anomaly. All holes drilled intersected gold mineralisation over an approximate 800m strike length (Figure 14) (ASX release 9 October 2018 and 29 January 2019). Highlights from the program include:

- 8m at 3.13g/t Au from 12m in CCRC005; including:
  - » 1m @ 11. g/t Au from 12m
- 6m at 3.72g/t Au from 71m in CCRC002;
- 19m at 1.15g/t Au from 10m in CCRC012;
- 11m at 1.13g/t Au from 75m in CCRC023; including:
  - » 1m at 5.62g/t Au from 75m

The Company is growing increasingly confident in the potential for additional mineral resources within the Burnside project area; prospects such as Ithaca, Ios and Santorini along the Howley Anticline are already well advanced with Cookies Corner now also in that category. The Goodall area also contains what now would be considered potentially economic gold intersections which were not followed up by previous explorers, including Western Mining in the 1980s. The Golden Dyke Dome area, located close to Hayes Creek contains numerous historic open-pits and gold in near-surface oxide mineralisation that has not been drill-tested within this gold-price environment.

Base metals potential is evidenced by the Iron Blow and Mt Bonnie zinc-gold-silver massive sulphide deposits, and the historic Mt Ellison copper mine. Further exploration work is warranted and on-ground mapping and follow up of geophysical targets will continue.

1 *Exploration and Geology of the Goodall Gold Mine, D R Quick, AusIMM Annual Conference 1994*

REGIONAL EXPLORATION PROJECTS

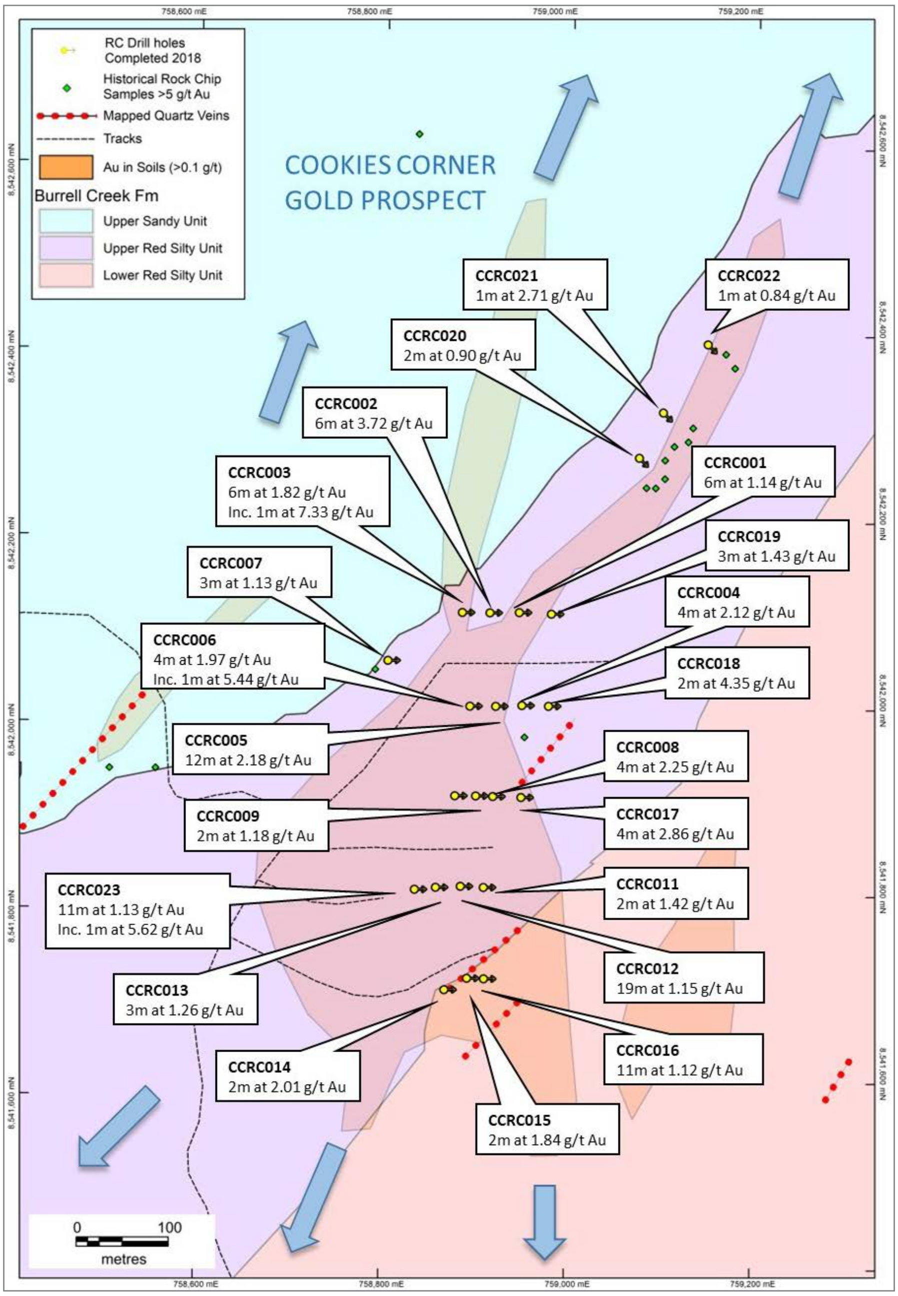

Figure 14 *Cookies Corner plan view showing PNX completed drilling, gold-in-soil anomaly and target structure on geology.*

REGIONAL EXPLORATION PROJECTS

CHESSMAN PROJECT

The Chessman Project is located approximately 20km due east of Katherine 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 contemplated for development by Kirkland Lake Gold. No work was completed by PNX on the Chessman Project Area during this reporting period.

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.

During June 2019, the Company withdrew from the Kilfoyle farm-in due to prioritisation of the Hayes Creek DFS and Fountain Head activities over regional exploration on non-PNX assets, and no high-priority base metals targets having been identified to drill test.

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 (Ausmex) 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 is to be completed by 30 September 2019 but can be extended to 31 December 2019. Ausmex may then elect to continue to Stage 2 at which time PNX may instead elect to form a joint venture and contribute to 40% of future exploration expenditure.

All South Australian tenements remain in good standing.

EXPLORATION REPORT

ENVIRONMENT

The Company has approved exploration and care and maintenance Mine Management Plans (MMPs) for all project areas in the NT; these include environmental bonds which are required prior to any 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 2019.

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%	262.5 km^2
EL31893	Ryan Creek	PNX Metals Ltd 100%	23.4 km^2
EL31099	Bridge Creek	PNX Metals Ltd 100%	60.2 km^2
TOTAL EXPLORATION LICENCES			346.1 km^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 90%, Newmarket 10%	14.9
EL10347	Golden Dyke	PNX Metals Limited 90%, Newmarket 10%	10.0
EL23431	Thunderball	PNX Metals Limited 90%, Newmarket 10%	13.4
EL23536	Brocks Creek	PNX Metals Limited 90%, Newmarket 10%	70.4
EL23540	Jenkins	PNX Metals Limited 90%, Newmarket 10%	16.7
EL23541	Cosmo North	PNX Metals Limited 90%, Newmarket 10%	3.3
EL24018	Hayes Creek	PNX Metals Limited 90%, Newmarket 10%	23.4
EL24051	Margaret River	PNX Metals Limited 90%, Newmarket 10%	86.9
EL24058	Yam Creek	PNX Metals Limited 90%, Newmarket 10%	3.3
EL24351	McCallum Creek	PNX Metals Limited 90%, Newmarket 10%	13.4
EL24405	Yam Creek	PNX Metals Limited 90%, Newmarket 10%	4.1
EL24409	Brocks Creek South	PNX Metals Limited 90%, Newmarket 10%	22.1
EL24715	Mt Masson	PNX Metals Limited 90%, Newmarket 10%	56.8
EL25295	Margaret Diggings	PNX Metals Limited 90%, Newmarket 10%	10.0
EL25748	Burnside	PNX Metals Limited 90%, Newmarket 10%	584.5
EL9608	Mt Bonnie	PNX Metals Limited 90%, Newmarket 10%	10.0
Chessman Project*			
Tenement	Name		
EL25054	Maud	PNX Metals Limited 90%, Newmarket 10%	64.0
EL28902	Maud	PNX Metals Limited 90%, Newmarket 10%	104.5
ML30293	Chessman	PNX Metals Limited 90%, Newmarket 10%	1.1
TOTAL EXPLORATION LICENCES			1,113

* *PNX has earned 90% interest under a farm-in agreement with Newmarket – awaiting completion of formal transfer of 90% interest.*

SOUTH AUSTRALIA

PNX TENEMENTS

EXPLORATION LICENCES	NAME	HOLDER	AREA (km^2)
Adelaide Geosyncline**			
EL6326	Burra Central	PNX Metals Ltd 100%	84
EL5874	Burra West	PNX Metals Ltd 100%	69
EL6150	Burra North	PNX Metals Ltd 100%	300
EL6327	Mongolata	PNX Metals Ltd 100%	60
EL5918	Princess Royal	PNX Metals Ltd 100%	314
EL6386	Bagot Well	PNX Metals Ltd 100%	71
EL5910	Spalding	PNX Metals Ltd 100%	157
ELA2019/00085	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
ELA 2019/00062	Koolywurtie#	PNX Metals Ltd 100%	255
ELA 2017/00099	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.*

Tenenment under subsequent renewal.

MINERAL RESOURCES AND ORE RESERVES

As at 30 June 2019

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

MINERAL RESOURCES AND ORE RESERVES

As at 30 June 2019

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 Hayes Creek Project 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 eastern lode (Zn-Au-Ag-Pb) and western lode (Zn-Au), and four subsidiary lodes with a 1 g/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 0.5 g/t gold and silver domains are reported above a cut-off grade of 50 g/t silver.

FOUNTAIN HEAD MINERAL RESOURCES

Table 5: Fountain Head and Tally Ho initial Mineral Resources by JORC Classification as at 11 July 2019

JORC CLASSIFICATION	TONNAGE (Mt)	AU (g/t)	OUNCES (Koz)
TALLY HO			
Indicated	0.94	2.0	59
Inferred	–	–	–
Total	0.94	2.0	59
FOUNTAIN HEAD			
Indicated	0.50	1.5	23
Inferred	1.15	1.5	55
Total	1.64	1.5	79
GLOBAL			
Indicated	1.43	1.8	83
Inferred	1.15	1.5	55
Total	2.58	1.7	138

Notes relating to Fountain Head Mineral Resources

- 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 Fountain Head and Tally Ho deposits have occurred since they were originally reported (please refer to ASX Release dated 11 July 2019).
- Fountain Head and Tally Ho mineralisation reported above a cut-off grade of 0.7 g/t Au/t gold, consistent with the proposed open pit mining method.

SOUTH AUSTRALIA

EL5918 – PRINCESS ROYAL

Table 6: 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 respectively and there have been no material changes in the estimated resources, underlying assumptions or technical parameters since then.

The reported mineral resources for Fountain Head and Tally Ho were initially reported on 11 July 2019 (Refer to ASX Release dated 11 July 2019) 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, and in particular PNX employee Mr Bradley Ermel, (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 Bradley Ermel, a Competent Person who is a Member of the Australian Institute of geoscientists (AIG). Mr Ermel 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 Ermel is a full-time employee of PNX Metals Ltd and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

The Directors of PNX Metals Limited ('PNX' or 'Company') present their report for the financial year ended 30 June 2019.

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 30 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 2019, 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 – from 9 October 2006 to 15 May 2019
- 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 2019, 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 48 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 (an Adelaide headquartered firm with Sydney, Melbourne and Brisbane offices). 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 essential oil products and over-the-counter therapeutic products) and a trustee of a perpetual charitable trust.

In the 3 years immediately prior to 30 June 2019, 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 fields, including Lawson Gold Limited and Buka Gold Limited. He was Chief Financial Officer and an executive director of AIM listed Minerals Securities Limited, based in London. Over a period of 14 years 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 2019, 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 2019, James Fox held no directorships of other listed companies.

COMPANY SECRETARY

Angelo Gaudio

(Appointed 10 January 2019)

Angelo Gaudio has significant experience in senior financial positions within the resource sector. Previous roles include; the Chief Financial Officer and Company Secretary for Investigator Resources Limited, Renascor Resources Limited, as well as Vice President, Finance and Administration with Heathgate Resources.

Angelo is a qualified accountant with over forty years of finance, management and accounting experience. His expertise includes corporate finance, risk management, financial reporting and corporate development. Angelo is a Fellow of the Institute of Public Accountants and a certificated member of the Governance Institute of Australia.

Tim Moran

(resigned 10 January 2019)

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, unlisted options and Performance Rights of PNX are as follows:

Graham Ascough, Non-Executive Chairman

Graham Ascough has an indirect interest in 11,066,532 Shares and 3,125,000 unquoted options with an exercise price of 1.5 cents each, expiring on 30 September 2021.

Paul Dowd, Non-Executive Director

Paul Dowd has a direct interest in 500,000 Shares, an indirect interest in 21,354,638 Shares and 6,250,000 unquoted options with an exercise price of 1.5 cents each, expiring on 30 September 2021.

Peter Watson, Non-Executive Director

Peter Watson has a direct interest in 2,827,571 Shares and an indirect interest in 13,485,714 Shares.

David Hillier, Non-executive Director

David Hillier has an indirect interest in 10,500,001 Shares and 3,125,000 unquoted options with an exercise price of 1.5 cents each, expiring on 30 September 2021.

James Fox, Managing Director & CEO

James Fox holds 11,600,000 Performance Rights, and a related party of Mr Fox holds 9,999,999 Shares and 1,875,000 unquoted options with an exercise price of 1.5 cents each, expiring on 30 September 2021.

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 Detailed Feasibility Study ('DFS') over its zinc-gold-silver Hayes Creek Project, as well as conducting near-mine and regional mineral exploration at its Fountain Head, Moline, Burnside, and Chessman projects in the Pine Creek region of the Northern Territory ('NT').

DIRECTORS' REPORT

REVIEW OF OPERATIONS

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.

The Group reported an overall loss after tax for the year of $1.1 million (2018: $1.0 million). The higher loss figure (up $0.1 million) was due primarily to the $137k impairment of exploration and evaluation expenditure.

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

Net operating cash outflows of $1.2 million for the year reflect the loss after tax. Exploration cash outflows of $2.9 million consisted of $0.9 million on the Hayes Creek DFS, including drilling undertaken during the year for resource definition and geotechnical, hydrological and metallurgical purposes. NT regional exploration costs for the year were $2.0 million, including drilling at Fountain Head ($1.0 million), that resulted in a JORC resource estimate being completed and reported in an ASX Release dated 11 July 2019.

The Company raised $2.1 million from the first tranche of a two-part share placement at 0.8 cents per share to sophisticated and professional investors during August 2018. A second tranche of the share placement approved by shareholders was completed on 20 September 2018 and raised a further $1.36 million. Each share issued as part of the two tranche placement (total 433,125,000) included an attaching free unquoted option – for details see Options and Performance Rights below.

A fully underwitten non-renounceable rights issue was completed on 20 May 2019 with the issue of 913,233,122 shares at 0.6 cents per share, raising $5.1 million (after costs). At 30 June 2019, the Group had cash holdings of $2.8 million plus a further $2.5 million in Term Deposits, with terms greater than 90 days, and as such these are classified in the statement of financial position as Financial assets – Term Deposits.

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

There has been no 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 2019-20, PNX plans to complete detailed feasibility studies over the Hayes Creek Project, including finalisation of metallurgical studies and process plant design and the completion of the Project's Environmental Impact Statement for publication. The Company also continues with efforts to secure marketing and sales agreements.

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 completed the second stage of its farm-in agreement with Newmarket during December 2018, and has now earned 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. A project referral was submitted to the Commonwealth Department of Environment and Energy in accordance with the *Environmental Protection Biodiversity Act 1999* to assess the proposed development of Hayes Creek Project and the level of approval required. The referral was released for public comment for a period of two weeks during March 2019 and the Company recently received a decision that the proposal to develop Hayes Creek is not a controlled action.

As expected, NT EPA has determined that the Hayes Creek Project requires assessment under the *Environmental Assessment Act 1982* at the level of an Environmental Impact Statement (EIS).

Draft Terms of Reference were developed by the NT EPA to assist PNX in preparing an EIS for the Project.

OPTIONS AND PERFORMANCE RIGHTS

During the year there were 10,000,000 Performance Rights issued to the Managing Director, James Fox, as approved by shareholders at the Annual General Meeting held on 24 October 2018. During the year there were no shares issued in satisfaction of Performance Rights that vested under the Company's Performance Rights Plan. 4,630,000 Performance Rights expired during the year as the vesting conditions were not met. At the date of this report, 12,440,000 Performance Rights are on issue.

During the year, 433,125,000 unquoted options exercisable at a price of 1.5 cents and expiring on 30 September 2021 were issued to participants of a share placement completed on 2 October 2018. The options were issued on the basis of one attaching unquoted option for each share subscribed for, as approved by shareholders at an EGM held on 12 September 2018. 65,450,000 unquoted options with a 5.0 cent exercise price expired on 31 May 2019. As at the date of this report, a total of 453,125,000 unquoted options are on issue, including 20,000,000 unquoted options previously issued to and held by a subsidiary of Hartleys Limited under the terms of a service agreement.

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, Peter Watson, David Hillier and James Fox attended all 9, while Paul Dowd attended 7 of the 9 meetings.

Three 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 and Paul Dowd by invitation.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 39.

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:

- Angelo Gaudio (Company Secretary & Chief Financial Officer – appointed 10 January 2019)
- Tim Moran (Company Secretary & Chief Financial Officer – resigned 10 January 2019)
- Andy Bennett (Exploration Manager – resigned 6 September 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. No additional amounts were paid to any director during the financial year (2018: $ Nil). There has been no changes to these fees or entitlemets since the inception of the Company in 2007.

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 2019 and as of the date of this report, Mr Fox held no Shares in the Company directly. At 30 June 2019 and the date of this report, a related party of Mr Fox held 9,999,999 Shares in the Company.

During the year, 1,600,000 of 3,200,000 Performance Rights held by Mr Fox lapsed as a result of performance conditions not being met. A further 10,000,000 Performance Rights, as approved by shareolders, were issued to Mr Fox on 3 December 2018. The Performance Rights 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 3 December 2021) in order for the Rights to vest.

At 30 June 2019, a total of 11,600,000 Performance Rights subject to performance conditions were held by Mr Fox.

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

Angelo Gaudio was appointed as Chief Financial Officer and Company Secretary of the Company on 10 January 2019. Through his company, Angelo Gaudio provides his services on a part time basis and at a rate of $10,000 per month plus GST plus reimbursement of expenses. The services may be terminated by either party on one months' notice. During the 2019 financial year, Mr Gaudio was paid fees of $70,000 (excluding GST).

Tim Moran resigned as Chief Financial Officer and Company Secretary on 10 January 2019. Mr Moran had filled this role since January 2012. Any Performance Rights held by Mr Moran, at resignation, lapsed. During the 2019 financial year, Mr Moran's fees were $126,743 inclusive of superannuation and termination payments.

EXPLORATION MANAGER REMUNERATION

Andy Bennett resigned as Exploration Manager on 6 September 2018. Mr Bennett was employed as Exploration Manager since January 2015 and his annual salary was $195,000 plus mandated superannuation contributions and entitlements of 20 days annual leave and 10 days sick leave per year. During the 2019 financial year, Mr Bennett's remuneration, in his capacity as Exploration Manager, was $78,955 inclusive of superannuation and entitlements at resignation. Mr Bennett has continued to provide consultancy services to the Company and any Performance Rights held by Mr Bennett were retained. During the year, 1,500,000 of 2,250,000 Performance Rights held by Mr Bennett lapsed as a result of performance conditions not being met. The remaining Performance Rights have performance conditions related to key Company objectives, including exploration discoveries. 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 2019 and at the date of this report, Mr Bennett held 988,095 Shares and 750,000 Performance Rights.

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 2019:

	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	$276,125	$25,000	$22,550[1]	$323,675	7.0%
Chief Financial Officer & Company Secretary					
Angelo Gaudio[2]	$70,000	-	-	$70,000	0%
Tim Moran[3]	$116,372	$10,371	($4,665)[1]	$122,078	0%
Other Key Management Personnel					
Andy Bennett[4]	$74,977	$3,978	-	$78,955	0%
TOTALS	$725,534	$46,289	$17,885	$789,708	

1 *Value of Performance Rights that have not yet vested that is attributable to the 2019 financial year (includes adjustments for lapsed Performance Rights).*

2 *Angelo Gaudio was appointed as Company Secretary/CFO on 10 January 2019.*

3 *Tim Moran resigned from his role of Company Secretary/CFO on 10 January 2019.*

4 *Andy Bennett resigned from his role as Exploration Manager on 6 September 2018.*

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	1.3%
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 had not yet vested that was attributable to the 2018 financial year.*

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 1 JULY 2018	NET CHANGES[3]	BALANCE 30 JUNE 2019
Directors			
Graham Ascough	3,791,581	7,274,951	11,066,532
Paul Dowd	7,596,648	14,257,990	21,854,638
Peter Watson[1]	10,195,802	6,117,483	16,313,285
David Hillier	3,428,571	7,071,430	10,500,001
James Fox[2]	-	-	-
Key Management Personnel			
Angelo Gaudio[6]	-	-	-
Tim Moran [4]	300,000	(300,000)[7]	-
Andy Bennett[5]	988,095	(988,095)[7]	-

1 *Additional shares held by related parties at 30 June 2019: 1,570,165 (2018: 1,354,165).*
2 *Shares held by related party at 30 June 2019: 9,999,999 (2018: 6,577,381).*
3 *Movement in Directors' holdings from participation in a Placement and a Rights Issue during the year.*
4 *Moran resigned from his role of Company Secretary/CFO on 10 January 2019.*
5 *Andy Bennett resigned from his role as Exploration Manager on 6 September 2018.*
6 *Angelo Gaudio was appointed as Company Secretary/CFO on 10 January 2019.*
7 *Tim Moran and Andy Bennett resigned during the year.*

REMUNERATION REPORT – AUDITED

ii) Unquoted options exercisable at 1.5 cents, expiring on 30 September 2021 issued by PNX Metals Limited:

	BALANCE 1 JULY 2018	NET CHANGES[1]	BALANCE 30 JUNE 2019
Directors			
Graham Ascough	-	3,125,000	3,125,000
Paul Dowd	-	6,250,000	6,250,000
Peter Watson	-	-	-
David Hillier	-	3,125,000	3,125,000
James Fox[2]	-	-	-
Key Management Personnel			
Angelo Gaudio[3]	-	-	-
Tim Moran[4]	-	-	-
Andy Bennett[5]	-	-	-

1 *Unlisted Options issued on 4 October 2018 from participation in a placement.*
2 *Options held by related parties at 30 June 2019: 1,875,000 (2018: Nil).*
3 *Angelo Gaudio was appointed as Company Secretary/CFO on 10 January 2019.*
4 *Tim Moran resigned from his role of Company Secretary/CFO on 10 January 2019.*
5 *Andy Bennett resigned from his role as Exploration Manager on 6 September 2018.*

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

	BALANCE 1 JULY 2018	BALANCE 1 JULY 2018				BALANCE 30 JUNE 2019	BALANCE 30 JUNE 2019
	VESTED	UNVESTED	GRANTED	VESTED	EXPIRED/ LAPSED	VESTED	UNVESTED
James Fox	-	3,200,000	10,000,000	-	1,600,000	-	11,600,000
Tim Moran[1]	-	900,000	-	-	900,000	-	-
Andy Bennett[2]	-	2,250,000	-	-	1,500,000	-	750,000

1 *Tim Moran resigned from his role of Company Secretary/CFO on 10 January 2019.*
2 *Andy Bennett resigned from his role as Exploration Manager on 6 September 2018.*

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 $78,657 (2018:$40,524).

END OF REMUNERATION REPORT

Signed on 17 September 2019 in accordance with a resolution of the Board made pursuant to section 298(2) of the *Corporations Act 2001*.

Graham Ascough
Chairman

Grant Thornton

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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 2019, 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 AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 17 September 2019

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 17 September 2019 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 four contractors, six are male and two are 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 June 2019. 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 expected to occur during 2020.

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 Hillier, 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 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*. 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. The auditor is available at each annual general meeting of the Company to answer questions related to the audit from shareholders.

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 2019

	NOTE	YEAR ENDED 30/06/19 $	YEAR ENDED 30/06/18 $
Interest income	4(a)	34,887	34,160
Other income		60,431	24,920
Employee benefits		(238,061)	(247,490)
Professional fees		(421,321)	(369,824)
Directors' fees		(195,000)	(195,000)
Exploration – tenement maintenance	10	(64,758)	(87,158)
Occupancy	4(c)	(68,177)	(66,284)
Insurance		(31,057)	(28,226)
Share registry and regulatory		(90,663)	(88,019)
Communication		(20,042)	(11,275)
Audit fees	20	(28,599)	(38,436)
Equity-based remuneration		(9,785)	(24,134)
Other expenses		(83,696)	(91,421)
Depreciation	4(b)	(6,598)	(5,263)
Impairment - exploration and evaluation assets	4(d), 10	(137,379)	-
Interest charges		-	(59,845)
Loss before income tax		(1,299,818)	(1,253,295)
Income tax benefit	5	219,836	252,620
Loss for the year		(1,079,982)	(1,000,675)
Other comprehensive income/loss:			
Financial assets - Fair Value through OCI		38,677	296,516
Total comprehensive loss for the year, attributable to equity holders of the parent		(1,041,305)	(704,159)
Loss per share – continuing operations			
Basic and diluted (cents per share)	25	(0.07)	(0.10)
Loss Per Share - Total			
Basic and Diluted (cents per share)	25	(0.07)	(0.10)

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 2019

	NOTE	30/06/19 $	30/06/18 $
CURRENT ASSETS			
Cash and cash equivalents	6	2,803,691	860,076
Financial Assets – Term Deposits	6	2,500,000	-
Trade and other receivables	7	356,443	143,071
Prepayments and deposits	8	150,682	153,739
Other financial assets	9	528,573	489,896
Total current assets		6,339,389	1,646,782
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	10	12,505,077	9,706,714
Plant and equipment	11	25,760	22,161
Total non-current assets		12,530,837	9,728,875
Total assets		18,870,226	11,375,657
CURRENT LIABILITIES			
Trade and other payables	12	352,394	358,075
Provisions	13	143,106	101,670
Total current liabilities		495,500	459,745
NON-CURRENT LIABILITIES			
Provisions	13	5,795	67,340
Contract liabilities	14	2,400,000	2,400,000
Total non-current liabilities		2,405,795	2,467,340
Total liabilities		2,901,295	2,927,085
Net assets		15,968,931	8,448,572
EQUITY			
Issued capital	15	45,469,675	36,917,796
Reserves	16	385,208	336,746
Accumulated losses	17	(29,885,952)	(28,805,970)
Total equity		15,968,931	8,448,572

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 2019

	ISSUED CAPITAL $	OTHER EQUITY $	EQUITY-BASED PAYMENT RESERVES $	AVAILABLE FOR SALE RESERVES $	FAIR VALUE OCI RESERVES $	ACCUMULATED LOSSES $	TOTAL $
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 - see Note 15 (j)	(11,712)	-	-	-	-	-	(11,712)
Fair value of equity settled payments	-	-	24,134	-	-	-	24,134
Balance at 30 June 2018	36,917,796	-	40,230	296,516	-	(28,805,970)	8,448,572
Reclassification - See Note 3 (f)	-	-	-	(296,516)	296,516	-	-
Balance at 1 July 2018	36,917,796	-	40,230	-	296,516	(28,805,970)	8,448,572
Total loss for the year	-	-	-	-	-	(1,079,982)	(1,079,982)
Other comprehensive income	-	-	-	-	38,677	-	38,677
Total comprehensive loss for the year	-	-	-	-	38,677	(1,079,982)	(1,041,305)
Shares issued	8,944,398	-	-	-	-	-	8,944,398
Share issue costs	(392,519)	-	-	-	-	-	(392,519)
Interest on convertible notes – reduction to equity	-	-	-	-	-	-	-
Fair value of equity settled payments	-	-	9,785	-	-	-	9,785
Balance at 30 June 2019	45,469,675	-	50,015	-	335,193	(29,885,952)	15,968,931

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 2019

	INFLOWS/(OUTFLOWS) YEAR ENDED 30/06/19 $	INFLOWS/(OUTFLOWS) YEAR ENDED 30/06/18 $
Cash flows relating to operating activities		
Receipt of research and development tax offsets	-	402,620
Payments to suppliers and employees	(1,214,207)	(1,133,950)
Net operating cash flows	(1,214,207)	(731,330)
Cash flows relating to investing activities		
Purchase of term deposits (terms greater than 90 days)	(2,500,000)	-
Interest received	36,317	32,736
Loan repaid/(advanced)	-	50,000
Payments for exploration activities	(2,940,550)	(3,027,395)
Payments for plant and equipment	(20,255)	(2,773)
Proceeds on disposal of plant & equipment	30,431	-
Net investing cash flows	(5,394,057)	(2,947,432)
Cash flows relating to financing activities		
Proceeds from metal streaming transactions	-	800,000
Proceeds from share issues (Note 15)	8,944,398	2,463,215
Payments for capital raising costs (Note 15)	(392,519)	(155,007)
Net financing cash flows	8,551,879	3,108,208
Net increase/(decrease) in cash	1,943,615	(570,554)
Cash at beginning of financial year	860,076	1,430,630
Cash at end of financial year (Note 6)	2,803,691	860,076
Loss for the year	(1,079,982)	(1,000,675)
Interest income	(34,886)	(34,160)
Non-cash miscellaneous income	(60,431)	(24,398)
Equity-based remuneration	9,785	24,134
Interest expense – equity settled	-	52,845
Depreciation and amortisation	6,598	5,263
Exploration not capitalised – investing	64,758	87,158
Impairment charges – exploration and evaluation assets	137,379	-
(Increase)/decrease in receivables – operating	(225,149)	142,133
(Increase)/decrease in other current assets – operating	6,164	(1,266)
Increase/(decrease) in payables – operating	(18,333)	(5,329)
Increase/(decrease) in employee provisions	(20,110)	22,965
Net operating cash flows	(1,214,207)	(731,330)

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

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 17th September 2018.

2 NEW AND REVISED ACCOUNTING STANDARDS

New standards and amendments to standards that are mandatory for the first time for the financial year ending 30 June 2019 do not have any material effect on any amounts recognised or disclosed in the current or prior period.

The accounting policies applied by the Group in the consolidated financial statements are consistent with those applied in the prior year except for the application of AASB 9 and 15 as described below. The Group has adopted the new, revised or amending standards that are mandatory. The Group has for the first time applied AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* with effect from 1 July 2018.

AASB 15: *Revenue from contracts with customers*

There is no impact in relation to the adoption of AASB 15 *Revenue from Contracts with Customers* other than a reclassification of amounts held in relation to metal streaming contracts from deferred revenue to non current contract liabilities.

AASB 9: *Financial instruments*

AASB 9 *Financial Instruments* replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The financial assets held by the group are detailed as follows:

» Equity investments at Fair Value through Other Comprehensive Income (FVOCI) – see Note 3 (f);

» Cash and cash equivalents (including current accounts and short-term term deposits);

» Trade receivables currently held at cost, measured at amortised cost under the classification conditions for AASB 9.

There is no lifetime expected credit loss based on zero historical customer default. Therefore, there is no impact on transition to AASB 9 for trade receivables.

The derecognition of financial instruments rules have been transferred from AASB 139 and have not been changed. The new hedge accounting rules under AASB 9 have no impact as the group has no hedges in place.

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.

The adoption of this standard for the year ending 30 June 2019, does not materially impact on the transactions and balances recognised in the financial statements.

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 the following 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 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 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(s).

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 2019, the Group made a total comprehensive loss of $1,041,305 (2018: total comprehensive loss of $704,159) and recorded a net cash outflow from operating and investing activities of $6,608,264 (2018: $3,678,762). At 30 June 2019, the Group had cash of $2,803,691 (2018: $860,076) plus bank Term Deposits totalling $2,500,000, net current assets, including cash and Term Deposits but excluding the investment in Sunstone Metals Ltd of $5,315,316 (2018: $697,141) and net assets of $15,968,931 (2018: $8,448,572).

The Directors believe that it is appropriate to prepare the financial statements on the going concern basis, as the Group raised sufficient capital during the year to allow planned feasibility studies to be completed, together with mineral exploration and administrative activities. The Group's ability to continue as a going concern in the longer term is contingent on raising additional capital and/or the successful exploration and subsequent exploitation of its areas of interest through sale or development.

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) Revenue

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

Contract liabilities

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.

d) 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.

e) 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. Any Term Deposits with terms greater than a 3 month maturity are classified as Financial assets – Term Deposits on the statement of financial position.

f) Financial assets

Other Financial Assets – Fair Value OCI

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement*, for annual periods beginning on or after 1 January 2018.

When adopting AASB 9, the Group has applied transitional relief and elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

The reclassifications and adjustments arising from the introduction of AASB 9 have not been reflected in the statement of financial position as at 30 June 2018, but are recognised in the opening balances from 1 July 2018.

On 1 July 2018 (the date of initial application of AASB 9 by PNX), the group's management assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate categories.

The group elected to present changes for the fair value of all its equity investments previously classified as available-for-sale, in Other Comprehensive Income, as these investments are medium to long-term investments that are not expected to be sold in the short term. As a result, assets with a fair value of $489,896 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of $296,516 were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 July 2018.

Statement of financial position extract:

	30 JUNE 2018 AS ORIGINALLY PRESENTED $	AASB 9 $	1 JULY 2018 $
Current financial assets			
Financial assets at fair value through other comprehensive income (OCI)	-	489,896	489,896
Available-for-sale financial assets	489,896	(489,896)	-

The following table shows the adjustments recognised for each applicable line item:

	AFS1 RESERVE $	FVOCI2 RESERVE $
Closing Balance 30 June 2018 - AASB 139	296,516	-
Reclassify non trading equities from available-for-sale to FVOCI	(296,516)	296,516
Opening Balance 1 July 2018 - AASB 9	-	296,516

1 *Equity investments previously classified as available-for-sale (AFS).*

2 *Fair value through Other Comprehensive Income (FVOCI).*

AASB 9 Financial Instruments – Accounting Policies applied from 1 July 2018

CLASSIFICATION AND MEASUREMENT

As outlined above, on 1 July 2018 management assessed which business models apply to the financial assets held by the group and classified its financial instruments into the appropriate categories. There was no change to the measurement of these assets.

IMPAIRMENT

The group has two types of financial assets that are subject to AASB 9's new expected credit loss model, being equity investments and other receivables. The group was required to revise its impairment methodology for these assets under AASB 9. There was no material impact of the change in impairment methodology on the group's retained earnings and equity.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

The adoption of the expected credit loss requirements of AASB 9 have not materially impacted the expected recoverability of financial assets and accordingly no adjustment or restatement was required to be recognised by the Group.

g) 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:

i. the rights to tenure of the area of interest are current; and

ii. 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.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

m) 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.

n) 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.

o) 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.

p) 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 Offset 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 26. 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.

q) 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.

r) 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.

s) 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 year an impairment loss of $137,379 was recognised in relation to certain Exploration and Evaluation Assets - refer to Note 10 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 18 for more information regarding equity-based payments made during the year.

Research and development (R&D) tax offset incentive

The Company is entitled to claim R&D tax offset incentives in Australia. The R&D tax offset incentive is calculated based on management's assessment of eligible expenditure multiplied by 43.5%.

4 LOSS FROM CONTINUING OPERATIONS

		YEAR ENDED 30/06/19 $	YEAR ENDED 30/06/18 $
a)	**Interest income**		
	Interest on bank deposits	34,887	32,125
	Interest on loan receivable	-	2,035
		34,887	34,160
b)	**Depreciation**		
	Depreciation of plant and equipment	6,598	5,263
c)	**Occupancy**		
	Operating lease rental expenses	68,177	66,284
d)	**Impairment**		
	Exploration and evaluation assets	137,379	-

5 INCOME TAX

		YEAR ENDED 30/06/19 $	YEAR ENDED 30/06/18 $
a)	**Income tax recognised in profit or loss**		
	Current tax expense/(benefit)	(150,000)	(100,000)
	Deferred tax expense/(benefit)	(69,836)	(152,620)
	Total tax expense/(benefit)	(219,836)	(252,620)
	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	1,299,818	1,253,295
	Income tax benefit calculated at 27.5% (2018: 27.5%)	(357,450)	(344,656)
	Equity-based remuneration – Performance Rights	2,691	6,637
	Current year tax losses and movements in temporary differences not recognised	354,759	338,019
	Recognition of estimated research and development tax offset refund related to the current tax year	(150,000)	(100,000)
	Recognition of actual research and development tax offset refund related to the previous tax year	(69,836)	(152,620)
	Tax expense (benefit)	(219,836)	(252,620)

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% payable by Australian base rate entities (those with turnover less than $50 million of revenue, and 80% or less of their assessable income is base rate entity passive income). In the 2018 income year, the turnover threshold was $25 million.

b) Recognised tax assets and liabilities

Deferred tax assets and (liabilities) are attributable to the following:

Exploration and evaluation expenditure	(3,185,402)	(2,622,871)
Plant and equipment	(7,084)	(6,094)
Trade and other payables	12,100	6,600
Employee benefits	40,948	46,478
Share issue costs	139,733	82,133
Net deferred tax liabilities	(2,999,705)	(2,493,755)
Tax losses recognised	2,999,705	2,493,755
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 27.5% tax rate. The potential benefit of unrecognised tax losses (shown below) has similarly been calculated utilising a 27.5% tax rate.

c) Unrecognised tax losses:

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

	30/06/19 $	30/06/18 $
Tax losses – operating (tax effected)	7,995,639	7,464,702
Tax losses – capital (tax effected)	146,948	146,948

Of the total operating tax losses of approximately $39 million in the Group at 30 June 2019, $29 million are unrecognised as shown above as a $7.99 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 CASH AND CASH EQUIVALENTS AND TERM DEPOSITS

	30/06/19 $	30/06/18 $
Cash and cash equivalents	2,803,691	860,076
Term deposits (Terms greater than 3 months maturity)	2,500,000	-

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

At 30 June 2019, the Group held $2,500,000 in term deposits with maturity terms of greater than 3 months and have been reclassified to Financial assets – Term deposits on the statement of financial position. The term deposits earn interest between 1.5% and 2.1%.

7 TRADE AND OTHER RECEIVABLES

	30/06/19 $	30/06/18 $
Interest	1,513	2,942
Research & Development Tax Offset Incentive	319,836	100,000
Goods & Services Tax	34,334	29,013
Other	760	11,116
	356,443	143,071

The expected Research & Development tax offset refund of $169,836 relating to the year ended 30 June 2018 remained outstanding at year end and was received subsequent to year end. A Research & Development tax offset claim amount of $150,000 for the year ended 30 June 2019 has been accrued based on estimated qualifying expenditure, and will be finalised with the lodgement of PNX's 2019 tax return.

8 PREPAYMENTS AND DEPOSITS

	30/06/19 $	30/06/18 $
Prepayments	27,146	16,755
Environmental Deposits – Northern Territory	90,776	104,224
Deposit – office bond	32,760	32,760
	150,682	153,739

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 2020 and earning 2.4% interest.

9 OTHER FINANCIAL ASSETS

	30/06/19 $	30/06/18 $
Investment in Sunstone Metals Ltd	528,573	489,896

The Company continues to hold 12,892,013 shares in ASX listed Sunstone Metals Limited ('Sunstone', previously Avalon Minerals Limited). This investment was previously classified as "Available for sale financial asset" and from 1 July 2018 this investment is recognised as "Fair value through other comprehensive income (FVOCI)", under AASB 9 *Financial Instruments* – refer to Note 3 (f).

At 30 June 2019, the investment was reflected at fair value of $528,573, with the incremental movement recorded at fair value through other comprehensive income (FVOCI) – refer to Note 16.

10 EXPLORATION AND EVALUATION EXPENDITURE

	30/06/19 $	30/06/18 $
Costs brought forward	9,706,714	6,899,372
Expenditure incurred during the year	3,000,500	2,894,500
Recognised as an expense (tenements previously impaired)	(64,758)	(87,158)
Impairment charges	(137,379)	-
	12,505,077	9,706,714

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 (during the year the Company earned additional 39% interest increasing from 51% owned to 90% under a farm-in agreement).

During July 2018, the Company's 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 was completed, 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 returned 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.

In June 2019, an impairment charge of $137,379 was recognised following the exit from the Kilfoyle Farm-in agreement with May Drilling Pty Ltd. In 2017 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 and the prevailing market conditions. At 30 June 2019, the fair value of PNX's SA tenements remains unchanged at $0.5 million, based on the previous assessment made.

11 PLANT AND EQUIPMENT

	$
Cost	
Balance at 30 June 2017	604,040
Additions	2,773
Disposals	-
Balance at 30 June 2018	606,813
Additions	20,255
Disposals	(81,392)
Balance at 30 June 2019	545,676
Accumulated depreciation	
Balance at 30 June 2017	566,024
Depreciation expense	5,263
Depreciation capitalised to exploration assets	13,364
Disposals	-
Balance at 30 June 2018	584,651
Depreciation expense	9,596
Depreciation capitalised to exploration assets	7,061
Disposals	(81,392)
Balance at 30 June 2019	519,916
Net book value – plant and equipment	
Balance at 30 June 2018	22,161
Balance at 30 June 2019	25,760

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

12 TRADE AND OTHER PAYABLES

	30/06/19 $	30/06/18 $
Trade payables	246,377	303,419
Accrued expenses	89,007	32,221
Other payables	17,010	22,435
	352,394	358,075

Average credit period on trade payables is 30 days.

13 PROVISIONS

	30/06/19 $	30/06/18 $
Current		
Employee benefits – annual leave	77,774	101,670
Employee benefits – long service leave	65,332	-
Non-current		
Employee benefits – long service leave	5,795	67,340

During the year an amount of $61,369 relating to non-current long service leave was reclassified as current benefits as the employee had completed seven years of continuous service.

14 CONTRACT LIABILITIES

	30/06/19 $	30/06/18 $
Silver streaming receipts	2,400,000	2,400,000

Two parties have entered into silver streaming and royalty agreements with the Company.

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 a contract liability, 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.

15 ISSUED CAPITAL

	30/06/19 $	30/06/18 $
2,435,288,142 fully paid ordinary shares (2018: 1,088,930,020)	45,469,675	36,917,796

Movement in ordinary shares for the year:

		NO.	30/06/19 $	NO.	30/06/18 $
	Balance at beginning of year	1,088,930,020	36,917,796	741,055,537	32,665,302
a)	Shares issued at 0.8 cents	263,750,000	2,110,000	-	-
b)	Shares issued at 0.8 cents	169,375,000	1,355,000	-	-
c)	Shares issued at 0.6 cents	913,233,122	5,479,398	-	-
d)	Shares issued at 2.0 cents	-	-	3,090,000	74,591
e)	Shares issued at 2.0 cents	-	-	234,591,886	2,463,215
f)	Shares issued at 2.0 cents	-	-	24,000,000	600,000
g)	Shares issued to settle loan	-	-	80,000,000	1,200,000
h)	Shares issued to settle interest on convertible notes	-	-	1,156,698	15,000
i)	Shares issued to settle interest on loan	-	-	5,035,899	66,407
j)	Interest on convertible notes – reduction in share capital	-	-	-	(11,712)
	Share issue costs	-	(392,519)	-	(155,007)
	Balance at end of year	2,435,288,142	45,469,675	1,088,930,020	36,917,796

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

a) 263,750,000 Shares were issued at 0.8 cents under tranche 1 of a placement to sophisticated and professional investors on 2 August 2018.

b) 169,375,000 Shares were issued at 0.8 cents under under tranche 2 of a placement to sophisticated and professional investors and Directors of the Company on 20 September 2018.

c) 913,233,122 shares were issued at 0.6 cents under a fully underwritten non-renounceable rights Issue on 20 May 2019.

d) 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.

e) 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.

f) 24,000,000 shares were issued in November 2017 to Marilei International Limited and Sochrastem SA to settle $0.6 million of convertible notes.

g) 80,000,000 shares were issued to settle a $1.2 million loan.

h) 1,156,698 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.

i) 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.

j) 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.

16 RESERVES

	30/06/19 $	30/06/18 $
Available for sale investment	-	296,516
FVOCI investment	335,193	-
Equity-settled benefits	50,015	40,230
	385,208	336,746

The fair value through other comprehensive income (FVOCI) investment reserve reflects the current year increase in the fair value of the Company's investment in Sunstone Metals Ltd of $38,677 together with the reclassification of the prior year increase of $296,516 previously shown as Available for Sale Investment reserve - refer to Note 3 (f).

The equity-settled benefits reserve arises on the annual fair value assessment of the the vesting of Performance Rights granted to employees, consultants and executives under the PNX Metals Limited Employee Performance Rights Plan. The reserve at 30 June 2019, includes any adjustments for lapsed/expired rights and any changed probability of the vesting of the Performance Rights together with changes in fair value due to the passage of time to 30 June 2019. 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 there were no Performance Rights that vested and converted to share capital.

Further information on share-based payments is disclosed in Note 18.

17 ACCUMULATED LOSSES

	30/06/19 $	30/06/18 $
Balance at beginning of year	28,805,970	27,805,295
Loss for the year	1,079,982	1,000,675
Balance at end of year	29,885,952	28,805,970

18 SHARE OPTIONS AND PERFORMANCE RIGHTS

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.

10,000,000 Performance Rights, approved by shareholders at the AGM held on 24 October2018 , were issued to the Managing Director on 3 December 2018. The fair value at the time of issue was $84,107. These Performance Rights remain unvested at 30 June 2019.

In relation to the unvested 7,070,000 Performance Rights held by PNX personnel under the Plan as at 1 July 2018:

» 1,600,000 Perfrormance Rights held by the Company's Managing Director & CEO expired during the year as the performance conditions were not met;

» 3,030,000 Performance Rights held by PNX personnel lapsed during the year as the performance conditions were not met; and

» 2,440,000 Performance Rights remain unvested at 30 June 2019.

The total remaining 12,440,000 unvested Performance Rights at 30 June 2019 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 2021) in order for the Performance Rights to vest.

Options

At the discretion of the Directors, and subject to shareholder approval if required, 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, 433,125,000 unquoted free attaching options were issued to share placement participants. These unquoted options are exercisable at 1.5 cents each and expire on 30 September 2021.

The Company had previously issued 20,000,000 unquoted options to a subsidiary of a corporate advisor, with an exercise price of 1.47 cents each and an expiry date of 30 October 2020.

On 31 May 2019, 65,450,000 unlisted options exercisable at 5.0 cents each, expired unexercised. These were previously issued to placement participants in December 2016 as part of a share placement that raised $2.6 million

At 30 June 2019, a total of 453,125,000 unlisted options were on issue, as shown in the table below.

OPTIONS	30/06/19 NUMBER OF OPTIONS	30/06/19 WEIGHTED AVERAGE EXERCISE PRICE $	30/06/18 NUMBER OF OPTIONS	30/06/18 WEIGHTED AVERAGE EXERCISE PRICE $
Balance at beginning of the year	85,450,000	0.042	65,450,000	0.05
Options granted	433,125,000	0.015	20,000,000	0.0147
Options expired or lapsed	65,450,000	0.05	-	-
Balance at end of the year	453,125,000	0.01499	85,450,000	0.042

19 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)

» Angelo Gaudio – appointed 10 January 2019 (Chief Financial Officer and Company Secretary)

» Tim Moran – resigned 10 January 2019 (Chief Financial Officer and Company Secretary)

» Andy Bennett – resigned 6 September 2018 (Exploration Manager)

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

	30/06/19 $	30/06/18 $
Short-term employee benefits	725,534	800,197
Post-employment benefits	46,289	65,093
Share-based payments	17,885	21,724
	789,708	887,014

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

20 REMUNERATION OF AUDITOR

	30/06/19 $	30/06/18 $
Audit and review of the financial reports	28,599	38,436

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

21 RELATED PARTY DISCLOSURES

a) Subsidiaries

Detail of the percentage of ordinary shares held in the Company's subsidiary is disclosed in Note 26.

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 $78,657 (2018: $40,524). $Nil inclusive of GST was owed to Piper Alderman at 30 June 2019 (2018: $7,893).

22 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 2019 in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	30/06/19 $	30/06/18 $
Minimum exploration expenditure on exploration licences	1,168,000	450,000

Ausmex Mining Group Limited continues to 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 South Australia.

The Group's office lease in Rose Park, South Australia, with annual lease payments of $68,754 exclusive of GST, extends to August 2020.

b) Reilly Tenement Acquisition Agreement (relating to Burra South Australia tenements)

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 6326) 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 6326 (previously 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 6326 (previously 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 6326 (previously EL 5382) of at least 15,000 tonnes of contained copper.

c) Royalty agreements

The Company has granted the following royalties (relating to Northern Territory tenements):

- 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.

The Company has granted the following royalties (relating to Burra South Australia tenements):

- Mr Matthew Reilly - 6% of the aggregate net revenue in respect of all metals derived from EL 6326 (previously 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 6327 (previously 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 2019 financial year, and no costs incurred by the Company in relation to it.

e) Other rights held by Newmarket Gold NT Holdings Pty Ltd (relating to Northern Territory tenements)

Newmarket can re-acquire 90% of any gold or silver deposits with a JORC compliant resource on the tenements subject to PNX's 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 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.

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of financial instruments

	30/06/19 $	30/06/18 $
Financial assets		
Cash and cash equivalents	2,803,691	860,076
Financial assets – Term deposits	2,500,000	-
Deposits	123,535	136,984
Trade and other receivables	356,4441	143,071
Other financial assets – Investment in Sunstone	528,573	489,896
Financial liabilities		
Trade and other payables	352,394	358,075

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 $8,000 (2018: increase or decrease by approximately $9,000).

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
2019	%	$	$	$	$
Non-interest bearing	-	263,387	89,007	-	-
Fixed Interest bearing	-	-	-	-	-
2018					
Non-interest bearing	-	334,000	24,000	-	-
Fixed Interest bearing	-	-	-	-	-

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 (see Note 14) 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.

24 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 30/06/19 $	REVENUE YEAR ENDED 30/06/18 $	SEGMENT LOSS YEAR ENDED 30/06/19 $	SEGMENT LOSS YEAR ENDED 30/06/18 $
Exploration – NT	-	-	(137,379)	-
Exploration – SA	-	-	(64,758)	(87,158)
Unallocated/corporate	-	-	(1,097,681)	(1,166,137)
Total loss before tax			(1,299,818)	(1,253,295)
Income tax benefit			219,836	252,620
Total loss for the year			(1,079,982)	(1,000,675)

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:

	30/06/19 $	30/06/18 $
Assets		
Exploration – NT	12,125,402	9,348,815
Exploration – SA	500,000	500,000
Unallocated assets	6,244,824	1,526,842
Total assets	18,870,226	11,375,657
Liabilities		
Exploration – NT	159,964	232,049
Exploration – SA	-	-
Unallocated liabilities	2,741,101	2,695,036
Total liabilities	2,901,065	2,927,085

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, contract liabilities and corporate/administrative payables.

25 EARNINGS PER SHARE

	30/06/19 CENTS PER SHARE	30/06/18 CENTS PER SHARE
Basic and Diluted loss per share- continuing operations	(0.07)	(0.10)

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 $	(1,079,982)	(1,000,675)
Weighted average number of ordinary shares	1,566,428,763	974,058,242

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.

26 CONTROLLED ENTITIES

NAME OF ENTITY		COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2019 %	OWNERSHIP INTEREST 2018 %
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.

27 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 22 discloses the Group's commitments for expenditure and contingent liabilities, which are also applicable to the parent entity.

28 SUBSEQUENT EVENTS

There are no other matters or circumstances that have arisen since 30 June 2019 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 2019 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

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

17 September 2019

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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 subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 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 net comprehensive loss of $1,041,305 during the year ended 30 June 2019, and net cash outflows (excluding the acquisition of term deposits) from operating and investing activities of $4,108,264. As stated in Note 3(a), these events or conditions indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

GrantThornton

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 - Notes 3(i) and 10	
At 30 June 2019 the carrying value of exploration and evaluation assets was $12,505,077. 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 2019, 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/ar1.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 2019.

In our opinion, the Remuneration Report of PNX Metals Limited, for the year ended 30 June 2019 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, 17 September 2019

ADDITIONAL SHAREHOLDER INFORMATION

SHARES

The total number of shares issued as at 2 September 2019 was 2,435,288,142 held by 1,179 registered shareholders.

438 shareholders hold less than a marketable parcel, based on the market price of a share as at 2 September 2019.

Each share carries one vote.

PERFORMANCE RIGHTS/OPTIONS

As at 2 September 2019, the Company had 12,440,000 Performance Rights and 453,125,000 unquoted options on issue.20,000,000 options have a 1.47 cent exercise price and expire on 30 October 2020 and Zenix Nominees Pty Limited holds 100% of this class.The remaining 423,125,000 options have a 1.5 cent exercise price expiring 30 September 2021 of which 46% is held by Delphi Unternehmensberatung Aktiengesellschaft.

TWENTY LARGEST SHAREHOLDERS

As at 2 September 2019, the twenty largest Shareholders were as shown in the following table and held 77.59% of the Shares.

RANK	NAME	SHARES	% OF SHARES
1.	DELPHI UNTERNEHMENSBERATUNG AKTIENGESELLSCHAFT\C	988,956,294	40.61
2.	MARILEI INTERNATIONAL LIMITED	156,766,095	6.44
3.	SOCHRASTEM SA\C	152,736,573	6.27
4.	POTEZNA GROMADKA LTD	90,207,053	3.70
5.	ROBERT LEON	85,998,334	3.53
6.	BNP PARIBAS NOMS PTY LTD <DRP>	79,466,714	3.26
7.	TALIS SA\C	39,319,603	1.61
8.	CITICORP NOMINEES PTY LIMITED	39,124,744	1.61
9.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	36,197,400	1.49
10.	AUSTRALIAN MINERAL & WATERWELL DRILLING PTY LTD	31,250,000	1.28
11.	BNP PARIBAS NOMS PTY LTD <UOB KH P/L AC UOB KH DRP>	26,925,865	1.11
12.	KOMON NOMINEES PTY LTD <OWEN SUPER FUND A/C>	24,679,033	1.01
13.	PJ & BA DOWD INVESTMENTS PTY LTD <THE DOWD SUPER FUND A/C>	21,354,638	0.88
14.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	19,258,339	0.79
15.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	19,248,869	0.79
16.	LATSOD PTY LTD <DOSTAL SUPERFUND A/C>	18,193,133	0.75
17.	ESM LIMITED	18,048,000	0.74
18.	SYNOD NOMINEES PTY LTD	15,000,000	0.62
19.	MR PETER JAMES WATSON + MS JUDITH WATSON <SUPER FUND A/C>	13,485,714	0.55
20.	SARTAIN ENTERPRISES PTY LTD <SARTAIN FAMILY A/C>	13,433,672	0.55
	Total	1,889,650,073	77.59

SUBSTANTIAL SHAREHOLDERS

As at 2 September 2019, the substantial Shareholders as disclosed in substantial holding notices given to the Company are:

	HOLDING	%
Delphi Unternehmensberatung Aktiengesellschaft\C	988,956,294	40.61
Marilei International Limited	156,766,095	14.40
Sochrastem SA\C	63,153,239	5.80

DISTRIBUTION SCHEDULES

A distribution schedule of the number of Shareholders, by size of holding, as at 2 September 2019 is set out below:

SIZE OF HOLDINGS	NUMBER OF SHAREHOLDERS
1 – 1000	49
1,001 – 10,000	93
10,001 – 100,000	461
100,001 and over	576
Total	1179

There is no current on-market buy-back.

A distribution schedule of the number of unlisted Option holders, by size of holding, as at 2 September 2019 is set out below:

SIZE OF HOLDINGS	NUMBER OF OPTIONHOLDERS
1 – 1000	0
1,001 – 10,000	0
10,001 – 100,000	0
100,001 and over	25
Total	25

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.