PNX METALS

PNX METALS LIMITED ABN 67 127 446 271

ANNUAL REPORT 2020

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
Hans-Jörg Schmidt	Non-executive Director
James Fox	Managing Director & CEO

Company Secretary
Angelo Gaudio

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Level 5, 115 Grenfell Street
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Auditors
Grant Thornton
Level 3, 170 Frome Street
Adelaide SA 5000

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

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

Corporate Governance Statement
The Corporate Governance Statement for PNX Metals Limited is available on the Company's website and can be accessed by clicking on the following URL Link:
https://pnxmetals.com.au/corporate-governance/

Cover photo: *Drilling at Fountain Head, February 2020.*
Photo page 3: *Sunset whilst drilling at Fountain Head, February 2020.*

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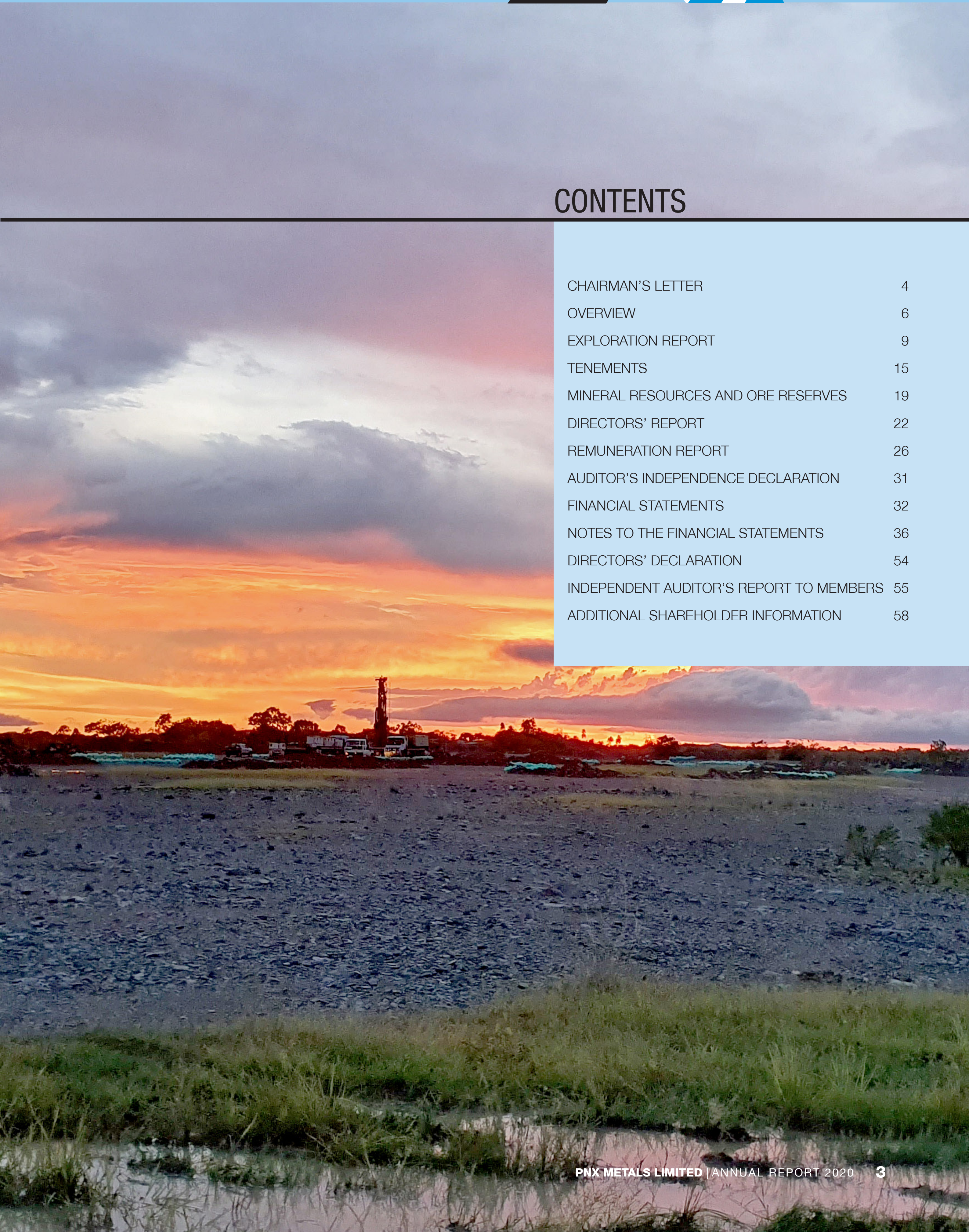

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the 2020 Annual Report for PNX Metals Limited ('PNX' or 'Company').

2020 has set the stage for a transformational year for PNX. In December 2019, the Company made a strategic decision to accelerate evaluation activities at the Fountain Head Gold Project to determine low-cost, scalable options to rapidly monetise, and generate early cashflow from the existing gold resources at Fountain Head. The development options would also look to preserve the value of the Hayes Creek Project, and potentially enhance the economics and extend mine life as the mined-out Fountain Head pit would be available for use as tailings storage from subsequent processing of Hayes Creek ores. This decision meant that DFS activities on Hayes Creek were suspended until the conclusion of the Fountain Head Studies.

Subsequent to the year-end, the Company announced that it had signed a non-binding term sheet for a proposed $40 million financial commitment by private company Halifax Capital (HC) to fund gold carbon-in-leach processing infrastructure and related costs that would fast track the development of Fountain Head. The transaction includes a 50/50 production joint venture (JV) with HC's subsidiary Bridge Creek Mining Pty Ltd.

Significantly, the proposed transaction provides the Company with a clear pathway for development of Fountain Head. The executive team is currently working to finalise the formal documentation for this transformative transaction, and we look forward to updating shareholders and investors on the final details once the binding documentation is complete.

Fountain Head hosts a significant amount of gold and the updated Mineral Resource announced in June 2020 estimates 156,000oz of contained gold in the Indicated and Inferred categories at an average grade of 1.7g/t.

In addition to Fountain Head and Hayes Creek, the Company holds a 90% interest in a large and very prospective land holding (in excess of 1800km^2) in the vicinity of these projects. In parallel with the studies and permitting activities currently underway, PNX has implemented an exploration strategy with the aim of identifying and testing exploration targets to deliver a pipeline of gold mineral resources for processing at Fountain Head, potentially adding to mine life and enhancing project economics.

The Board and management are confident that continued technical studies and exploration work will be successful in growing our resource base and that the completion of development studies at Fountain Head will provide a clear pathway for this exciting production opportunity, that has the potential to deliver strong returns for PNX shareholders.

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 Fountain Head and Hayes Creek projects towards development for the benefit of all shareholders.

I also take this opportunity to thank all shareholders for your continued support of PNX and I look forward to providing further updates as our activities move forward in 2021.

Yours sincerely,

Graham Ascough
Chairman

15^{th} September 2020

Photo pages 4 and 5: *Fountain Head and Tally Ho pit.*

OVERVIEW

GENERAL

PNX Metals Limited (PNX or the Company) is an ASX listed minerals exploration company with the objective of being a successful explorer and a sustainable and profitable gold and base metals producer for the benefit of its shareholders, employees and the communities in which it operates.

PNX holds a large exploration and development portfolio which is highly prospective for gold, silver and base metals located in the Pine Creek region of the Northern Territory (NT), approximately 170km from Darwin (Figure 1).

The Company's 100% owned Mineral Leases (MLs) host considerable Mineral Resources including at the Mt Bonnie and Iron Blow polymetallic deposits ("Hayes Creek") which contain 238,000oz of gold, 16.2Moz silver and 177,000t of zinc, and the Fountain Head Gold Project ("Fountain Head") which hosts 156,000oz of gold (further information on the Mineral Resources is provided in the Exploration Report).

The MLs are located in close proximity to each other in a favourable mining jurisdiction where existing infrastructure includes rail, road, high voltage power lines and water, further enhancing Project fundamentals and lowering development risks.

In December 2019 after a review of its assets, the Company announced that it had made the significant strategic decision to target near-term gold production from Fountain Head prior to the development of Hayes Creek and to preserve its future value at a time of lower than anticipated zinc prices and higher than anticipated processing charges.

In order to accelerate activities at Fountain Head funds were re-allocated from the Hayes Creek Definitive Feasibility Study (DFS) with the majority of the DFS activities deferred until the completion of the Fountain Head studies.

Various mining and processing options were assessed, including Heap Leaching, to determine low-cost, scalable options for rapidly monetising, and generating early cashflow from the existing gold resources at Fountain Head. This strategy may also provide an opportunity to enhance overall Hayes Creek Project economics and extend the project mine life with the larger mined-out Fountain Head pit available for use as tailings storage from subsequent sulphide flotation of ore from the Mt Bonnie and Iron Blow deposits at Hayes Creek.

Subsequent to the year-end, the Company announced that it had signed a non-binding term sheet for a proposed $40 million financial commitment by private company Halifax Capital Pty Ltd (HC) to fund gold carbon-in-leach processing infrastructure and related costs required to fast track the Fountain Head Gold Project, and a 50/50 production joint venture (JV) with HC's subsidiary Bridge Creek Mining Pty Ltd (BCM).

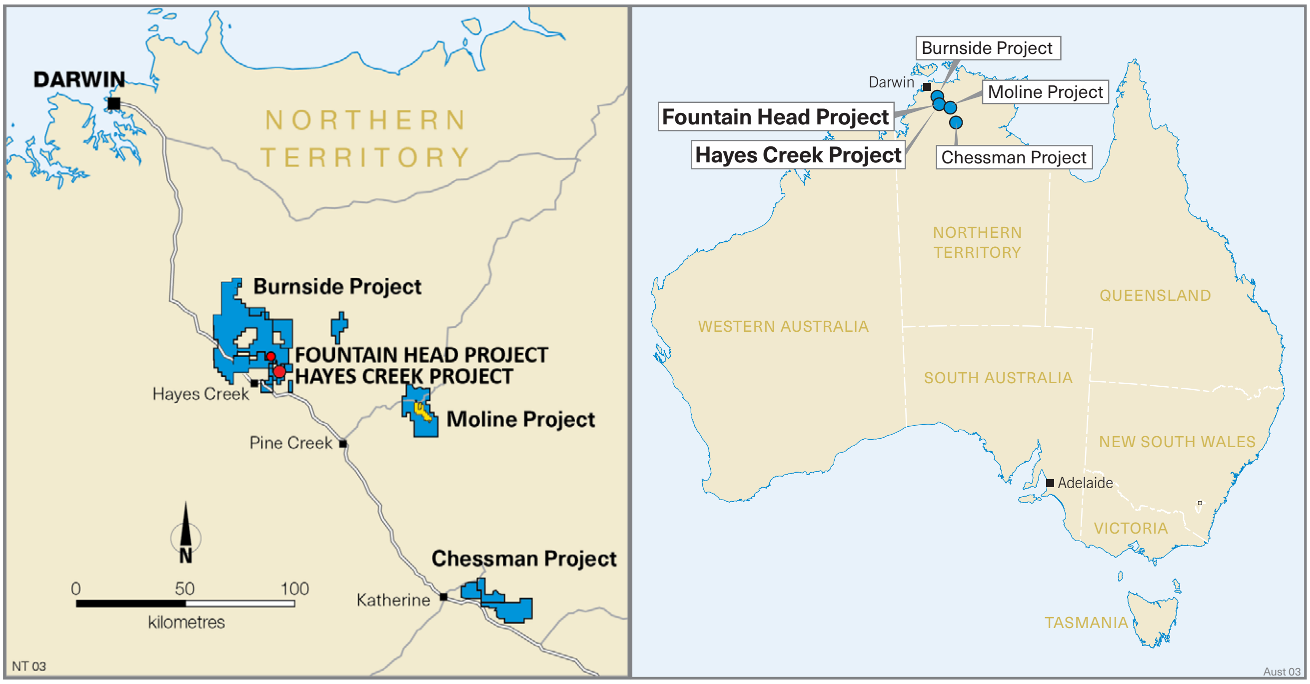

Figure 1 *NT Project locations.*

KEY FINANCIAL RESULTS

The proposed funding commitment by HC and JV with BCM will, if finalised, provide the Company with a clear pathway for development of Fountain Head. It will also allow the Company to focus on generating a pipeline of additional gold resources for processing at the Fountain Head infrastructure, through regional exploration within its significant tenure in the NT.

The Company has continued to conduct near proposed mine and regional mineral exploration and 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 Gold NT Holdings Pty Ltd (PNX 90%). A full listing of PNX's tenements is provided following the Exploration Report (refer to pages 15 to 17).

Concurrent with activities at Fountain Head, and subsequent to the year end, the Company initiated a major review of its exploration projects, with the aim of identifying new targets with the potential to host significant "stand alone" gold deposits, and to supplement the proposed gold processing operations at Fountain Head. An early observation to emerge from the work is that large areas of the exploration tenements remain untested by drilling with the majority of previous work centred on known, outcropping gold deposits and their immediate surrounds.

IMPACTS OF COVID-19

The safety of PNX employees and contractors is paramount and appropriate measures regarding COVID-19 have been taken in-line with government advice, particularly in relation to interstate travel. NT field-based activities were suspended earlier in 2020 pending Government advice that access to site could be permanently re-established. Interstate border restrictions between the NT and South Australia were lifted from Friday 17 July 2020 allowing field-based activities to re-commence.

	30 JUNE 2020 ($000's, EXCEPT AS INDICATED)	30 JUNE 2019 ($000's, EXCEPT AS INDICATED)
Interest/other income	113	95
Research and development tax offset refund	150	220
Corporate/administrative costs	1,269	1,258
Impairment – exploration assets	500	137
Sunstone investment – fair value through OCI	438	(39)
Comprehensive loss after tax	**1,944**	**1,041**
Comprehensive loss per share	**0.08 cents**	**0.07 cents**
Net operating cashflows	(692)	(1,214)
Exploration expenditure	(4,282)	(2,941)
Funds raised – equity (net of costs)	1,602	8,552
Cash on hand	1,973	2,804
Financial assets - term deposits[3]	-	2,500
Net working – capital[1]	1,973	5,315
Investment in Sunstone – at fair value	90	529
Capitalised exploration expenditure	16,365	12,505
Debt	-	-
Contract liabilities – silver streaming	2,400	2,400
Net assets	**15,661**	**15,969**
Number of shares on issue	2,542,621,476	2,435,288,142
Number of performance rights on issue	10,800,000	12,440,000
Number of unlisted options on issue	379,125,000	453,125,000
Share price (ASX: PNX)[2]	1.0 cents	0.8 cents

1 *Excluding investment in Sunstone Metals Ltd.*
2 *Closing share price as at 30 June.*
3 *Includes term deposits (with maturity terms greater than 90 days) held as at 30 June.*

OVERVIEW

KEY FINANCIAL RESULTS

The Group reported a loss after tax for the year of $1.5 million (2019: $1.1 million) including a $0.5 million exploration asset impairment charge for the South Australian Burra Central tenements. The higher loss figure (up $0.4 million) was primarily due to impairment of exploration and evaluation expenditure.

The loss for the year was net of a $0.15 million (2019: $0.22 million) income tax benefit from the Company's research and development tax offset claims. Pre-tax loss for the year was $1.66 million compared to $1.30 million in 2019.

The increase in the comparable pre-tax loss is due to the increased impairment charge during 2020, and the comparable pre-tax loss is not unexpected considering the impairment of exploration assets and given PNX's corporate cost structure has not significantly changed, and exploration costs in the Northern Territory (the primary area of expenditure) are capitalised. Corporate and administration costs include head office wages, directors' fees, insurance, professional fees, regulatory, occupancy and communications, and these have not changed significantly.

Net operating cash outflows of $0.7 million for the year primarily reflect payments for exploration activities ($4.3 million) and to suppliers and employees ($1.1 million) financed through new shares issued ($1.6 million), maturing term deposits ($2.5 million) and various government grants ($0.5 million). Exploration and evaluation cash outflows of $4.3 million consisted of $3.2 million on the Fountain Head Gold Project (including drilling at Fountain Head that resulted in an updated Mineral Resource Estimate being completed and reported in accordance with the JORC Code 2012 and released to the ASX 16 June 2020), $0.7 million on the Hayes Creek DFS and $0.4 million on NT regional exploration for the year.

The Company received a total of $1.6 million (before costs) during March 2020 comprising a share placement at 1.5 cents per share to sophisticated and professional investors for $0.5 million, and $1.1 million through the exercise of unlisted options at 1.5 cents per share.

At 30 June 2020, the Group had:

- no debt,
- cash holdings of $1.97 million, and
- investment in Sunstone Metals Ltd valued at $0.1 million.

Fountain Head and Tally Ho pit.

In December 2019 following a strategic review of its Projects, the Company announced that it had made the significant decision to target near-term gold production from the Fountain Head Gold Project ("Fountain Head") prior to the proposed development of the Hayes Creek zinc-gold-silver Project ("Hayes Creek") (PNX ASX release 12 December 2019).

Heap leaching was assessed as a low-cost, scalable option for rapidly monetising, and generating early cashflow from, existing gold resources at Fountain Head in a supportive gold price environment, whilst preserving the future value of Hayes Creek.

In June 2020, PNX Metals announced an updated Mineral Resource estimate (MRE) at Fountain Head that contained 156,000 oz Au at 1.7g/t (see ASX release 16 June 2020 and Table 5).

The Hayes Creek polymetallic deposits, Mt Bonnie and Iron Blow, also host considerable Mineral Resources; 238,000oz of gold, 16.2Moz silver and 177,000t of zinc (Table 3).

Subsequent to year-end PNX announced a non-binding term sheet for a proposed $40 million financial commitment by HC to fund the Fountain Head development including a gold carbon-in-leach process plant, and a 50/50 production joint venture between PNX and the HC subsidiary BCM.

IMPACT OF COVID-19

NT field-based activities were suspended early in 2020 due to COVID-19 restrictions and the Company's COVID-19 policy. They recommenced as interstate border restrictions between the NT and South Australia were lifted in mid-July 2020.

HAYES CREEK DFS

Successful completion of a Pre-Feasibility Study (PFS) in mid-2017 confirmed the Hayes Creek zinc-gold-silver project to be a promising, high value, relatively low risk, and technically strong development opportunity (see PNX ASX release 12 July 2017).

Due to the acceleration of the Fountain Head development and re-allocation of funds from the Hayes Creek DFS, technical studies completed related to the Project Environmental Impact Statement and locked cycle and materials handling analysis.

Project infrastructure requirements and suitable locations were assessed and combined with reviews of options for base power generation and supply. These studies are relevant to the Fountain Head development and have been incorporated into the Fountain Head project scope.

The Hayes Creek project economics and mine life may benefit from an enlarged mined-out Fountain Head pit available for use as tailings storage from subsequent sulphide flotation of ore from the Mt Bonnie and Iron Blow deposits at Hayes Creek.

At the time of the decision to prioritise the Fountain Head Project zinc, gold and silver prices and the Australian dollar exchange rate were not as favourable as the estimates used in the PFS for Hayes Creek and concentrate processing charges had risen steeply. During the second half of the year gold silver and zinc all experienced significant improvements in AUD terms further strengthening the project economics. for both Projects, but still leaving the Fountain Head Project as the better first priority. Gold and silver increased by >50% and >20% respectively from the estimates used during the PFS to end July 2020 and the zinc price was close to the PFS estimate. PNX also understands that concentrate processing charges may have softened a little, all of which is encouraging for the prospects of starting Hayes creek development once Fountain Head mining has ceased.

FOUNTAIN HEAD DEVELOPMENT

A geological review of the main mineralised zones at Fountain Head preceded the July 2019 initial Mineral Resource Estimate, and identified new target areas for follow up drilling, infill drilling, and areas requiring modern QAQC data for further resource category upgrade.

Two RC drill programs were subsequently carried out; an initial 18-hole drill program for 1,671m between August and September 2019, and a larger 59-hole program for 5,593m from November 2019 to February 2020.

The aim of the drill programs was to test areas of open mineralisation adjacent to the current resource envelope and potential higher-grade 'trap sites' within the main mineralised zones. Interpretation of controls over the gold mineralisation suggested that increased grades and thicker intercepts typically occur at the intersection between vertical feeder structures and the anticline fold axis.

Numerous mineralised intercepts were returned from drilling confirming good high-grade continuity at depth and along strike (see ASX releases 21 November 2019), increasing confidence in the geological model and highlighting the potential for further resource growth.

In June 2020, PNX Metals announced a further Mineral Resource Estimate (MRE) update at Fountain Head carried out on behalf of the Company by independent mining consultants CSA Global Pty Ltd ("CSA Global") and reported in accordance with the JORC Code (2012). (Refer to Table 5 on page 9). The MRE update saw an increase of 18koz Au representing a 13% increase to the contained gold, including a 20.5% increase to the indicated resource category from the previous July 2019 MRE.

Preliminary testwork on Fountain Head gold mineralisation included five bottle roll tests by Bureau Veritas Metallurgy Laboratories (BV) in Adelaide on representative drill chip samples taken from various locations within the modelled resource shell.

Excellent cyanide soluble (CN) gold recoveries from 88.9% to 97% were achieved on samples with grades ranging from 0.24g/t Au up to 24.05g/t Au. The recoveries of gold and silver, along with low cyanide and lime consumption rates are comparable with other global gold projects. These

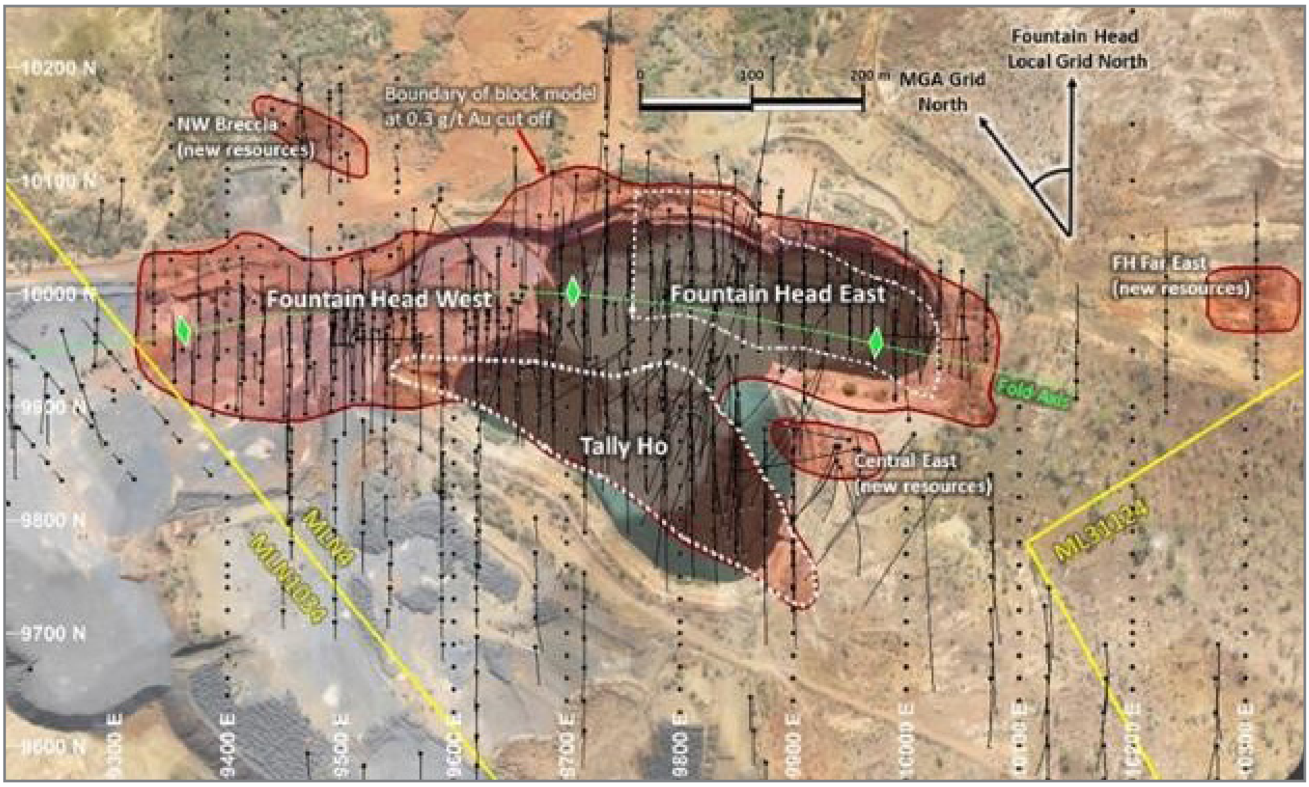

Figure 2 *Updated 2020 Fountain Head Resource, outline projected to surface.*

ENVIRONMENTAL PERMITTING AND APPROVALS

A significant component of the Fountain Head project development relates to Government and Environmental approvals and the technical studies required to inform the Mine Management Plan (MMP) and Environmental Impact Statement (EIS).

The Northern Territory Environmental Protection Authority (NT EPA) indicated that Fountain Head and Hayes Creek would be assessed as separate projects and therefore required a separate Notice of Assessment (NOI) and approval under an EIS for both mining and processing.

The Fountain Head NOI was submitted to the NT EPA in December 2019 as the first step in the environmental approval process. It provides a description of the project including the options being considered together with a background environmental description.

Terms of reference were received mid-2020, and the Company is now finalising the EIS and incorporating updates related to the proposed carbon-in-leach process route, and tailings and water management. The EIS is expected to be submitted by the end of 2020.

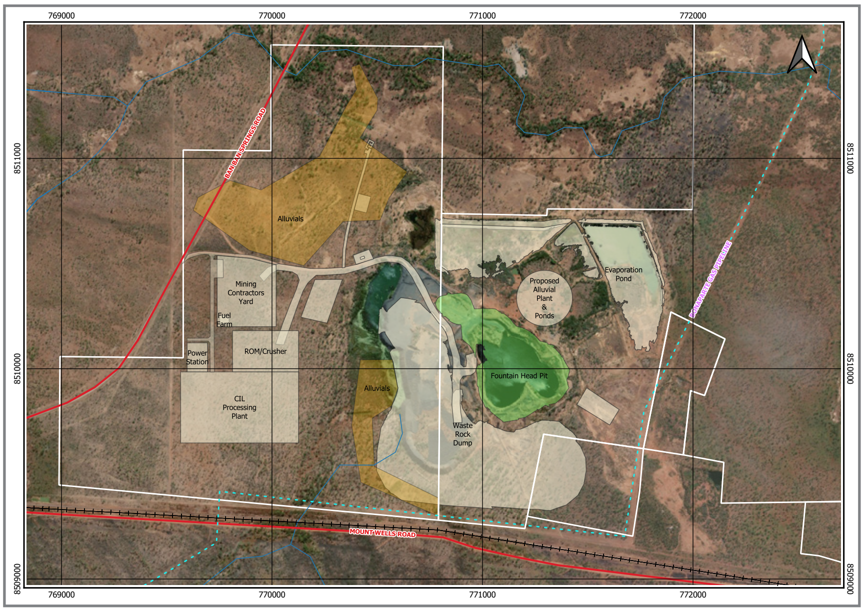

Figure 3 *Fountain Head proposed site layout.*

results are consistent with historical data from 1996, which also reported high CN soluble gold recoveries predominantly in excess of 90% (PNX ASX release 17 November 2019). Gold deportment and size by size analysis of three bulk samples taken from the western edge of the existing Fountain Head pit was also completed.

Numerous pit optimisation studies were modelled, and preliminary open-pit mine designs incorporating haul roads and waste dumps were generated based on economic considerations. Mining and crushing estimates were also received from mining contractors. This information, along with results from the metallurgical test work was used to generate a financial model which supported the near-term development of Fountain Head.

Subsequent to the year-end, the Company announced the signing of a non-binding term sheet for a proposed $40 million financial commitment to fund gold carbon-in-leach processing infrastructure and related costs required to fast track the Fountain Head project, and a 50/50 production joint venture involving not only Fountain Head Project but other precious metals prospects on the combined mineral tenure. Further details of this proposed transaction are included elsewhere in this Annual Report and can be found in (PNX's ASX release of 15 July 2020).

This proposed funding commitment and JV provides the Company with a clear pathway for development of Fountain Head. It also allows the Company to focus on generating a pipeline of additional gold resources for processing at the Fountain Head infrastructure, through regional exploration within its significant tenure in the NT.

REGIONAL EXPLORATION PROJECTS

PNX holds significant exploration tenure in the Pine Creek region of Northern Territory (Figure 4), divided into three main geographically separate project areas:

- Burnside (PNX 90% and Newmarket 10%) – gold and base metals
  - Surrounds the Fountain Head and Hayes Creek lease areas
- Moline (PNX 100%) – gold and base metals
- Chessman (PNX 90% and Newmarket 10%) – gold and base metals.

Concurrent with activities underway at Fountain Head, the Company has initiated a major review of the Burnside and Moline regional prospectivity, with the aim of identifying new targets within those projects with the potential to host significant "stand alone" gold deposits, and to supplement future proposed gold processing operations at Fountain Head.

An early observation to emerge from the work is that large areas of the exploration tenements remain untested by drilling with the majority of previous work centred on known gold deposits and their immediate areas.

The goal of the exploration strategy is:

- Phase 1 – Identify new economic mineralisation to supplement Fountain Head
- Phase 2 – Delineate additional reserves for processing at Fountain Head
- Phase 3 – Discover an orebody of sufficient scale to justify stand-alone development.

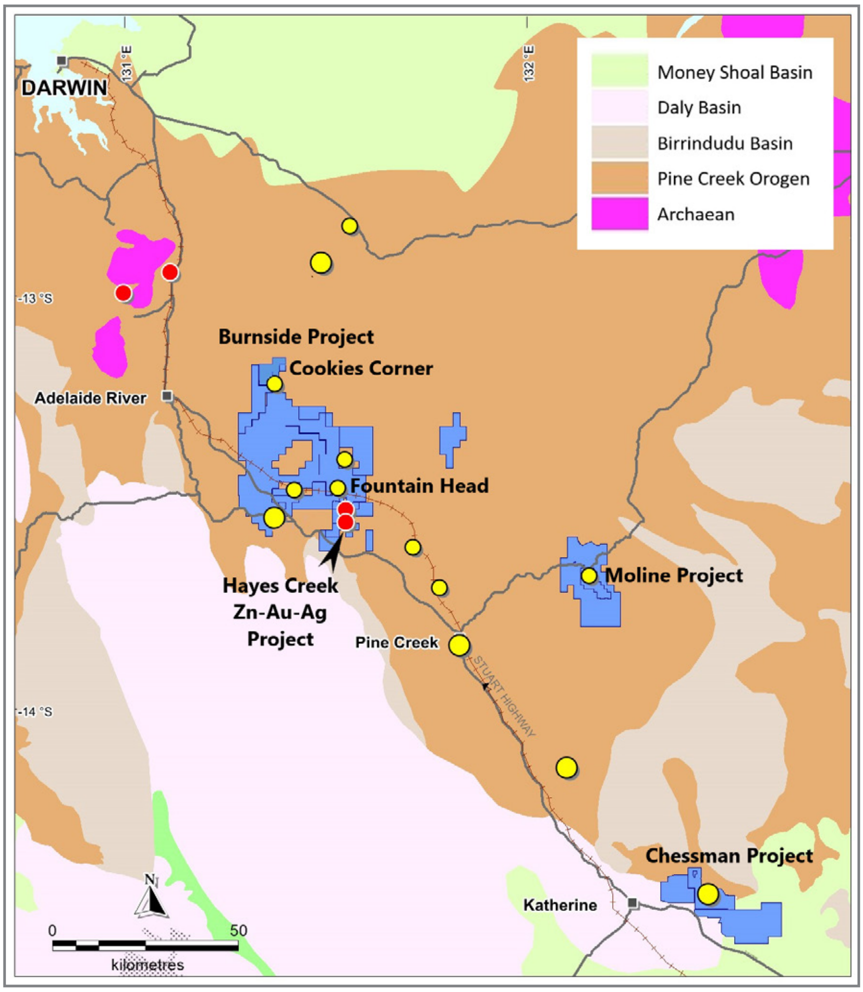

Figure 4 *Tenure in the Pine Creek region of Northern Territory.*

REGIONAL EXPLORATION PROJECTS

MOLINE

The 100% owned Moline Project is located approximately 65km to the east of Hayes Creek. 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 to supplement future proposed processing at Fountain Head or at Hayes Creek.

BURNSIDE

The Burnside Exploration Project (90%) is located along the Stuart Highway, 150km south of Darwin. It surrounds the Hayes Creek project and Fountain Head projects, 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 gold produced historically.

The Company is 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.

CHESSMAN PROJECT

The Chessman Project is located approximately 20km due east of Katherine at the southern margin of the Pine Creek Orogen. Access is via the Stuart Highway and along roads that were established in 2000 for haulage to and from the Maud Creek mining area. The Chessman Project surrounds the approximately 1Moz Maud Creek gold deposit owned by Kirkland Lake Gold. No material work was completed by PNX on the Chessman Project Area during the year.

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 or Yorke Peninsula regions.

Pursuant to a 'farm-in' agreement, Ausmex Mining Group Limited (ASX: AMG) earned a 90% interest in PNX's eight exploration licences in the Burra area (Burra Tenements), during the financial year. The second stage of the earn-in was completed in April 2020 and PNX elected to take a 2% net smelter return royalty over all minerals that may be produced from the Burra Tenements instead of a 10% (contributing) interest. Transfer of the Burra Tenements was initiated and as at 30 June 2020 the formal transfer remains with the Mines department to be finalised. A provision for impairment of the carrying value of the capitalised exploration and evaluation costs for the Burra Tenements was recorded in the year-end accounts.

ENVIRONMENT

The Company has approved exploration and care and maintenance Mine Management Plans (MMPs) for all project areas in the NT, including 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. Regular water monitoring and weed mapping was completed in accordance with approved MMPs.

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 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. See also the COVID-19 comments made elsewhere in this Annual Report.

Water Buffalo.

Australian Leaf Green Tree Frog.

Tata Lizard.

Fountain Head and Tally Ho pit.

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 HAYES CREEK			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%	106.0
TOTAL OTHER			122.2
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 FOUNTAIN HEAD			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 MOLINE			3,553.6
TOTAL MINERAL LEASES			4,723.4
Exploration licences			
EL28616	Moline	PNX Metals Ltd 100%	262.5 km^2
EL31893	Ryan Creek	PNX Metals Ltd 100%	23.41 km^2
EL31099	Bridge Creek	PNX Metals Ltd 100%	60.2km^2
TOTAL EXPLORATION LICENCES			346.11km^2

TENEMENTS

NORTHERN TERRITORY

FARM-IN TENEMENTS

TENEMENT	NAME	HOLDER	AREA (SQ KM)
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*			
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 Metals Ltd earned a 90% interest under a farm-in agreement with Newmarket Gold NT Holdings Pty Ltd (Newmarket).*

SOUTH AUSTRALIA

PNX TENEMENTS

EXPLORATION LICENCES	NAME	HOLDER	AREA (SQ. KM)
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
EL6430	Washpool ***	PNX Metals Ltd 100%	135
			1,190
Yorke Peninsula (YP)#			
EL6399	Coonarie #	PNX Metals Ltd 100%	254
TOTAL EXPLORATION LICENCES			1,444

*** *Pursuant to a 'farm-in' agreement, Ausmex Mining Group Limited (ASX: AMG) earned a 90% interest in PNX's eight exploration licences in the Burra area in South Australia (Burra Tenements), during the financial year. The second stage of the earn-in was completed in April 2020 and PNX elected to take a 2% net smelter return royalty over all minerals that may be produced from the Burra Tenements instead of maintaining a 10% (contributing) interest.*

Transfer of the Burra Tenements was initiated and as at 30 June 2020 the formal transfer remained with the Mines department to be finalised.

\# *As at 30 June 2020 the relinquishment of the remaining tenement held on the YP had been initiated and the formal relinquishment remained with the Mines department to be finalised.*

Iron Blow pit.

MINERAL RESOURCES AND ORE RESERVES

As at 30 June 2020

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 2020

NORTHERN TERRITORY

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 updated Mineral Resources by JORC Classification as at 16 June 2020

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	0.89	1.4	41
Inferred	1.11	1.6	56
Total	2.00	1.5	96
GLOBAL			
Indicated	1.83	1.7	100
Inferred	1.11	1.6	56
Total	2.94	1.7	156

Notes relating to Fountain Head Mineral Resources

- Due to effects of rounding, the total may not represent the sum of all components. The updated estimate of the Mineral Resources at Fountain Head and Tally Ho deposits was reported during June 2020. (Please refer to ASX Release dated 16 June 2020). The estimate of the initial Mineral Resources was reported on 11 July 2019.
- Fountain Head and Tally Ho mineralisation reported utilising a cut-off grade of above 0.7 g/t Au/t gold, which is consistent with the assumed open cut 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. It is noted that EL5918 is part of the Company's eight Burra tenements being transferred to Ausmex Mining Group Limited pursuant to a farm-in agreement. The transfer of the Burra tenements was initiated and as at 30 June 2020, the formal transfer remained with the Department for Energy and Mining (SA) to be finalised.

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

The reported mineral resources for Fountain Head and Tally Ho were updated on 16 June 2020 (Refer to ASX Release dated 16 June 2020) 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 resource estimates and the underlying assumptions and interpretations, are reviewed by PNX management, and in particular PNX contract Exploration Manager, Mr Charles Nesbitt (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 Charles Nesbitt, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy (AusIMM). Mr Nesbitt 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 Nesbitt is a full-time contract Exploration Manager 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 2020.

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 2020, 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 retired as Chairman, but remains a Councillor of the Mineral Resources Sector Advisory Council of the CSIRO.

In the 3 years immediately prior to 30 June 2020, Paul Dowd held the following directorship of other listed companies for the following period:

- 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 since 1970, 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 2020, 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 2020, David Hillier held no directorships of other listed companies.

HANS-JÖRG SCHMIDT

Non-executive Director

Appointed 11 November 2019

Based in Monaco, Mr Schmidt has a Master of Business & Administration from the University of Mannheim (Germany) and has a strong track record of business start-up and investment management. He is an experienced Private Equity Investor, working and investing across a broad range of industries and has held senior positions in investment banking and investment research firms along with director roles for publicly listed Companies in Europe. He has advised boards and management teams on investment decisions, financings and transactions across a broad range of industries. In the 3 years immediately prior to 30 June 2020, Hans-Jörg Schmidt held no directorships of other ASX 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 2020, 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.

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, an indirect interest in 13,485,714 shares and related parties of Mr Watson hold 1,570,165 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 10,800,000 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 advancement of the Fountain Head Gold Project and progression of a Definitive Feasibility Study ('DFS') over its Hayes Creek Zinc and Precious Metals Project, both situated in the Pine Creek region of the Northern Territory. The Company continued to conduct near-mine and regional mineral exploration at its Fountain Head and other projects in the Pine Creek region of the Northern Territory ('NT').

REVIEW OF OPERATIONS

Refer to the Overview and Exploration Report sections of this Annual Report for detail on the Fountain Head and Hayes Creek Projects and regional exploration activities conducted during the year in the Northern Territory.

In December 2019, the Company made the significant decision to re-prioritise its NT activities and focus on near-term gold production from the Fountain Head Gold Project.

New geological information derived from analysis and interpretation of the most recent 2019 and 2020 diamond and reverse circulation (RC) drilling campaigns resulted in an updated Mineral Resource Estimate (FH MRE) of 2.94Mt at 1.7g/t for 156,000oz of gold at Fountain Head due to low zinc prices at the time and strong Australian dollar gold price.

Subsequent to the year-end, the Company announced that it had signed a non-binding term sheet with Halifax Capital Pty Limited (HC) and its subsidiary Bridge Creek Mining Pty Limited (BCM) for a proposed:

- capital investment of A$40 million by HC (or nominee) via BCM to fund the acquisition, construction and commissioning of a fit-for-purpose gold carbon-in-leach (CIL) processing plant and associated infrastructure (Project Infrastructure) to be located at PNX's 100% owned Fountain Head Gold Project (FH) in the Pine Creek region of the Northern Territory to facilitate profitable treatment of certain PNX (including FH) and BCM gold mineral resources; and
- an unincorporated joint venture (JV) between PNX and BCM to mine and process those mineral resources through the Project Infrastructure and to share 50/50 the gold produced with agreed direct operating costs to be paid by PNX and BCM in the same proportion.

The proposed transaction and JV with BCM and HC provides the Company with a clear pathway for development of the Fountain Head gold resource. It also allows the Company to focus on generating a pipeline of additional gold resources for processing at Fountain Head, through regional exploration within its significant tenure in the NT.

PNX's overall strategy remains to rapidly monetise the existing gold mineral resources at Fountain Head whilst retaining control over any future Hayes Creek Project development. The mined-out Fountain Head pit will be made available for use as tailings storage for subsequent sulphide flotation of ore from the Mt Bonnie and Iron Blow zinc-gold-silver deposits at Hayes Creek.

There has been a significant rise in the gold and silver price between publishing of the Hayes Creek PFS in mid 2017 and at 30 June 2020. Significant value still exists at Hayes Creek and the Company is assessing options to advance development once the Fountain Head gold project is operational.

The Group reported a loss after tax for the year of $1.5 million (2019: $1.1 million). The higher loss was due primarily to the $0.5 million impairment charge in respect of previously capitalised exploration and evaluation expenditure.

The Group's 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 $0.7 million for the year primarily reflect payments for exploration activities $4.3 million) and to suppliers and employees ($1.1 million) financed through new shares issued ($1.6 million), maturing term deposits ($2.5 million) and various government grants ($0.5 million). Exploration and Evaluation cash outflows of $4.3 million consisted of $3.2 million on the Fountain Head Gold Project $0.7 million on the Hayes Creek DFS and $0.4 million on NT regional exploration for the year.

The Company raised a total $1.6 million during March 2020 through a share placement at 1.5 cents per share to sophisticated and professional investors raising $0.5 million and $1.1 million through the exercise of unlisted options at 1.5 cents per share.

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

On 15 July 2020 the Company announced that it had signed a non-binding term sheet for a proposed financial commitment by private company Halifax Capital and joint venture with its subsidiary Bridge Creek Mining to fund the acquisition, construction and commissioning of a fit-for-purpose gold Carbon-in-Leach (CIL) processing plant and associated infrastructure (Project Infrastructure) to be located at PNX's 100% owned Fountain Head Gold Project. HC has proposed to fund A$40m to cover the anticipated capital required for development and construction of Project Infrastructure and related costs necessary to fast track the Project. Formal binding documentation for the proposed transaction is anticipated to be completed in October 2020, with commercial gold production targeted for late 2021, subject to receipt of Mining and Environmental approvals.

The proposed transaction and JV with BCM provides the Company with a clear path to monetising the Fountain Head gold resource and certainty around a funding solution that minimises dilution for PNX shareholders and significantly de-risks the Fountain Head Gold Project. It will also allow the Company to focus on generating a pipeline of additional gold resources for processing at Fountain Head, through regional exploration within its significant tenure in the NT.

The Group's office lease in Rose Park, South Australia, extended to August 2020 as at year end. Subsequent to 30 June 2020, the Company secured the extension of the office lease for a further 12 months.

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

LIKELY DEVELOPMENTS

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

ENVIRONMENT REGULATION AND PERFORMANCE

The Group continues to meet all environmental obligations across its tenements.

An environmental Notice of Intent was submitted to the Northern Territory Environmental Protection Authority (NT EPA) in December 2019 and as expected, on 16 March 2020 the Company received a Statement of Reasons determining that the Fountain Head Gold Project requires an Environmental Impact Statement (EIS). Final Terms of Reference were received during May 2020.

The majority of technical information and studies required to inform the Project EIS have now been completed, however, due to the proposed agreements with HC and BCM it is expected that amendments will be required to incorporate the updated process route. As a result submission of the EIS is likley to be deferred until the latter part of 2020.

OPTIONS AND PERFORMANCE RIGHTS

There were no additional performance rights issued during the financial year. There were no shares issued in satisfaction of performance rights that vested under the Company's Performance Rights Plan. 1,640,000 performance rights lapsed during the year as the vesting conditions were not met. At the date of this report, 10,800,000 performance rights are on issue.

There were no options issued during the financial year. 74,000,000 shares were issued on 23 March 2020 at a price of 1.5 cents per share in satisfaction of the exercise of 74,000,000 unquoted options, raising $1.1million. As at the date of this report, a total of 379,125,000 unquoted options are on issue, comprising 20,000,000 unquoted options exercisable at a price of $0.0147 per share, expiring on 30 October 2020 and 359,125,000 unquoted options exercisable at a price of $0.015 per share, expiring on 30 September 2021.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company entered into a Deed of Access, Insurance and Indemnity with Peter Watson and Paul Dowd on 12 November 2007, David Hillier on 22 September 2010, Graham Ascough on 11 December 2012, James Fox on 26 November 2014, and Hans-Jörg Schmidt on 11 November 2019. 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.

REMUNERATION REPORT – AUDITED

DIRECTORS' ATTENDANCE AT MEETINGS

There were 9 Board meetings held during the financial year. Graham Ascough, Peter Watson, David Hillier, Paul Dowd and James Fox attended all 9 meetings, while Hans-Jörg Schmidt (appointed on 11 November 2019) attended 6 of the meetings, being all of the meetings held since his appointment.

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. Hans-Jörg Schmidt (appointed on 11 November 2019) attended 2 of the 3 meetings by invitation.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 31.

NON-AUDIT SERVICES

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

This Report outlines the remuneration arrangements in place for the Directors and the Company Secretary.

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
- Hans-Jörg Schmidt
  Non-executive Director *(appointed on 11 November 2019)*
- 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
  Chief Financial Officer and Company Secretary)

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 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 (2019: $Nil). There has been no changes to these fees or entitlemets since the inception of the Company in 2007.

In response to the COVID-19 pandemic, all directors agreed to a 20% reduction of their director's fees for the 3-month period from 1 April 2020 to 30 June 2020.

Summary details of remuneration for non-executive directors are given in the tables on pages 28 and 29. 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 an estimated remuneration value of $20,000, as well as mandated superannuation contributions, 20 days annual leave and 10 days sick leave per annum.

At 30 June 2020 and as of the date of this report, Mr Fox held no shares in the Company directly. At 30 June 2020 and the date of this report, a related party of Mr Fox held 9,999,999 Shares in the Company.

During the year, 800,000 of 11,600,000 performance rights held by Mr Fox lapsed as the performance conditions were not met. The performance rights have performance conditions related to key Company objectives, including development of the Hayes Creek project 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 2020, a total of 10,800,000 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.

DIRECTORS' REPORT

REMUNERATION REPORT – AUDITED

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY REMUNERATION

Angelo Gaudio has been the Chief Financial Officer and Company Secretary of the Company since 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 out of pocket expenses. The services may be terminated by either party on one months' notice. During the 2020 financial year, Mr Gaudio was paid fees of $120,000 (excluding GST).

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Directors' and key management personnel remuneration (all amounts are paid or payable) for the year ended 30 June 2020:

	SHORT TERM EMPLOYMENT BENEFITS		POST-EMPLOYMENT	EQUITY		
	SALARY & FEES	NON–CASH BENEFITS[5]	SUPERANNUATION	SHARES AND PERFORMANCE RIGHTS	TOTAL	% OF TOTAL REMUNERATION CONSISTING OF EQUITY
Directors						
Graham Ascough[3]	$71,250	-	-	-	$71,250	0%
Paul Dowd[3]	$34,704	-	$3,296	-	$38,000	0%
Peter Watson[3]	$34,704	-	$3,296	-	$38,000	0%
David Hillier[3]	$38,000	-	-	-	$38,000	0%
Hans-Jörg Schmidt[1,3]	$21,501	-	$2,042	-	$23,543	0%
James Fox[4]	$276,125	$17,023[5]	$25,000	$33,825[2]	$351,973	9.6%
Chief Financial Officer & Company Secretary						
Angelo Gaudio	$120,000	-	-	-	$120,000	0%
TOTAL	$596,284	$17,023	$33,635	$33,825	$680,766	5.0%

1 *Hans-Jörg Schmidt was appointed as a director on 11 November 2019.*

2 *Value of performance rights that have not yet vested that is attributable to the 2020 financial year.*

3 *20% reduction in Directors fees Directors was applied for Qtr 4 (Apr-Jun 2020) in response to the COVID-19 Pandemic.*

4 *20% reduction in James Fox CEO salary was applied for Qtr 4 (Apr-Jun 2020) in response to the COVID-19 Pandemic and annual leave entitlement was taken in lieu of the reduction.*

5 *Use of a company provided motor vehicle.*

Directors' and key management personnel remuneration for the year ended 30 June 2019:

	SHORT TERM EMPLOYMENT BENEFITS		POST-EMPLOYMENT	EQUITY		
	SALARY & FEES	NON–CASH BENEFITS[5]	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%
TOTAL	$725,534	-	$46,289	$17,885	$789,708	2.3%

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.*

EQUITY HOLDINGS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

	BALANCE 1 JULY 2019	NET CHANGES	BALANCE 30 JUNE 2020
Directors			
Graham Ascough	11,066,532	-	11,066,532
Paul Dowd	21,854,638	-	21,854,638
Peter Watson[1]	16,313,285	-	16,313,285
David Hillier	10,500,001	-	10,500,001
Hans-Jörg Schmidt	-	-	-
James Fox[2]	-	-	-
Key management personnel			
Angelo Gaudio	-	-	-

1 *Additional shares held by related parties at 30 June 2020: 1,570,165 (2019: 1,570,165).*
2 *Shares held by related party at 30 June 2020: 9,999,999 (2019: 9,999,999).*

REMUNERATION REPORT – AUDITED

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

	BALANCE 1 JULY 2019	NET CHANGES	BALANCE 30 JUNE 2020
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
Hans-Jörg Schmidt			
James Fox[1]	-	-	-
Key management personnel			
Angelo Gaudio	-	-	-

1 *Options held by related parties at 30 June 2020: 1,875,000 (2019: 1,875,000).*

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

	BALANCE 1 JULY 2019					BALANCE 30 JUNE 2020	
	VESTED	UNVESTED	GRANTED	VESTED	FORFEITED	VESTED	UNVESTED
James Fox	-	11,600,000	-	-	800,000	-	10,800,000

OTHER RELATED PARTY TRANSACTIONS

During the financial year the Group engaged Piper Alderman, an entity in which a Director (Peter Watson) is a senior consultant, to advise on legal matters. The cost of services paid to Piper Alderman during the financial year, inclusive of GST, was $34,438 (2019: $78,657).

END OF REMUNERATION REPORT

Signed on 15th September 2020 in accordance with a resolution of the Board made pursuant to section 298(2) of the *Corporations Act 2001*.

Graham Ascough
Chairman

Level 3, 170 Frome Street
Adelaide SA 5000

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GPO Box 1270
Adelaide SA 5001

T +61 8 8372 6666

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 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Ian Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 15 September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2020

	NOTE	YEAR ENDED 30/06/20 $	YEAR ENDED 30/06/19 $
Interest income	4(a)	43,417	34,887
Other income		70,000	60,431
Employee benefits		(258,518)	(238,061)
Professional fees	4(e)	(414,447)	(421,321)
Directors' fees		(208,793)	(195,000)
Exploration – tenement maintenance	10	(34,719)	(64,758)
Occupancy	4(c)	(66,501)	(68,177)
Insurance		(29,196)	(31,057)
Share registry and regulatory		(61,560)	(90,663)
Communication		(12,882)	(20,042)
Audit fees	20	(36,028)	(28,599)
Equity-based remuneration	18	(33,824)	(9,785)
Other expenses		(105,072)	(83,696)
Depreciation	4(b)	(7,591)	(6,598)
Impairment – exploration and evaluation assets	4(d), 10	(500,000)	(137,379)
Interest charges		-	-
Loss before income tax		(1,655,714)	(1,299,818)
Income tax benefit	5	150,189	219,836
Loss for the year		(1,505,525)	(1,079,982)
Other comprehensive income/loss:			
Items that will not be subsequently reclassified to profit or loss:			
Financial assets – fair value through OCI	9, 16	(438,329)	38,677
Total comprehensive loss for the year, attributable to equity holders of the parent		(1,943,854)	(1,041,305)
Loss per share – continuing operations			
Basic and diluted (cents per share)	25	(0.06)	(0.07)
Loss per share – total			
Basic and diluted (cents per share)	25	(0.06)	(0.07)

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 2020

	NOTE	30/06/20 $	30/06/19 $
CURRENT ASSETS			
Cash and cash equivalents	6	1,972,721	2,803,691
Financial assets – term deposits	6	-	2,500,000
Trade and other receivables	7	93,582	356,443
Prepayments and deposits	8	155,165	150,682
Other financial assets	9	90,244	528,573
Total current assets		2,311,712	6,339,389
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	10	16,364,563	12,505,077
Plant and equipment	11	14,768	25,760
Total non-current assets		16,379,331	12,530,837
Total assets		18,691,043	18,870,226
CURRENT LIABILITIES			
Trade and other payables	12	479,920	352,394
Provisions	13	130,586	143,106
Total current liabilities		610,506	495,500
NON-CURRENT LIABILITIES			
Provisions	13	19,258	5,795
Contract liabilities	14	2,400,000	2,400,000
Total non-current liabilities		2,419,258	2,405,795
Total liabilities		3,029,764	2,901,295
Net assets		15,661,279	15,968,931
EQUITY			
Issued capital	15	47,072,054	45,469,675
Reserves	16	(19,297)	385,208
Accumulated losses	17	(31,391,478)	(29,885,952)
Total equity		15,661,279	15,968,931

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 2020

	ISSUED CAPITAL $	EQUITY-BASED PAYMENT RESERVES $	FAIR VALUE OCI RESERVES $	ACCUMULATED LOSSES $	TOTAL $
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
Balance at 1 July 2019	45,469,675	50,015	335,193	(29,885,952)	15,968,931
Total loss for the year	-	-	-	(1,505,525)	(1,505,525)
Other comprehensive loss	-	-	(438,329)	-	(438,329)
Total comprehensive loss for the year	-	-	(438,329)	(1,505,525)	(1,943,854)
Shares issued (placement)	500,000	-	-	-	500,000
Shares issued (unlisted options exercised)	1,110,000	-	-	-	1,110,000
Share issue costs	(7,621)	-	-	-	(7,621)
Fair value of equity settled payments	-	33,824	-	-	33,824
Balance at 30 June 2020	47,072,054	83,839	(103,136)	(31,391,477)	15,661,280

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 2020

	INFLOWS/(OUTFLOWS) YEAR ENDED 30/06/20 $	INFLOWS/(OUTFLOWS) YEAR ENDED 30/06/19 $
Cash flows relating to operating activities		
Receipt of research and development tax offsets	415,025	-
COVID-19 stimulus support received	50,000	-
Payments for exploration activities expensed	(34,720)	
Payments to suppliers and employees	(1,122,469)	(1,214,207)
Net operating cash flows	(692,164)	(1,214,207)
Cash flows relating to investing activities		
Term deposits (terms greater than 90 days) – matured /(purchased)	2,500,000	(2,500,000)
Interest received	41,780	36,317
Payments for exploration activities	(4,282,964)	(2,940,550)
Payments for plant and equipment	-	(20,255)
Proceeds on disposal of plant and equipment	-	30,431
Net investing cash flows	(1,741,184)	(5,394,057)
Cash flows relating to financing activities		
Proceeds from share issues (Note 15)	1,610,000	8,944,398
Payments for capital raising costs	(7,621)	(392,519)
Net financing cash flows	1,602,379	8,551,879
Net increase/(decrease) in cash	(830,970)	1,943,615
Cash at beginning of financial year	2,803,691	860,076
Cash at end of financial year	1,972,721	2,803,691
Loss for the year	(1,505,525)	(1,079,982)
Interest income	(43,417)	(34,886)
Miscellaneous income	(50,000)	(60,431)
Equity-based remuneration	33,824	9,785
Depreciation and amortisation	7,591	6,598
Exploration not capitalised – investing	34,720	64,758
Impairment charges – exploration and evaluation assets	500,000	137,379
(Increase)/decrease in receivables – operating	263,092	(225,149)
(Increase)/decrease in other current assets – operating	12,954	6,164
Increase/(decrease) in payables – operating	56,737	(18,333)
Increase/(decrease) in employee provisions	(2,140)	(20,110)
Net operating cash flows	(692,164)	(1,214,207)

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 15th September 2020.

2 NEW AND REVISED ACCOUNTING STANDARDS

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

The accounting policies applied by the Group in the consolidated financial statements are consistent with those applied in the prior year, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group applies, for the first time, AASB 16 Leases and AASB Interpretation 23 - Uncertainty over Income tax treatments, for the year ending 30 June 2020. As required by AASB 134, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group.

AASB 16 Leases

AASB 16 was issued in January 2016 and replaces AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation 115 Operating Leases-Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

Transition to AASB 16

The Group has elected to account for it's lease using one of the practical expedients as decribed in AASB 16 C10(c), due to the short-term nature of the remaining lease term on transition. Instead of recognising a right-of-use asset and lease liability, the payments in relation to this lease are recognised as an expense in profit or loss on a straight-line basis over the lease term. At the date of transition a total of $80,213 was payable over the remaining period of this lease.

Interpretation 23 – Uncertainty over income tax treatments

The first-time adoption of this amendment did not have any impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future periods.

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 2020, the Group made a loss of $1,505,525 (2019: loss of $1,079,982) and recorded a net cash outflow from operating and investing activities of $2,433,348 (2019: $6,608,264). At 30 June 2020, the Group had cash of $1,972,721 (2019: $2,803,691), net current assets, excluding the investment in Sunstone Metals Ltd of $1,610,963 (2019: $5,315,315) and net assets of $15,661,280 (2019: $15,968,931).

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 activities to progress towards the development of the Fountain Head Gold Project. The Group's ability to continue as a going concern 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.

The Group applies AASB120 "Accounting for Government Grants and Disclosure of Government Assistance" in accounting for such programmes as the cash flow boost and Jobkeeper wage subsidy, whereby a credit is recognised in other income over the period necessary to match the benefit of the credit with the costs which they are intended to compensate (for).

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash held at financial institutions and bank deposits with a maturity not more 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 instruments

Financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. The Group's trade and other receivables are subject to AASB 9's credit loss model.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments under this category.

Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than any derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

g) Exploration and evaluation expenditure

Exploration and evaluation expenditure in relation to each separate area of interest is recognised as an asset in the year in which it is 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 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.

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.

h) Impairment of assets (other than financial assets, exploration and evaluation assets and plant and equipment)

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.

i) Plant and equipment

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

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. At 30 June 2020 the Group was committed to a short-term lease expiring on 31 August 2020, and the total commitment at that date was $11,336.

Leases (accounting policy applicable before 1 July 2019)

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Group. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of interest on lease liabilities in the Statement of Profit and Loss.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease. All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

p) Income tax

Income tax expense represents the sum of tax currently payable and deferred tax.

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.

Research and development tax incentive

To the extent that research and development costs are eligible activities under the “Research and development tax incentive” programme, a 43.5% refundable tax offset is available for companies with annual turnover of less than $20 million. The Group recognises refundable tax offsets based on management’s best estimate of the amount receivable as an income tax benefit, in profit or loss, resulting from the monetisation of available tax losses that otherwise would have been carried forward.

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 $500,000 (2019: $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 Group 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 30/06/20 $	YEAR ENDED 30/06/19 $
a) Interest income		
Interest on bank deposits	43,417	34,887
b) Depreciation		
Depreciation of plant and equipment	7,591	6,598
c) Occupancy		
Short-term lease expenses	66,501	68,177
d) Impairment		
Exploration and evaluation assets	500,000	137,379
e) Professional fees		
Accounting and taxation expenses	32,639	25,476
Legal fees	38,472	52,948
Contractor services	20,189	-
Company promotion	203,147	156,475
Secretarial services	120,000	186,422
Total professional fees	414,447	421,321

5 INCOME TAX

	YEAR ENDED 30/06/20 $	YEAR ENDED 30/06/19 $
a) Income tax recognised in profit or loss		
Current tax expense/(benefit)	(55,000)	(150,000)
Deferred tax expense/(benefit)	(95,189)	(69,836)
Total tax expense/(benefit)	(150,189)	(219,836)
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	1,655,714	1,299,818
Income tax benefit calculated at 27.5% (2019: 27.5%)	(455,321)	(357,450)
Equity-based remuneration – performance rights	9,302	2,691
Current year tax losses and movements in temporary differences not recognised	446,019	354,759
Recognition of estimated research and development tax offset refund related to the current tax year	(55,000)	(150,000)
Recognition of actual research and development tax offset refund related to the previous tax year	(95,189)	(69,836)
Tax expense (benefit)	(150,189)	(219,836)

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).

b) Recognised tax assets and liabilities

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

Exploration and evaluation expenditure	(4,471,844)	(3,185,402)
Plant and equipment	(4,061)	(7,084)
Trade and other payables	6,930	12,100
Employee benefits	41,207	40,948
Share issue costs	106,092	139,733
Net deferred tax liabilities	(4,321,676)	(2,999,705)
Tax losses recognised	4,321,676	2,999,705
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:

	30/06/20 $	30/06/19 $
Tax losses – operating (tax effected)	8,167,833	7,995,639
Tax losses – capital (tax effected)	146,948	146,948

Of the total operating tax losses of approximately $45.4 million in the Group at 30 June 2020, $29.7 million are unrecognised as shown above as a $8.167 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

	30/06/20 $	30/06/19 $
Cash and cash equivalents	1,972,721	2,803,691
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 not greater than 3 months.

At 30 June 2020, the Group did not hold any term deposits with maturity terms of greater than 3 months (2019: $2,500,000).

7. TRADE AND OTHER RECEIVABLES

	30/06/20 $	30/06/19 $
Interest	3,150	1,513
Research and development tax offset incentive	55,000	319,836
Goods and services tax	34,914	34,334
Other	518	760
	93,582	356,443

A research and development tax offset claim amount of $55,000 for the year ended 30 June 2020 has been accrued based on management's estimate of qualifying expenditure, and will be finalised upon the lodgement of PNX's 2020 tax return.

8. PREPAYMENTS AND DEPOSITS

	30/06/20 $	30/06/19 $
Prepayments	14,193	27,146
Environmental deposits – Northern Territory	108,212	90,776
Deposit – office bond	32,760	32,760
	155,165	150,682

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 2021 and earning 1.2% interest.

9. OTHER FINANCIAL ASSETS

	30/06/20 $	30/06/19 $
Investment in Sunstone Metals Ltd	90,244	528,573

The Group continues to hold 12,892,013 shares in ASX listed Sunstone Metals Limited ('Sunstone', previously Avalon Minerals Limited). 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 2020, the investment was reflected at fair value of $90,244, with the incremental movement recorded at fair value through other comprehensive income (FVOCI) – refer to Note 16.

10 EXPLORATION AND EVALUATION EXPENDITURE

	30/06/20 $	30/06/19 $
Costs brought forward	12,505,077	9,706,714
Expenditure incurred during the year	4,394,205	3,000,500
Recognised as an expense (tenements previously impaired)	(34,719)	(64,758)
Impairment charges	(500,000)	(137,379)
	16,364,563	12,505,077

During December 2019, the Company made a decision to focus its activities on near-term gold production from the Fountain Head Gold Project, in the Pine Creek region of the Northern Territory.

New geological information derived from analysis and interpretation of the most recent 2019 and 2020 diamond and reverse circulation (RC) drilling campaigns at Fountain Head during the year resulted in an updated Mineral Resource Estimate of 156,000 oz of gold.

Pursuant to an agreement covering the Company's eight Burra Central tenements, Ausmex Mining Group Limited (Ausmex) could earn a 90% interest in the tenements in 2 stages. During December 2019, Ausmex completed the stage 1 'earn-in'. The second stage of the 'earn-in' was completed in April 2020 and PNX elected to take a 2% net smelter return royalty over all minerals that may be produced from the Burra Tenements instead of a 10% contributing interest.

Transfer of the Burra Tenements was initiated and as at 30 June 2020 the formal transfer remains with the Department of Mining and Energy (SA) to be finalised. There is no certainty that any minerals will be produced from the Burra Tenements and a provision for the impairment of the carrying value of $500,000 has been recorded in the year end accounts.

11 PLANT AND EQUIPMENT

COST	$
Balance at 30 June 2018	606,813
Additions	20,255
Disposals	(81,392)
Balance at 30 June 2019	545,676
Additions	-
Disposals	-
Balance at 30 June 2020	545,676
Accumulated depreciation	
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
Depreciation expense	7,591
Depreciation capitalised to exploration assets	3,400
Disposals	-
Balance at 30 June 2020	530,907
Net book value – plant and equipment	
Balance at 30 June 2019	25,760
Balance at 30 June 2020	14,769

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

	30/06/20 $	30/06/19 $
Trade payables	358,139	246,377
Accrued expenses	108,982	89,007
Other payables	12,799	17,010
	479,920	352,394

Average credit period on trade payables is 30 days.

13 PROVISIONS

	30/06/20 $	30/06/19 $
Current		
Employee benefits – annual leave	73,345	77,774
Employee benefits – long service leave	57,241	65,332
Non-current		
Employee benefits – long service leave	19,258	5,795

14 CONTRACT LIABILITIES

	30/06/20 $	30/06/19 $
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.

During the year these agreements were amended to transfer silver delivery obligations from the Hayes Creek Project to the Fountain Head Project; to modify the silver delivery to consist of an equivalent value of gold in the event that the silver production from Fountain Head could not fulfill the silver delivery obligation; and to reflect that the NSR royalty at the end of the three year delivery period is calculated over gold and silver produced from the Fountain Head Project.

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 or gold is delivered in the future. In the event the Fountain Head Gold Project is not developed, the forward payments will be converted to shares in the Company.

15 ISSUED CAPITAL

	30/06/20 $	30/06/19 $
2,542,621,476 fully paid ordinary shares (2019: 2,435,288,142)	47,072,054	45,469,675

Movement in ordinary shares for the year:

		NUMBER	30/06/20 $	NUMBER	30/06/19 $
Ref	**Balance at beginning of year**	2,435,288,142	45,469,675	1,088,930,020	36,917,796
a	Shares issued at 1.5 cents	33,333,334	500,000	-	-
b	Shares issued on the exercise of unlisted options at 1.5 cents	74,000,000	1,110,000	-	-
c	Shares issued at 0.8 cents			263,750,000	2,110,000
d	Shares issued at 0.8 cents	-	-	169,375,000	1,355,000
e	Shares issued at 0.6 cents	-	-	913,233,122	5,479,398
	Share issue costs		(7,621)		(392,519)
	Balance at end of year	2,542,621,476	47,072,054	2,435,288,142	45,469,675

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

a) 33,333,334 Shares were issued at 1.5 cents under a placement to sophisticated and professional investors on 23 March 2020.

b) 74,000,000 Shares were issued on the exercise of 74,000,000 unlisted options at 1.5 cents per share to major shareholder, DELPHI UNTERNEHMENSBERATUNG AKTIENGESELLSCHAFT\C on 23 March 2020.

c) 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.

d) 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.

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

16 RESERVES

	30/06/20 $	30/06/19 $
FVOCI investment	(103,136)	335,193
Equity-settled benefits	83,839	50,015
	(19,297)	385,208

The change in Fair Value through Other Comprehensive Income (FVOCI) investment reserve reflects the current year decrease in the fair value of the Company's investment in Sunstone Metals Ltd of $438,329.

The equity-settled benefits reserve arises on the fair value of the performance rights granted to employees, consultants and executives under the PNX Metals Limited Employee Performance Rights Plan. The reserve at 30 June 2020, includes any adjustments for lapsed 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 2020. 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. The fair value of equity-settled benefit payments was $33,824 during the year ended 30 June 2020 and is reflected in the equity-settled benefits reserve.

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

17 ACCUMULATED LOSSES

	30/06/20 $	30/06/19 $
Balance at beginning of year	29,885,952	28,805,970
Loss for the year	1,505,526	1,079,982
Balance at end of year	31,391,478	29,885,952

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 October 2018, 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 2020.

In relation to the unvested 2,440,000 performance rights held by PNX personnel under the Plan as at 1 July 2019:

» 800,000 perfrormance rights held by the Company's Managing Director & CEO were forfeited during the year as the performance conditions were not met;

» 840,000 performance rights held by PNX personnel were forfeited during the year as the performance conditions were not met; and

» 800,000 performance rights held by the Company's Managing Director & CEO remain unvested at 30 June 2020.

The total remaining 10,800,000 unvested performance rights at 30 June 2020 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.

The Company had previously issued, 433,125,000 unquoted free attaching options to share placement participants. These unquoted options are exercisable at 1.5 cents each and expire on 30 September 2021. On 23 March 2019, 74,000,000 shares were issued at 1.5 cents each on the exercise of 74,000,000 of these unlisted options.

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.

At 30 June 2020, a total of 379,125,000 unlisted options were on issue, as shown in the table below.

OPTIONS	30/06/20 NUMBER OF OPTIONS	30/06/20 WEIGHTED AVERAGE EXERCISE PRICE $	30/06/19 NUMBER OF OPTIONS	30/06/19 WEIGHTED AVERAGE EXERCISE PRICE $
Balance at beginning of the year	453,125,000	0.01499	85,450,000	0.042
Options granted	-	-	433,125,000	0.015
Options exercised	(74,000,000)	0.015	-	
Options forfeited	-	-	(65,450,000)	0.05
Balance at end of the year	379,125,000	0.01498	453,125,000	0.01499

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)
- Hans-Jörg Schmidt (Non-executive Director – appointed 11 November 2019)
- James Fox (Managing Director & Chief Executive Officer)
- Angelo Gaudio – (Chief Financial Officer and Company Secretary)

The aggregate compensation of key management personnel of the Group is set out below:

	30/06/20 $	30/06/19 $
Short-term employee benefits	613,307	725,534
Post-employment benefits	33,635	46,289
Share-based payments	33,825	17,885
	680,767	789,708

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

20 REMUNERATION OF AUDITOR

	30/06/20 $	30/06/19 $
Audit and review of the financial reports	$36,028	28,599

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 $34,438 (2018: $78,657). $11,922 inclusive of GST was owed to Piper Alderman at 30 June 2020 (2019: $Nil).

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 in order to retain the full tenement. 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 2020 in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	30/06/20 $	30/06/19 $
Minimum exploration expenditure on exploration licences	154,250	1,168,000

Pursuant to a farm-in agreement, Ausmex Mining Group Limited (ASX: AMG) earned a 90% interest in PNX's eight exploration licences in the Burra area (Burra Tenements), during the financial year. The second stage of the earn-in was completed in April 2020 and PNX elected to take a 2% net smelter return royalty over all minerals that may be produced from the Burra Tenements instead of a 10% contributing interest. Formal transfer of the Burra Tenements was accordingly initiated and as at year ended 30 June 2020 the formal transfer remained to be finalised.

The Group's office lease in Rose Park, South Australia, with annual lease payments of $68,754 exclusive of GST, extends to August 2020 as at year end. Subsequent to year end, the Company secured the extension of the office lease for a further 12 months.

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.

Remaining contingent consideration pursuant to this agreement (Formal assignment of the contingent consideration to Ausmex Mining Group has been initiated and as at 30 June 2020 the formal assignment remained to be finalised):

- 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 (Newmarket) – 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). (Formal assignment of the royalties has been initiated and as at 30 June 2020 remains to be finalised):

- 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 2020 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 when a JORC compliant resource is defined on certain tenements subject to PNX's farm-in agreement by paying PNX three times the Company's accumulated expenditure on the deposit(s).

A single 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 & FINANCIAL RISK MANAGEMENT

Categories of financial instruments

	30/06/20 $	30/06/19 $
Financial assets		
Cash and cash equivalents	1,972,721	2,803,691
Financial assets – term deposits	-	2,500,000
Deposits	140,972	123,535
Trade and other receivables	93,582	356,443
Other financial assets – investment in Sunstone	90,244	528,573
Financial liabilities		
Trade and other payables	479,920	352,394

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 Fountain Head Gold Project and Hayes Creek Projects are to some extent exposed to the risk of unfavourable movements in the US/Australian dollar exchange rate and gold, silver and zinc 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 and 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 $7,535 (2019: increase or decrease by approximately $8,000).

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 $
2020					
Non-interest bearing	-	370,938	108,981	-	-
Fixed Interest bearing	-	-	-	-	-
2019					
Non-interest bearing	-	263,387	89,007	-	-
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 30/06/20 $	REVENUE YEAR ENDED 30/06/19 $	SEGMENT LOSS YEAR ENDED 30/06/20 $	SEGMENT LOSS YEAR ENDED 30/06/19 $
Exploration – NT	-	-	-	(137,379)
Exploration – SA	-	-	(534,720)	(64,758)
Unallocated/corporate	-	-	(1,113,135)	(1,097,681)
Total loss before tax			(1,655,714)	(1,299,818)
Income tax benefit			150,189	219,836
Total loss for the year			(1,505,525)	(1,079,982)

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:

	30/06/20 $	30/06/19 $
Assets		
Exploration – NT	16,496,785	12,125,402
Exploration – SA	-	500,000
Unallocated assets	2,194,258	6,244,824
Total assets	18,691,044	18,870,226
Liabilities		
Exploration – NT	272,878	159,964
Exploration – SA	-	-
Unallocated liabilities	2,756,886	2,741,101
Total liabilities	3,763,905	2,901,065

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

	30/06/20 CENTS PER SHARE	30/06/19 CENTS PER SHARE
Basic and diluted loss per share – continuing operations	(0.06)	(0.07)

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 ($)	(1,505,525)	(1,079,982)
Weighted average number of ordinary shares	2,466,080,492	1,566,428,763

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 2020 %	OWNERSHIP INTEREST 2019 %
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

On 15 July 2020 the Company announced that it had signed a non-binding term sheet for a proposed financial commitment by private company Halifax Capital and joint venture with its subsidiary Bridge Creek Mining to fund the acquisition, construction and commissioning of a fit-for-purpose gold carbon-in-leach (CIL) processing plant and associated infrastructure (Project Infrastructure) to be located at PNX's 100% owned Fountain Head Gold Project . HC has proposed to fund up to A$40m to cover the anticipated capital required for development and construction of Project Infrastructure and related costs necessary to fast track the Project. Formal binding documentation for the proposed transaction is anticipated to be completed in October 2020, with commercial gold production targeted for late 2021, subject to receipt of Mining and Environmental approvals.

The proposed transaction and JV with BCM provides the Company with a clear path to monetising the Fountain Head gold resource and certainty around a funding solution that minimises dilution for PNX shareholders and significantly de-risks the Fountain Head Gold Project. It will also allow the Company to focus on generating a pipeline of additional gold resources for processing at Fountain Head, through regional exploration within its significant tenure in the NT.

The Group's office lease in Rose Park, South Australia, extended to August 2020 as at year end. Subsequent to 30 June 2020, the Company secured the extension of the office lease for a further 12 months.

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

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 2020 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.

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

15th September 2020

Grant Thornton

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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 subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 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 Company 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 loss of $1,505,525 during the year ended 30 June 2020, and net cash outflows (excluding the acquisition of term deposits) from operating and investing activities of $2,433,348. 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.

Grant Thornton

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Exploration and evaluation assets – Note 3(g) and 10	
At 30 June 2020 the carrying value of exploration and evaluation assets was $16,364,563. 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 management's reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger; • Review 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, reviewing exploration licenses to determine whether a right of tenure exists. – 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 2020, 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_2020.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 2020.

In our opinion, the Remuneration Report of PNX Metals Limited, for the year ended 30 June 2020 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

Ian Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 15 September 2020

as at 1 September 2020

SHARES

The total number of shares issued as at 1 September 2020 was 2,542,621,476 held by 1,211 registered shareholders.

326 shareholders hold less than a marketable parcel, based on the market price of a share as at 1 September 2020.

Each share carries one vote.

PERFORMANCE RIGHTS/OPTIONS

As at 1 September 2020, the Company had 10,800,000 performance rights and 379,125,000 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 359,125,000 options have a 1.5 cent exercise price expiring 30 September 2021. 33% of the unquoted options are held by Delphi Unternehmensberatung Aktiengesellschaft\C.

TWENTY LARGEST SHAREHOLDERS

As at 1 September 2020, the twenty largest shareholders were as shown in the following table and held 78.35% of the shares:

RANK	NAME	SHARES	% OF SHARES
1	DELPHI UNTERNEHMENSBERATUNG AKTIENGESELLSCHAFT\C	1,062,956,294	41.81
2	SOCHRASTEM SA\C	169,403,240	6.66
3	MARILEI INTERNATIONAL LIMITED	156,766,095	6.17
4	ROBERT LEON	102,665,001	4.04
5	POTEZNA GROMADKA LTD	90,207,053	3.55
6	BNP PARIBAS NOMS PTY LTD <DRP>	75,286,190	2.96
7	CITICORP NOMINEES PTY LIMITED	41,064,398	1.62
8	TALIS SA\C	39,319,603	1.55
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	36,334,952	1.43
10	BNP PARIBAS NOMS PTY LTD <UOB KH P/L AC UOB KH DRP>	27,925,865	1.10
11	KOMON NOMINEES PTY LTD <OWEN SUPER FUND A/C>	24,679,033	0.97
12	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	23,634,623	0.93
13	PJ & BA DOWD INVESTMENTS PTY LTD <THE DOWD SUPER FUND A/C>	21,354,638	0.84
14	LATSOD PTY LTD <DOSTAL SUPERFUND A/C>	20,229,761	0.80
15	WGS PTY LTD	18,888,888	0.74
16	SYNOD NOMINEES PTY LTD	18,650,000	0.73
17	ESM LIMITED	18,048,000	0.71
18	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	16,261,723	0.64
19	MR GRANT MORRIS	15,000,000	0.59
20	MR PETER JAMES WATSON + MS JUDITH WATSON <SUPER FUND A/C>	13,485,714	0.53
	Total	1,992,161,071	78.35

SUBSTANTIAL SHAREHOLDERS

As at 1 September 2020, the substantial shareholders in the Company's register of substantial shareholders are listed below:

SHAREHOLDER	HOLDING	%
Delphi Unternehmensberatung Aktiengesellschaft\C	1,062,956,294	41.81
Sochrastem SA\C	169,403,240	6.66
Marilei International Limited	156,766,095	6.17

DISTRIBUTION SCHEDULES

A distribution schedule of the number of Shareholders, by size of holding, as at 1 September 2020 is set out below:

SIZE OF HOLDINGS	NUMBER OF SHAREHOLDERS
1 – 1000	50
1,001 – 10,000	93
10,001 – 100,000	473
100,001 and over	595
Total	1,211

There is no current on-market buy-back.

A distribution schedule of the number of unlisted option holders, by size of holding, as at 1 September 2020 is set out below:

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

VOTING RIGHTS

Subject to the Company constitution:

a) at meetings of shareholders, each shareholder is entitled to vote in person, by proxy, by attorney or by representative;

b) on a show of hands, each shareholder present in person, by proxy, by attorney or by representative is entitled to one vote; and

c) on a poll, each shareholder present in person, by proxy, by attorney or by representative is entitled to one vote for every share held by the shareholder.

In the case of joint holdings, only one joint holder may vote.

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.