PNX METALS

PNX METALS LIMITED ABN 67 127 446 271

ANNUAL REPORT 2017

CORPORATE DIRECTORY

Australian Business Number
67 127 446 271

Country of Incorporation
Australia

Board of Directors

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

Company Secretary
Tim Moran

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

Cover photo: Mt Bonnie

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Drilling at Hayes Creek

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the 2017 Annual Report for PNX Metals Limited (**PNX** or the **Company**).

PNX made significant progress during the year on its objective to be a sustainable, profitable gold and base metals producer by completing a Preliminary Feasibility Study (**PFS**) on its flagship zinc-gold-silver Hayes Creek Project (**Hayes Creek** or **Project**) in the Pine Creek region of the Northern Territory (**NT**).

The PFS confirms Hayes Creek to be a high value, relatively low risk and technically strong development opportunity for the Company. It forecasts the Project could generate an $NPV_{10\%}$ of $133 million, based on net smelter revenue from the sale of zinc and precious metals concentrates of $628 million over a 6.5 year mine life. With a low $58 million of initial capital expenditure, the Project is forecast to have a 73% internal rate of return and pay-back period of just 15 months.

Current funds are sufficient to provide opportunistic, continued exploration designed to extend the life of the Project and/or discover additional prospects.

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

Key priorities for the Company in 2018 include the advancement of the environmental, metallurgical, and engineering aspects of the Project in support of a Definitive Feasibility Study (**DFS**). The DFS is anticipated to take approximately 12 months to complete and is expected to provide increased confidence in all aspects of the Project. It will also investigate opportunities to improve overall Project economics to increase the prospect of favourable development finance terms.

With the completion of the PFS, PNX has a demonstrably valuable Project as a baseline, and we look forward to discovering additional economic zinc and base metal resources in the Hayes Creek area. Regional exploration success could be a game-changer for both the Project and the Company.

As detailed in the Annual Report, a number of high quality gold and base metals targets have been generated and early results are encouraging. PNX holds a 51% interest in these areas and is working toward increasing its interest in them to 90% under the farm-in agreement with Newmarket Gold NT Holdings Pty Ltd.

The Board and management are confident that the continued work and completion of studies on the Hayes Creek Project in 2018 will build confidence in what is a robust development opportunity with the potential to deliver strong returns for PNX shareholders.

The Company continues to receive strong support from its shareholders. In 2017, in support of its activities in the NT, PNX successfully completed a number of fund raisings to new, sophisticated and institutional investors as well as to existing shareholders.

In closing, I would like to take this opportunity to express my thanks to my fellow directors, management and staff for their dedication and work during the past 12 months. We are committed to progressing the Company and advancing our flagship project at Hayes Creek 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 2018.

Yours sincerely,

Graham Ascough
Chairman

19 September 2017

OVERVIEW

GENERAL

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

*The main activities of the Company during the 2017 financial year were the advancement of its Hayes Creek zinc-gold-silver project through to the completion of a positive Pre-Feasibility Study (**PFS**), as well as conducting mineral exploration in the Pine Creek region of the NT.*

HAYES CREEK PROJECT

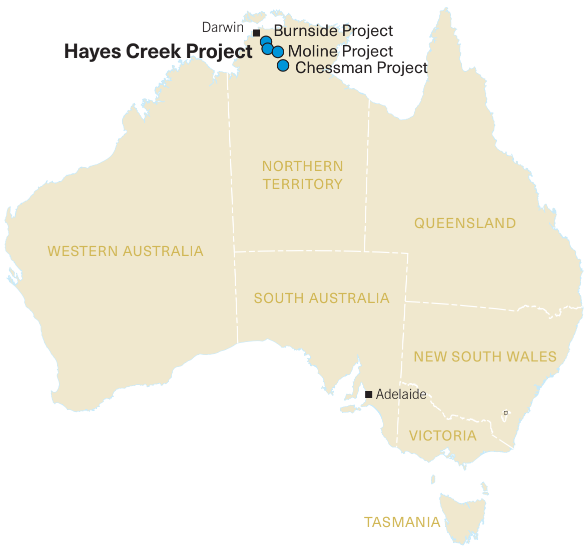
The Hayes Creek Project (**Project**) is located 170km by road south of Darwin (Figure 1). It comprises 14 wholly-owned mineral leases including the zinc-gold-silver deposits at Iron Blow and Mt Bonnie which were acquired in 2014 from Newmarket Gold NT Holdings Pty Ltd, a subsidiary of Canadian-listed Kirkland Lake Gold Ltd (**Newmarket**).

As announced on 12 July 2017, PNX has completed a PFS over the Project, confirming it to be a high value, relatively low risk and technically strong development opportunity for the Company. The Project is located in a favourable mining jurisdiction where the development proposition considers and utilises existing infrastructure that includes rail, road, high voltage power lines and water, further enhancing Project fundamentals and lowering development risks.

Further detail regarding the PFS and this exciting Project can be found in the Exploration Report commencing at page 10.

Given the positive outcomes of the PFS, the PNX Board has resolved to proceed with a Definitive Feasibility Study (**DFS**), and baseline studies relating to long lead-time items and the environmental approvals process are underway. The DFS is anticipated to take approximately 12 months to complete and is expected to provide increased confidence in all aspects of the Project. It will investigate opportunities to further improve overall Project economics, increasing the prospect of favourable development finance terms.

In September 2017, the Company received $2.6 million from a share placement ($1.8 million after costs) and additional forward sale of silver ($0.8 million), and initiated a Share Purchase Plan to raise a further $0.6 million. Funds raised from these initiatives will be utilised to advance the DFS, as well as for continued zinc and precious metals exploration in the NT designed to increase mineral resources and therefore extend the Project life.



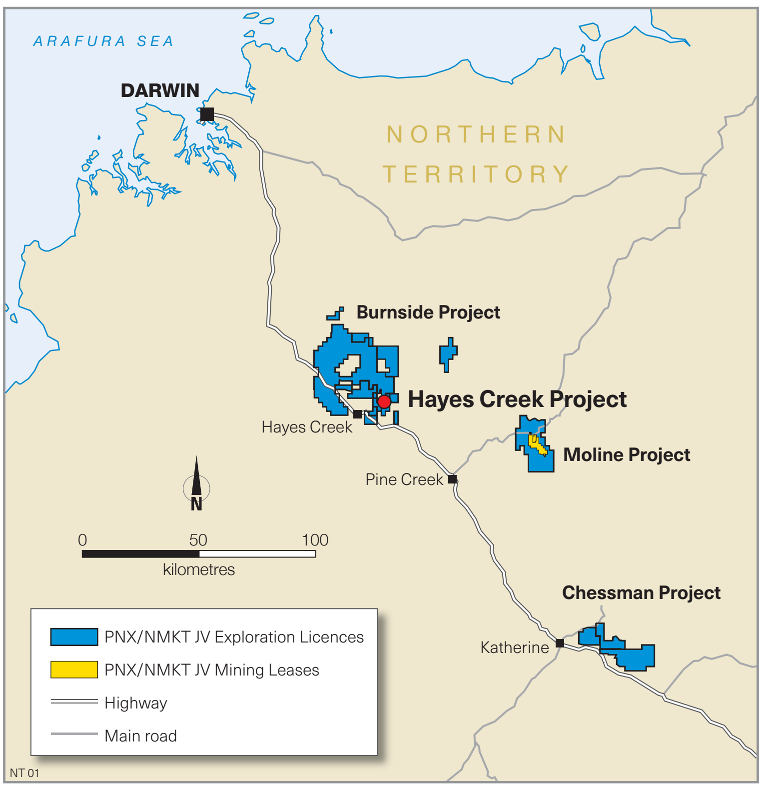
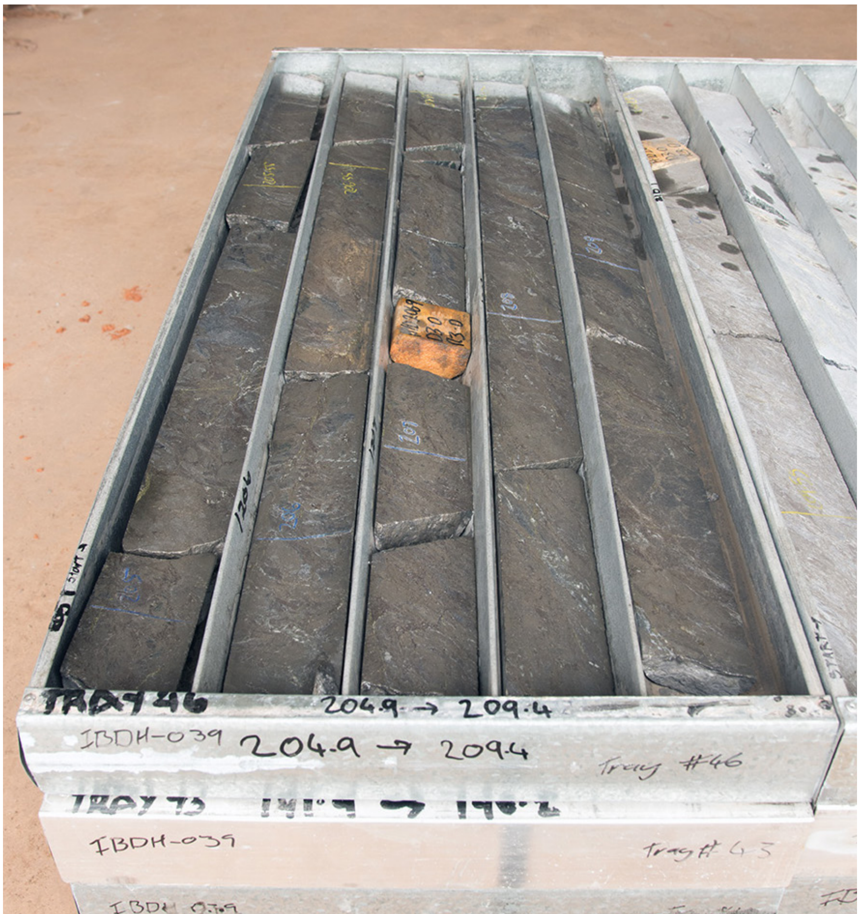


Figure 1 *PNX NT project locations*

Mt Bonnie deposit aerial view (2011) looking east showing low grade stockpile in the foreground, historic open-pit centre, and water storage dam at the back



Massive sulphide core from Iron Blow

NT REGIONAL EXPLORATION AND FARM-IN AGREEMENT

The Burnside, Moline and Chessman Projects consist of 19 Exploration Licences and four Mineral Leases covering approximately 1,700km^2 in the Pine Creek region of the NT (refer Figure 1) and are 51% owned by PNX. Under a farm-in agreement with Newmarket, PNX is progressing toward earning a 90% interest (excluding uranium) in the tenements.[1] Approximately $1 million remains to be spent by 15 December 2018 in order to complete the 90% second stage of the farm-in.

PNX's regional exploration strategy is to delineate additional high-value gold and/or base metals deposits which can be treated through the proposed Hayes Creek processing plant, or through existing free-gold milling infrastructure in the region. The Burnside, Moline and Chessman Projects contain exciting opportunities for greenfield and brownfield discoveries with undeveloped mineralisation and promising new conceptual targets.

The Exploration Report, in the section headed "Exploration Projects" (page 17), contains details of the regional exploration activities undertaken by PNX during the year and subsequent to year end, including the excellent results achieved, the prospects for further discoveries and PNX's plans for the remainder of the 2018 financial year.

1 *Newmarket can re-acquire 90% of any 2012 JORC compliant gold and silver deposit by paying PNX three times its accumulated expenditure related to that deposit*

SOUTH AUSTRALIA EXPLORATION

No on-ground exploration activities were undertaken during the year on the Company's four Yorke Peninsula and eight Burra region exploration licences. The tenements remain in good standing.

Subsequent to year end, PNX granted an option to Ausmex Mining Group Limited (**Ausmex**) which if exercised will result in the commencement of a farm-in and joint venture agreement whereby Ausmex can earn up to 90% over two stages (60% and 90%) in PNX's exploration licences in and around the Burra area of South Australia. Each stage requires Ausmex to spend a minimum of $300,000 on diamond drilling or other agreed exploration activities. Ausmex has until July 2018 at the latest to exercise the option.

LEIGH CREEK DISPOSAL

During the year, the Company completed the sale of its wholly owned subsidiary Leigh Creek Copper Mine Pty Ltd (**LCCM**) to Resilience Mining Australia Limited (**RMA**, formerly Hillsgold Resources Pty Ltd). RMA exercised the option to acquire LCCM it had held since April 2015 on 31 October 2016, and the transaction was completed on 21 November 2016.

LCCM holds three mining leases in the Leigh Creek area including Mountain of Light. The sale included two exploration licences held by the Company in the vicinity of Leigh Creek.

There was no up-front cash consideration; however, RMA assumes all rehabilitation obligations and is required to pay the Company $100,000 if and when 3,000 tonnes of copper are produced from future operations at the three mining leases.

OUTLOOK

PNX's aim is to establish an economic mining project at Hayes Creek and to make new mineral discoveries in the Pine Creek region of the Northern Territory. In 2017-18, key priorities include completing significant portions of the Hayes Creek DFS, including advancement of the environmental, metallurgical, and engineering aspects of the Project. The Company will also continue near-mine and regional exploration targeting zinc and precious metals mineralisation that could supplement the established mineral resources at Hayes Creek or be developed as stand-alone projects.

OVERVIEW

KEY FINANCIAL RESULTS

($000's, except as indicated)	30 June 2017	30 June 2016
Interest income	51	18
R&D tax refund	405	246
Corporate/administrative costs	1,407	1,056
Impairment – SA exploration assets	1,500	-
Loss on Avalon investment	64	128
Interest charges	100	100
Comprehensive loss after tax	**2,705**	**1,111**
Comprehensive loss per share	**0.4 cents**	**0.2 cents**
Net operating cashflows	(866)	(1,093)
Funds raised - equity (net of costs)	4,108	1,725
Funds raised – silver streaming	-	1,600
Cash on hand	1,430	1,644
Net working capital[1]	1,414	1,720
Investment in Avalon – at fair value	193	258
Exploration assets	6,899	4,688
Borrowings[2]	1,200	1,200
Net assets	5,551	3,877
Number of shares on issue[3]	741,055,537	507,783,980
Number of performance rights on issue[4]	11,410,000	-
Number of unlisted options on issue	65,450,000	-
Share price (ASX: PNX)	1.0 cents	1.8 cents

1 *excluding investment in Avalon Minerals Ltd*

2 *Refer discussion below 'September 2017 Transactions' regarding agreement to convert the loan to shares*

3 *923,975,537 as of the date of this report*

4 *8,320,000 as of the date of this report*

PNX reported an overall loss for the year after tax of $2.7 million (2016: $1.1 million), which included a $1.5 million impairment charge related to the Company's South Australian exploration and evaluation assets. The loss for the year was net of a $0.4 million income tax benefit from the Company's research and development claims.

The pre-tax loss from continuing operations, excluding the impairment charge noted above, was $1.6 million compared to $1.1 million in the prior year. The greater loss was due primarily to an increase in non-cash equity-based compensation from shares and performance rights issued during the year, as well as higher professional fees related to company promotion and corporate advisory services. Corporate and administration costs, which include head office wages, directors' fees, insurance, regulatory, occupancy and communication, have otherwise not changed significantly.

Excluding R&D receipts, operating cash outflows for the year were $1.3 million and reflect the pre-tax loss from continuing operations after excluding non-cash impairment charges and equity-based payments. Of the $4.1 million total equity funds raised net of costs, $3.4 million was spent on exploration, notably $2.6 million of Hayes Creek PFS costs including a significant resource drilling program at Iron Blow and Mt Bonnie.

65,450,000 unquoted options exercisable at 5.0 cents each and expiring on 31 May 2019 were issued in March 2017 to participants in a placement that was completed in December 2016.

At 30 June 2017, the Group had cash holdings of $1.4 million and net working capital of $1.2 million excluding the investment in Avalon Minerals Ltd (now Sunstone Metals Ltd). As at the date of this report, and following the transactions described below, cash holdings were approximately $3.0 million, with up to a further $0.6 million to be received on completion of the Share Purchase Plan.

SEPTEMBER 2017 TRANSACTIONS

In September 2017, PNX received $0.8 million from the forward sale of an additional 112,000oz of silver from the Hayes Creek Project, to be delivered if and when production commences. This occurred following the exercise of the option held by each party to the Silver Streaming & Royalty Agreements to acquire additional silver.

Also in September 2017, the Company completed a placement of 179.8 million shares to sophisticated and institutional investors at 1.05 cents per share, for a total of $1.8 million after costs. The Company also launched a Share Purchase Plan (**SPP**), offering eligible shareholders the opportunity to acquire up to $15,000 of shares in PNX at the same price as the share placement, being 1.05 cents per share. The SPP is capped at $0.6 million and closes on 25 September 2017.

In conjunction with the share placement and SPP, the Company reached agreement with Marilei International Limited and Sochrastem SA as follows:

- $1.2 million loan held by Marilei will be converted into 80,000,000 PNX shares (1.5 cents per share);
- $0.3 million convertible notes held by Marilei will be converted into 12,000,000 shares (2.5 cents per share); and
- $0.3 million convertible notes held by Sochrastem will be converted into 12,000,000 shares.

The average price at which the loan and convertible notes are to convert is 1.73 cents per share, representing a premium of 65% to the placement and SPP issue price. Formal documentation to amend and terminate the loan and convertible note agreements is being prepared.

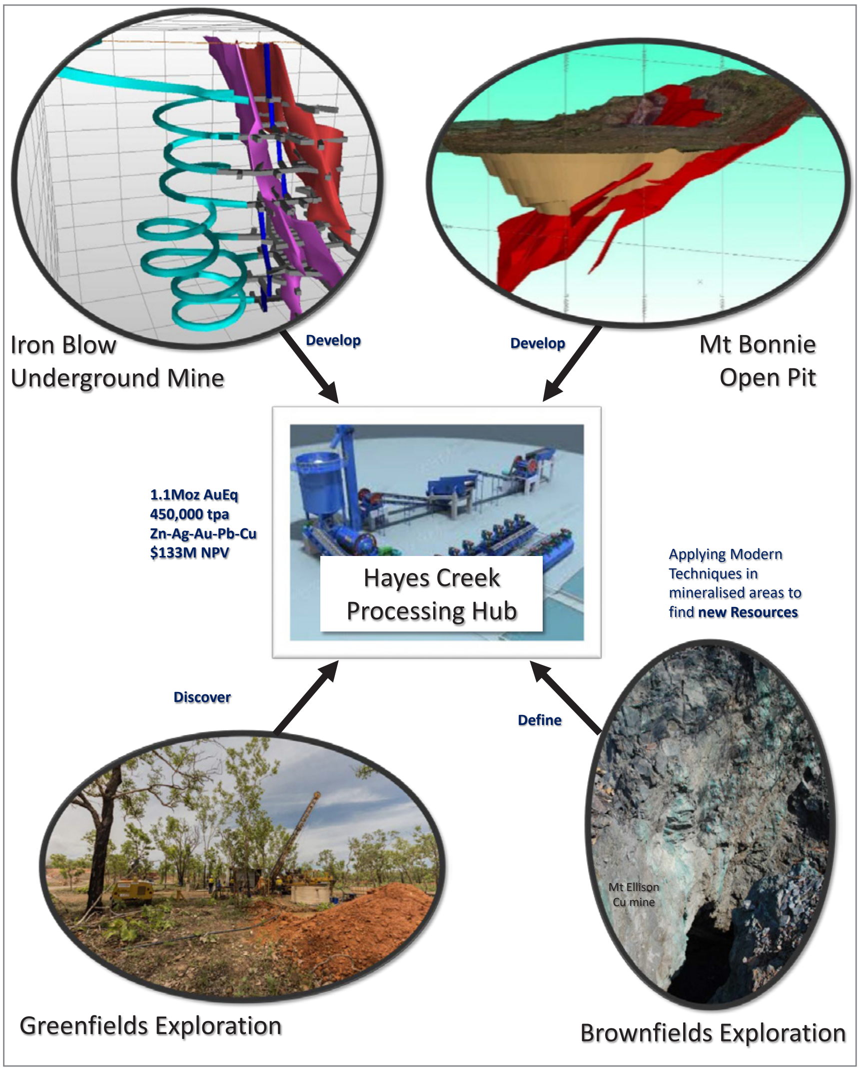
The proposed issue of shares to Marilei and Sochrastem is subject to PNX shareholder approval at the Annual General Meeting in October 2017 as well as any regulatory approvals that may be required, including the Foreign Investment Review Board.

Drilling at Iron Blow

STRATEGY

The Company's exploration strategy is focussed firmly in the Northern Territory in developing the Hayes Creek zinc-gold-silver Project and exploring for new gold and base metal ore deposits that are complementary to the Project. A pipeline of exciting greenfield and brownfield prospects have primed the Company for growth.

Following the September 2017 capital raising initiatives noted previously in the Overview, PNX is well funded to undertake a significant zinc and base metals exploration program on its Northern Territory Projects, and proceed with the DFS at Hayes Creek.



Hayes Creek flotation testwork

DEVELOPMENT PROJECTS

HAYES CREEK PROJECT

Summary

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

The Iron Blow and Mt Bonnie deposits were first discovered in the late 1800s with limited open pit and underground mining occurring in the early 1900s. During the mid-1980s most of the oxidised ore was mined by shallow open pits for gold and silver with the remaining primary sulphide ore now the focus for PNX (Figure 2).

Progress during 2016/2017

The key achievement during 2017 was the completion of a Pre-Feasibility Study (**PFS**), the results of which were announced to the ASX on 12 July 2017. The PFS confirmed the Project to be a high value, relatively low risk and technically strong development opportunity for the Company. The PFS forecasts the project to return an $NPV_{10\%}$

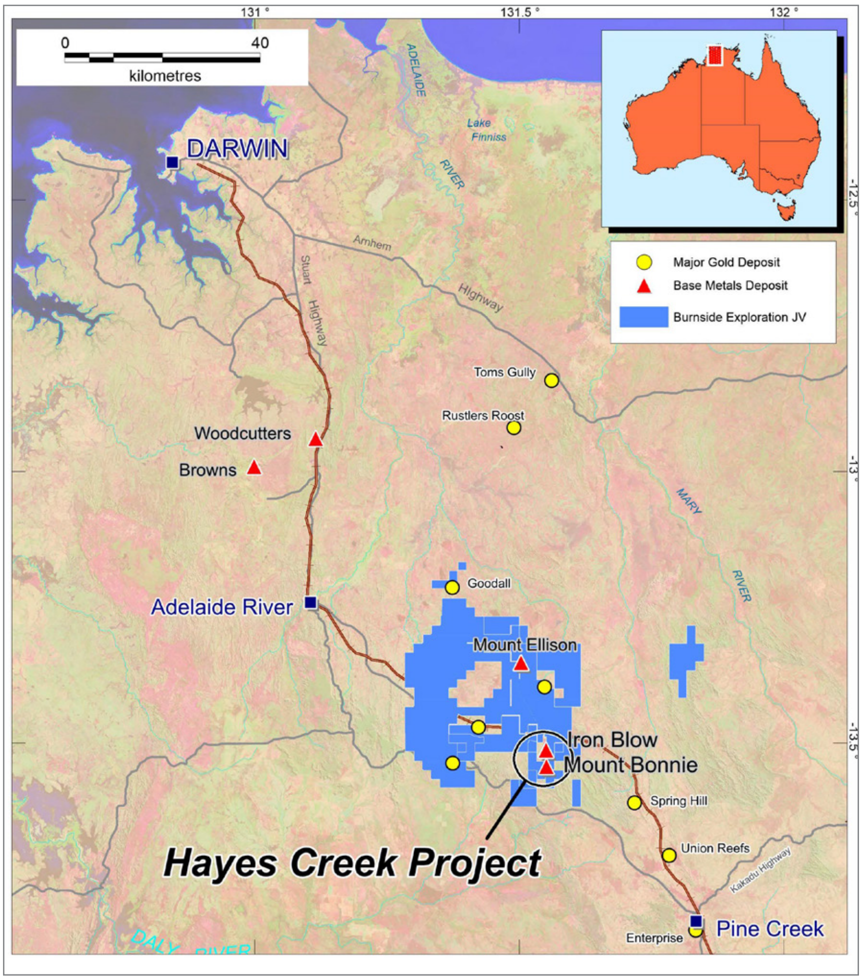


Figure 1 *Hayes Creek Project*

Figure 2 *Iron Blow (left) and Mt Bonnie historical pits*

DEVELOPMENT PROJECTS

of $133 million over a 6.5 year mine life, with a pay-back period on initial capital expenditure of just 15 months.

A major infill and extensional drilling program was completed during the year at both Iron Blow and Mt Bonnie, comprising 57 holes and 7128 metres. Mineral resources for both deposits were subsequently updated under the JORC (2012) guidelines and in total are now estimated to contain 177kt of zinc, 238koz gold, 16Moz silver, 37kt lead, and 10kt of copper, of which 85% is Indicated and 15% Inferred (refer to the Mineral Resources and Ore Reserves tables on pages 27 and 28 for further detail). Long sections of each deposit are shown in Figures 5 and 6 (page 15).

Under the PFS, the Mt Bonnie open-pit will contribute 1.02 million tonnes of ore production over approximately 2 years, declining early in year three when the Iron Blow underground mine ramps up and contributes 1.96 million tonnes of ore for a further 4.5 years of steady-state production. Figures 7 and 8 (page 16) show the conceptual open pit and underground mine designs.

A metallurgical testwork program was carried out to identify and assess the lowest risk, most viable, and most economic processing route. This was determined to be sequential flotation, with the targeted aims of maximising recoveries whilst producing a clean zinc concentrate containing greater than 50% zinc, and a precious metal concentrate containing greater than 2,000 ppm silver, whilst minimising deleterious and penalty elements.

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

The PFS financial model was developed based on a steady state 450,000tpa mining and processing schedule from open pit mining operations at Mt Bonnie and subsequent underground mining at Iron Blow, over a 6.5 year life of mine (LoM). Plant and infrastructure construction and pre-strip at Mt Bonnie will occur concurrently followed by plant commissioning.

A summary of the project returns, key assumptions, mineral resources, and annual productions volumes contemplated in the PFS are shown in the Tables 1-6 below.

As shown in Table 1, the Project is expected to generate an average LoM pre-tax net cashflow of approximately $41 million per year and $266 million in total, which will be available to re-pay the initial plant and mine infrastructure capital costs of $58 million. On a per tonne of ore basis (Table 2), the Project is forecast to yield $90/t of pre-tax cashflow, based on net smelter revenue of $211/t less operating costs and royalties. Net smelter revenue over the LoM by commodity is shown in Figure 3.

Table 1 PFS: Summary of estimated project financial returns

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

Table 2 PFS: Margin and costs per tonne of ore processed over LoM

	`	Per tonne of ore processed over LoM
Net smelter revenue		$211.11
Open-pit mining per tonne of ore Mt Bonnie	$39.75	$13.58
Underground mining per tonne of ore Iron Blow	$72.72	$47.88
Total mining		$61.46
Processing		$39.75
General and administration		$4.49
Royalties		$13.32
Underground capital equipment		$2.52
LoM margin		**$89.57**

Table 3: Summary of forward consensus metals prices and USD exchange rate used

Zinc (t)	Gold (oz)	Silver (oz)	Lead (t)	Copper (t)	AUD/USD
US$2,570	US$1,289	US$19.40	US$2,129	US$6,366	US$0.73

Table 4: Total project Mineral Resources by JORC classification as at 3 May 2017

Mineral Resources Mt Bonnie + Iron Blow	Tonnage (kt)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)
Total Indicated (84.7%)	3,455	4.88	1.01	0.27	137	1.88
Total Inferred (15.3%)	622	1.39	0.37	0.1	52	1.46
Total Indicated + Inferred Mineral Resources	**4,077**	**4.35**	**0.91**	**0.25**	**124**	**1.81**
Total Contained Metal (t)		**177,200**	**37,000**	**10,050**	**16.2Moz**	**237.7koz**

Table 5: Mineral Resources used to generate production targets

Resource	Category %	Plant Feed (kt)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)	Waste (kt)	Material (kt)
Mt Bonnie Indicated	97%	987	4.43	1.34	0.26	152.5	1.69	-	987
Mt Bonnie Inferred	3%	29	1.29	1.15	0.09	97.4	1.94	-	29
Mt Bonnie Waste		-	-	-	-	-	-	8,144	8,144
Iron Blow Indicated	99%	1,938	4.50	0.79	0.25	120.9	1.81	-	1,938
Iron Blow Inferred	1%	20	4.31	0.20	0.10	24.2	0.53	-	20
Iron Blow Waste		-	-	-	-	-	-	334	334
TOTAL	**98%**	**2,974**	**4.45**	**0.97**	**0.25**	**130.5**	**1.76**	**8,478**	**11,452**

Table 6: Production: Average annual and LoM production of metals in concentrate

Metals produced in concentrates	Average recovery of metals to concentrate over LoM	Average annual production of metals in concentrate over LoM	Total metals production in concentrate over LoM
Zinc (t)	89.9%	18,300	118,900
Gold (oz)	56.6%	14,700	95,400
Silver (oz)	74.4%	1,427,000	9,278,000
Lead/copper (t)	58.8%	3,300	21,400

DEVELOPMENT PROJECTS

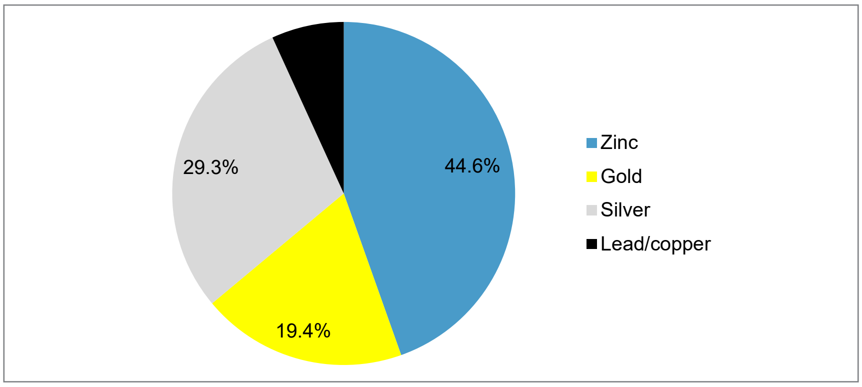


Figure 3 *Net smelter revenue percentages by commodity*

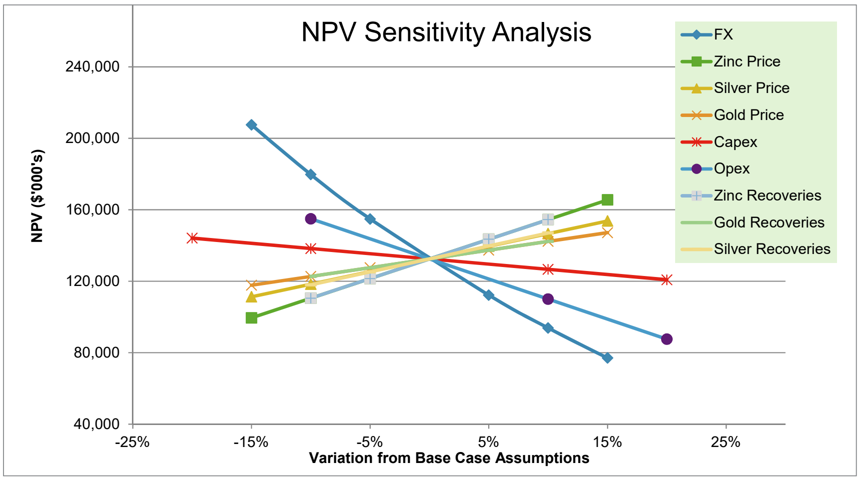


Figure 4 *NPV sensitivity analysis*

The Project's returns are most sensitive to movements in the commodity price and exchange rate assumptions as well as variations in metal recoveries (Figure 4). While exposure to commodity price and exchange rate movement are risks, they also provide potential upside to the Project should metals prices rise or the Australian dollar weaken against the US dollar by more than assumed in the consensus forecasts. Consideration will be given to implementing initiatives to manage these risks (for example through hedging arrangements) during the completion of the Definitive Feasibility Study and through discussions with Project financiers.

Refer to PNX's ASX release of 12 July 2017 for further detail including the PFS Executive Summary document, which includes the scope of the PFS and relevant cautionary statements.

Project snapshot

1. **INFRASTRUCTURE:**	Located in existing infrastructure corridor only 170km from Darwin with rail, gas, power and other mining operations nearby
2. **HIGH-GRADE:**	Mining inventory contains high-grade zinc-gold-silver sulphide ore amenable to flotation
3. **STRONG ECONOMICS:**	Fast payback of less than 15 months driven by the initial 2 years of low-cost open-pit mining at Mt Bonnie
4. **LOW CAPITAL HURDLE:**	Estimated start-up capex of $58 million provides a relatively low capital hurdle for Project financing
5. **HIGH MARGIN:**	Expected low unit operating costs and high net smelter returns results in high margins
6. **COMMODITY MIX/HEDGE:**	Project revenues split evenly between zinc, silver and gold providing a natural hedge against individual commodity price fluctuations
7. **RISK MANAGABLE:**	Low up-front capital, short payback period, low throughput rates and near-surface deposits result in an IRR of greater than 70%
8. **COMMODITY PRICE OUTLOOK:**	Attractive mix of commodities with strong outlook and price upside potential
9. **EXPLORATION POTENTIAL:**	Strong exploration potential with VMS deposits typically occurring in clusters; multiple exploration targets in prospective near-mine lithology

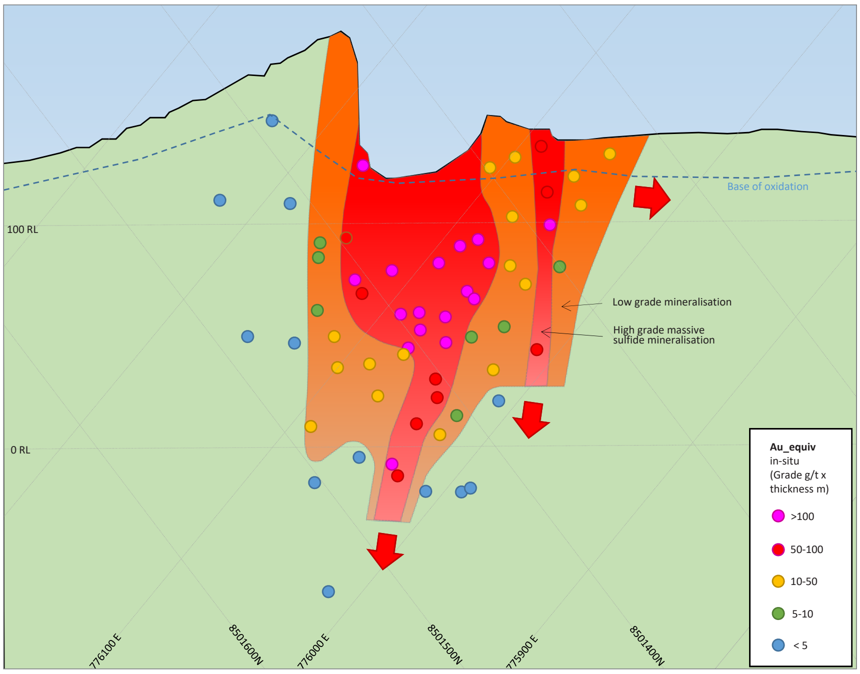


Figure 5 *Mt Bonnie orthogonal long section showing grade x thickness, looking towards 122º in a plane dipping approximately 40º*

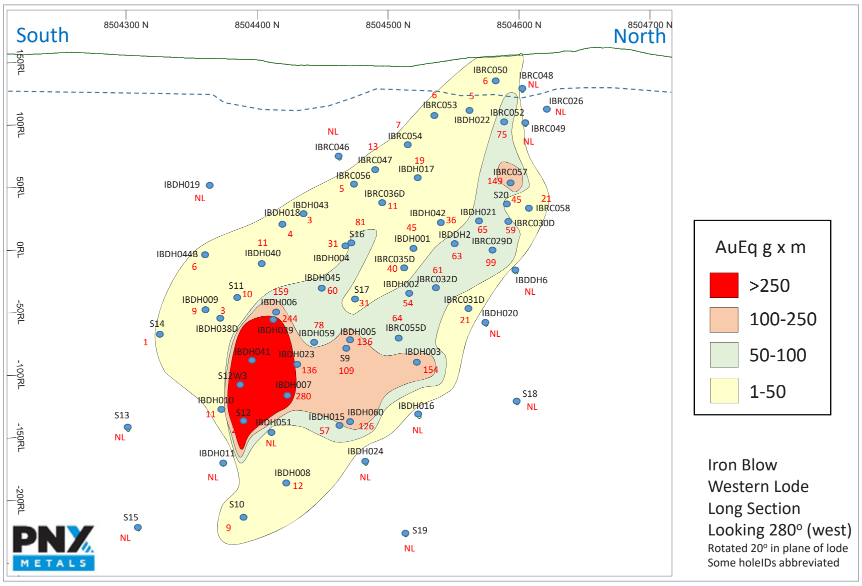


Figure 6 *Iron Blow long section of the western lode*

Next steps – Definitive Feasibility Study (DFS)

Given the positive outcomes of the PFS, the PNX Board has resolved to proceed with a DFS. In September 2017, PNX raised $2.6 million (via a share placement and additional forward sale of Hayes Creek silver) and commenced a Share Purchase Plan to raise another $0.6 million. Some of these funds will be used to progress the DFS; however, further funding will be required to complete it.

DFS activities that are currently underway:

- Studies related to the Environmental Impact Statement (EIS)
- Notice of Intent (NOI) and Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) submission
- Drill program planning for the Mt Bonnie and Iron Blow deposits for mine planning, hydrology, and waste characterisation purposes
- Finalisation of access to the Fountain Head mineral leases

The DFS is expected to provide increased confidence in all aspects of the Project and will investigate opportunities to further improve overall Project economics, increasing the prospect of favourable development finance terms. Completion of the DFS by late 2018, along with continued progression of environmental and mining approvals, would allow Project construction to commence in late 2018 or early 2019, subject to Project funding. This would allow mining and production activities to commence in late 2019 as contemplated in the PFS.

DEVELOPMENT PROJECTS

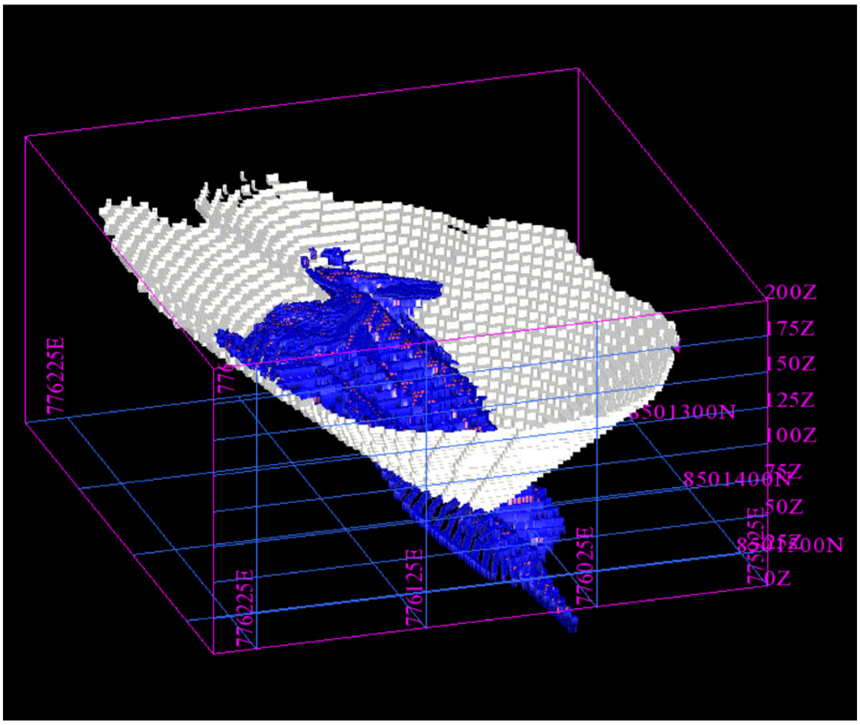


Figure 7 *Mt Bonnie open pit design*

Mt Bonnie freshwater dam

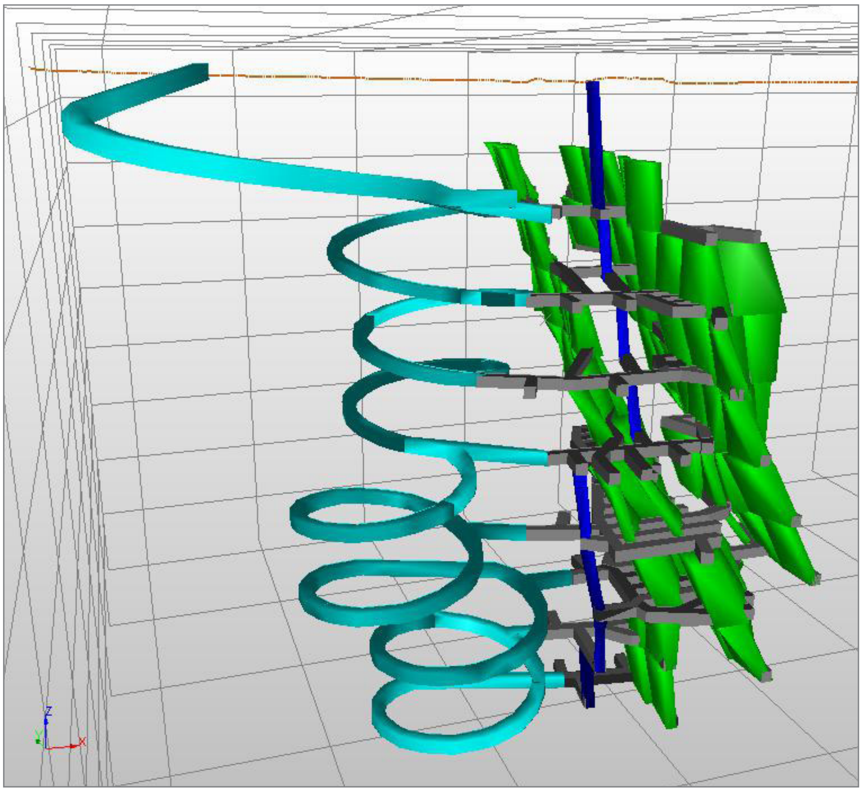


Figure 8 *Long section of Iron Blow underground mine, green = stopes, light blue = decline, blue = vent raise, grey = ore drives*

EXPLORATION PROJECTS

The Pine Creek Orogen is one of the most prospective mineral provinces in Australia and is host to PNX's Burnside, Moline and Chessman Projects. These projects consist of 19 Exploration Licences and four Mineral Leases covering approximately 1,700km^2 that are subject to PNX's farm-in agreement with Newmarket.

During the year, PNX completed the first stage of the farm-in and now holds a 51% interest (excluding uranium) in these tenements. PNX is continuing with the second stage of the farm-in and is required to spend another approximate $1 million by 15 December 2018 to increase its interest in the tenements to 90%.

Exciting opportunities are being investigated by PNX's exploration team on the Burnside, Moline and Chessman Projects (Figure 9).

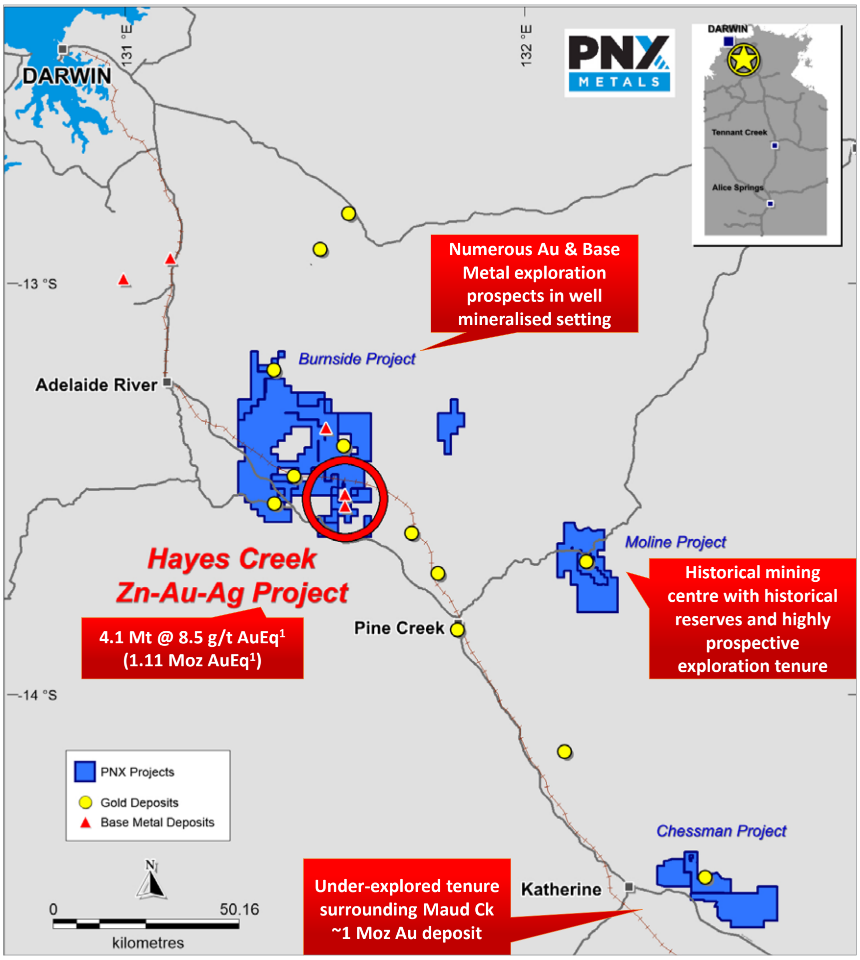


Figure 9 *PNX NT project areas and prospects*

EXPLORATION PROJECTS

BURNSIDE PROJECT

Summary

The Burnside Project is located along the Stuart Highway, only 150km south of Darwin. There are numerous mineral deposits and mineral occurrences within the area that attest to the mineral wealth of the tenure, including Cosmo-Howley, Woolwonga, Brocks Creek group, and Goodall, with around 2Moz gold produced historically. The base metals potential is evidenced by the Iron Blow and Mt Bonnie zinc-gold-silver deposits and the historic Mt Ellison copper mine. PNX believes there is a significant opportunity to exploit the sulphide-hosted gold and base metal mineralisation which has historically been left behind as miners focussed on the easily won oxide ore, which complements the strategy to develop the Hayes Creek Project (Figure 10).

Progress during 2016/2017

During the year, PNX completed a government assisted drilling program at the Barossa target. Two diamond holes were drilled to test the source of VTEM conductive targets. Sulphide zones were intersected, but with no significant mineralisation.

The field team were successful in identifying a number of new geochemical targets through systematic soil sampling and mapping. One of these is the Deloraine target (Figure 11), which is a 1.6km long zinc-lead anomaly associated with a fold hinge in the Koolpin Formation, and close to Mt Ellison. It is open to the north-west, has coincident conductive bodies interpreted in VTEM data, and it has never been drilled.

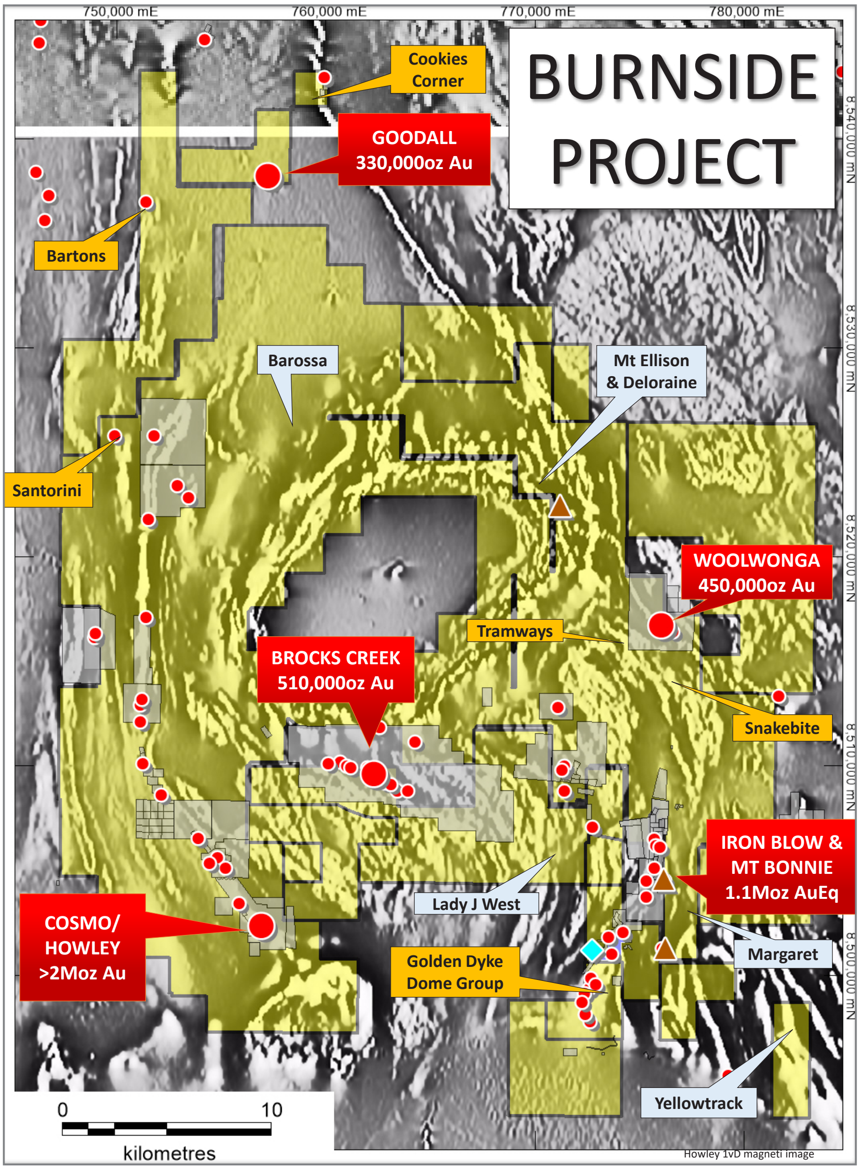


Figure 10 *Burnside tenure (yellow), leases excluded (grey), base metals targets (blue)*

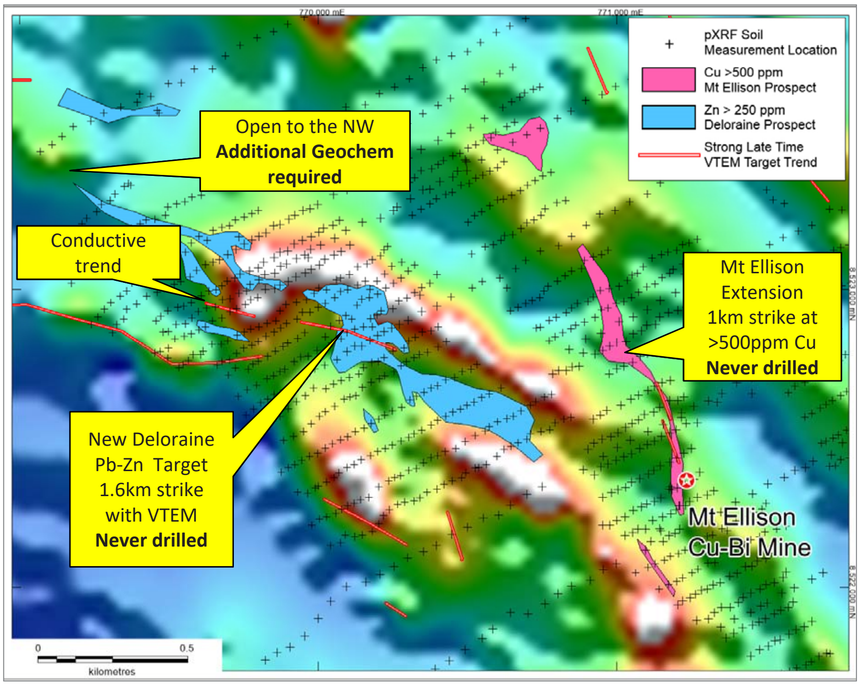


Figure 11 *Deloraine target near Mt Ellison*

Planned work 2017/2018

In line with the Company's strategy, to discover additional base metal mineralisation PNX will follow a process of ground geophysical testing (IP, EM or gravity) of geochemical targets followed by drilling of prioritised targets. A SkyTEM survey was recently completed over prospective parts of the Mt Bonnie Formation, host to the Iron Blow and Mt Bonnie deposits, targeting further base metal mineralisation in areas never screened using electromagnetic techniques.

Gold targets, such as Cookies Corner and Snakebite, are drill-ready, with drilling approvals for Cookies Corner secured. Previous work by WMC and Northern Gold in this area returned rock chips with up to 28.7g/t gold and shallow drilling intersections, including 9m @ 2.48g/t gold (drill hole CC03 from 42m only 4km from the Goodall mine. At Snakebite, an outcropping mineralised vein shedding gold nuggets has never been drilled and continues under cover of a floodplain. Similar gold targets exist in the Golden Dyke Dome under and along strike from numerous oxide pits.

EXPLORATION PROJECTS

MOLINE PROJECT

Summary

The Moline Project, which lies on granted mineral leases approximately 65km to the east of the Hayes Creek Project, comprises five key gold-zinc prospects: Moline, School, Tumbling Dice, Swan, and Hercules. The Evelyn base metal deposit also occurs within the tenure. Importantly, mining activities at Moline were curtailed suddenly in 1992 after a tank failure in the processing plant, leaving unmined mineralisation at the bottom of some pits. A host of untested gold and base metal targets also occurs on the surrounding exploration licence (Figure 12).

Progress during 2016/2017

Two phases of drilling were completed at the Moline project area (Figure 13) during the year, for a total of 28 holes and 3106 metres targeting unmined mineralisation below the oxide pits. Excellent results were achieved at the School prospect, including the best known grades of gold mineralisation recorded to date. Mineralisation at School is open in all directions, providing significant scope for further exploration success. Drilling at the Moline, Tumbling Dice and Swan prospects has also returned some significant gold drill intercepts, with a strong association with zinc. This is particularly encouraging due to the similarities with the Hayes Creek Project. Importantly, very little of the mineralisation discovered to date has been closed off at depth.

Highlights have included:

- 7m @ 11.9g/t Au from 115m in MORC002 at School (Figure 14);
- **3m @ 7.6g/t Au from 138m in MORC015** at School (Figure 14);
- **30m @ 2.29g/t Au. 0.70% Zn from 78m in MORC010** at Tumbling Dice;
- 9m @ 2.57g/t Au from 92m in MORC007 at Moline; and
- **2m @ 5.94g/t Au, 95.5g/t Ag, 2.53% Zn, 0.9% Pb, and 0.26% Cu from 45m in MORC026** at Swan.

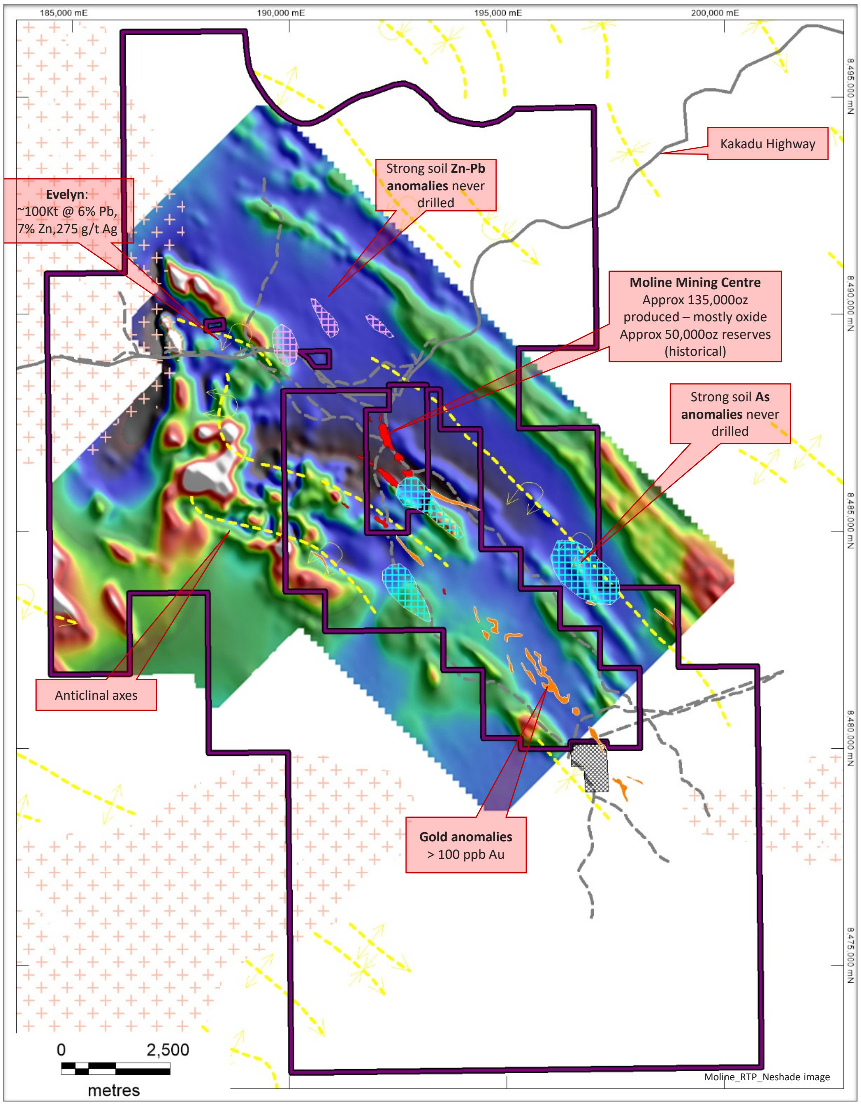


Figure 12 Moline Project

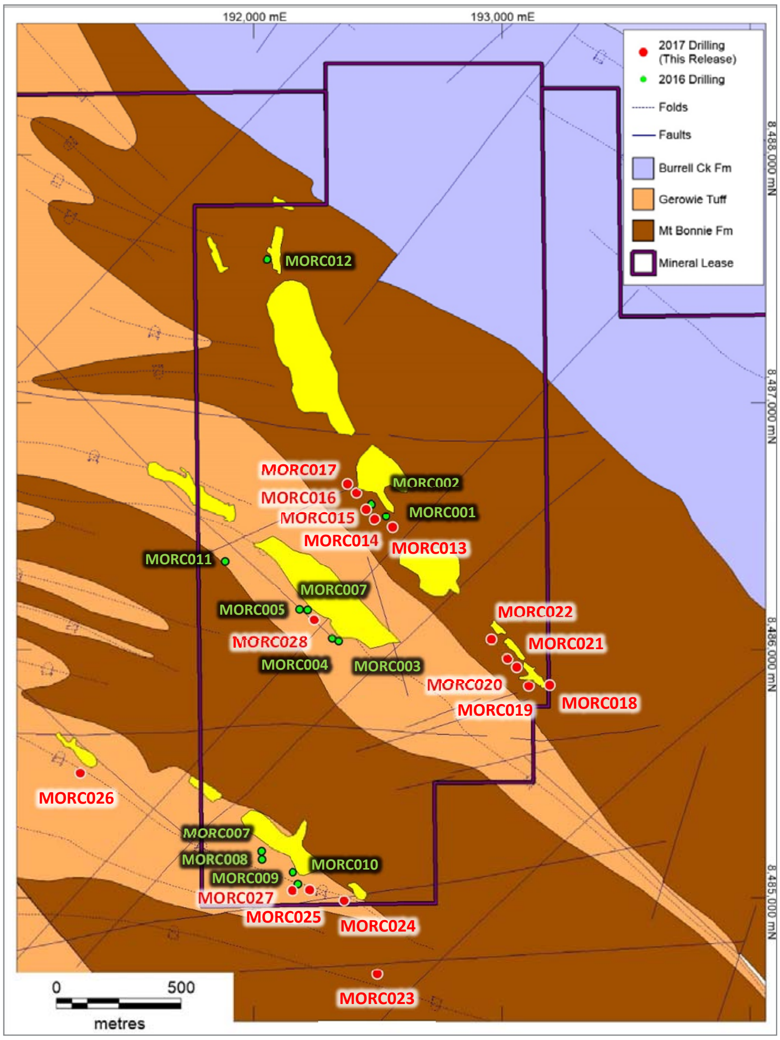


Figure 13 *Moline Project Area and drill collar locations*

Planned work 2017/2018

The drilling done to date in conjunction with existing datasets have provided sufficient information to allow modelling to take place in order to assess the resource potential, and to assist with identifying new areas to target with further drilling.

Geochemical assessment of regional targets is underway and is starting to generate new gold and base metal targets. These will be screened using ground geophysics to pinpoint the highest priority drilling targets.

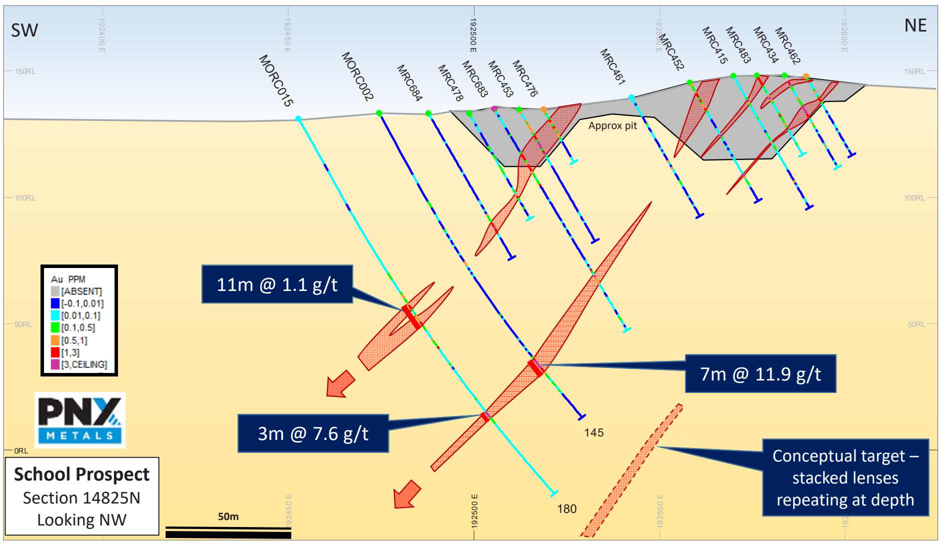


Figure 14 *School Prospect section*

EXPLORATION PROJECTS

CHESSMAN PROJECT

Summary

The Chessman Project is located approximately 20km due east of Katherine (Figure 15) at the southern margin of the Pine Creek Orogen. Easy access is via the Stuart Highway and then along roads that were established in 2000 for ore haulage to and from the Maud Creek mining area. The Chessman Project surrounds the ~1Moz Maud Creek gold deposit which is being contemplated for development by Kirkland Lake Gold Ltd.

Progress 2016/2017

PNX was awarded NT Government co-funding for drilling at the Tractor Corner prospect, which involved a new exploration concept for SEDEX-style mineralisation within Cambrian sediments overlying the Pine Creek basement. Strong base metal anomalism (lead-zinc-silver-molybdenum) at the base of the Tindall Limestone in the vicinity of Tractor Corner associated with VTEM conductive targets was believed to provide evidence to test this concept. Two diamond holes were drilled for 581 metres, but no significant results were obtained and the geophysical signatures were attributable to conductive graphitic shales in the basement.

Planned work 2017/2018

A number of prospects have been identified for further follow up. An oxide copper breccia containing over 5% copper outcrops at the end of a major 10km long multi-element geochemical anomaly to the southeast of Maud Creek, and at Chessman, two mineralised structures have been identified in the existing soils and magnetic datasets.

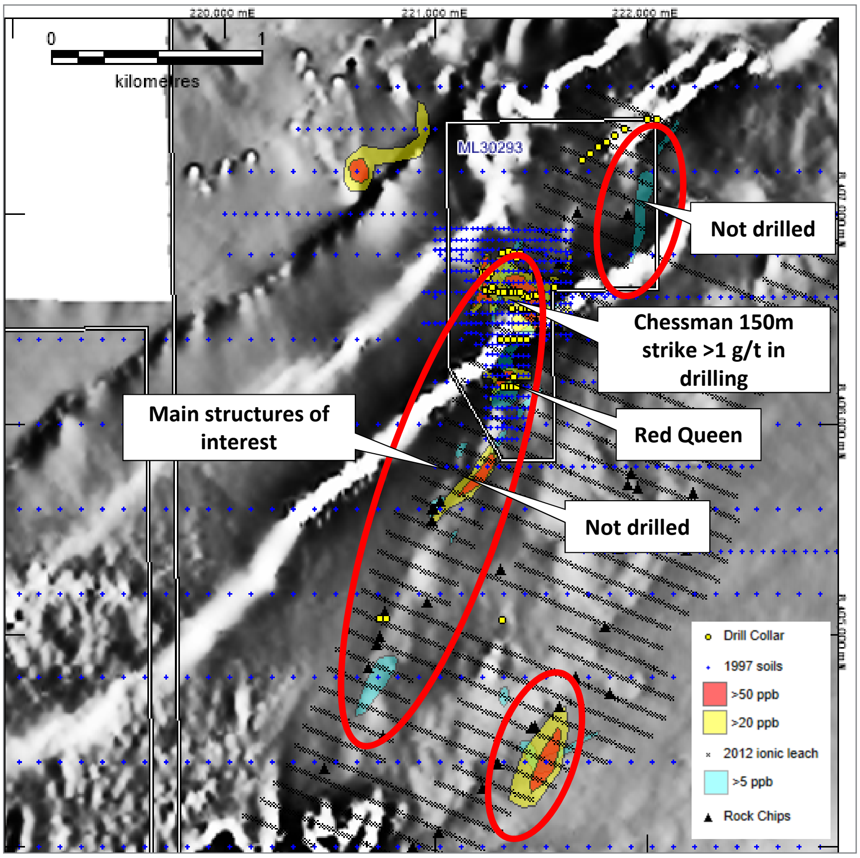


Figure 15 *Chessman gold prospects*

ENVIRONMENT

Mine Management Plans (MMPs) were submitted and approved for all of PNX's project areas in the NT and environmental bonds are in place. Progressive rehabilitation of disturbed areas has occurred in accordance with licence conditions, and will continue to occur in the future.

SOCIAL & 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's policy and practice of 'information, consultation and active participation' forms an integral part of the exploration process.

The Company recently participated in the Mining the Territory Conference in August 2017.

OCCUPATIONAL HEALTH & 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. Field staff engage in regular training to develop skills for supervising and conducting exploration activities in remote environments.

Drilling at Hayes Creek Iron Blow

TENEMENTS

NORTHERN TERRITORY

PNX TENEMENTS

Tenement	Name	Holder	Area (hectare)
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
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
			290.2
EL31099	Bridge Creek	PNX Metals Ltd 100%	60.2km^2

FARM-IN TENEMENTS*

Tenement	Name	Holder	Area (sq km)
Burnside Project			
EL10012	Mt Ringwood	PNX Metals Limited 51%, Newmarket 49%	14.9
EL10347	Golden Dyke	PNX Metals Limited 51%, Newmarket 49%	10.0
EL23431	Thunderball	PNX Metals Limited 51%, Newmarket 49%	13.4
EL23536	Brocks Creek	PNX Metals Limited 51%, Newmarket 49%	70.4
EL23540	Jenkins	PNX Metals Limited 51%, Newmarket 49%	16.7
EL23541	Cosmo North	PNX Metals Limited 51%, Newmarket 49%	3.3
EL24018	Hayes Creek	PNX Metals Limited 51%, Newmarket 49%	23.4
EL24051	Margaret River	PNX Metals Limited 51%, Newmarket 49%	86.9
EL24058	Yam Creek	PNX Metals Limited 51%, Newmarket 49%	3.3
EL24351	McCallum Creek	PNX Metals Limited 51%, Newmarket 49%	30.1
EL24405	Yam Creek	PNX Metals Limited 51%, Newmarket 49%	4.1
EL24409	Brocks Creek South	PNX Metals Limited 51%, Newmarket 49%	22.1
EL24715	Mt Masson	PNX Metals Limited 51%, Newmarket 49%	56.8
EL25295	Margaret Diggings	PNX Metals Limited 51%, Newmarket 49%	10.0
EL25748	Burnside	PNX Metals Limited 51%, Newmarket 49%	643.1
EL9608	Mt Bonnie	PNX Metals Limited 51%, Newmarket 49%	10.0
Chessman Project			
EL25054	Maud	PNX Metals Limited 51%, Newmarket 49%	64.0
EL28902	Maud	PNX Metals Limited 51%, Newmarket 49%	288.2
ML30293	Chessman	PNX Metals Limited 51%, Newmarket 49%	1.1
Moline Project			
EL28616	Moline	PNX Metals Limited 51%, Newmarket 49%	262.5
ML24173	Moline	PNX Metals Limited 51%, Newmarket 49%	31.3
MLN1059	Moline	PNX Metals Limited 51%, Newmarket 49%	4.2
MLN41	Mt Evelyn	PNX Metals Limited 51%, Newmarket 49%	0.1
			1669.9

* *PNX has elected to proceed with the farm-in (under an agreement with Newmarket Gold NT Holdings Pty Ltd) toward earning a 90% interest in all tenements.*

TENEMENTS

SOUTH AUSTRALIA

Tenement	Name	Holder	Area (sq km)
Adelaide Geosyncline			
EL5382	Burra Central	PNX Metals Ltd 100%	84
EL4807	Burra West	PNX Metals Ltd 100%	69
EL4970	Burra North	PNX Metals Ltd 100%	300
EL5411	Mongolata	PNX Metals Ltd 100%	60
EL4809	Princess Royal	PNX Metals Ltd 100%	314
EL5473	Bagot Well	PNX Metals Ltd 100%	71
EL4886	Spalding	PNX Metals Ltd 100%	157
EL5557	Washpool	PNX Metals Ltd 100%	135
			1,190
Yorke Peninsula			
ELA281/12	Minlaton	Wellington Exploration Pty Ltd 100%	547
EL5491	Koolywurtie	PNX Metals Ltd 100%	255
EL4983	Weaver Hill	PNX Metals Ltd 100%	104
EL5196	Coonarie	PNX Metals Ltd 100%	254
			1,160
TOTAL EXPLORATION LICENCES – SOUTH AUSTRALIA			2,350

As at 30 September 2017

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

As at 30 September 2017

Table 4: Commodity price and metal recovery assumptions

Metals	Unit	Price*	Recovery Mt Bonnie	Recovery Iron Blow
Zinc	USD / t	2,450	80%	80%
Lead	USD / t	2,100	60%	60%
Copper	USD / t	6,200	60%	60%
Silver	USD / troy ounce	20.50	70%	80%
Gold	USD / troy ounce	1,350	55%	60%

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

Notes relating to Resource Tables

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

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

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

The formulae below were applied to the estimated constituents to derive the metal equivalent values:

*Gold Equivalent (field = "AuEq") (g/t) = (Au grade (g/t) * (Au price per ounce/31.10348) * Au recovery) + (Ag grade (g/t) * (Ag price per ounce/31.10348) * Ag recovery) + (Cu grade (%) * (Cu price per tonne/100) * Cu recovery) + (Pb grade (%) * (Pb price per tonne/100) * Pb recovery) + (Zn grade (%) * (Zn price per tonne/100) * Zn recovery) / (Au price per ounce/31.10348 * Au recovery)*

*Zinc Equivalent (field = "ZnEq") (%) = (Au grade (g/t) * (Au price per ounce/31.10348) * Au recovery) + (Ag grade (g/t) * (Ag price per ounce/31.10348) * Ag recovery) + (Cu grade (%) * (Cu price per tonne/100) * Cu recovery) + (Pb grade (%) * (Pb price per tonne/100) * Pb recovery) + (Zn grade (%) * (Zn price per tonne/100) * Zn recovery) / (Zn price per tonne/100 * Zn recovery)*

SOUTH AUSTRALIA

EL5918 – PRINCESS ROYAL

Table 5: Inferred Mineral Resource at Princess Royal

	Cut-off Grade	Tonnage	Grade % Copper	Tonnes Copper Contained
Princess Royal	>0.3%	286,757	0.81%	2,325
	>0.4%	216,586	0.96%	2,083
	>0.5%	184,995	1.10%	2,034

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

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

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

COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results is based on information compiled by Mr Andrew Bennett, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Bennett has sufficient experience relevant to the style of mineralisation and the type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Bennett is a full time employee of PNX Metals Limited and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

The Directors of PNX Metals Limited ('PNX' or 'Company') present their report for the financial year ended 30 June 2017.

DIRECTORS

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

GRAHAM ASCOUGH

(Non-Executive Chairman)
Appointed 7 December 2012

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

Mr Ascough, a geophysicist by training, has had broad industry involvement playing a leading role in setting the strategic direction for companies, completing financing and in implementing successful exploration programmes. Mr Ascough was the Managing Director of Mithril Resources Ltd from October 2006 until June 2012. Prior to joining Mithril in 2006, he was the Australian Manager of Nickel and PGM Exploration at a major Canadian resources house, Falconbridge Limited, which was acquired by Xstrata Plc in 2006. He was also a Councillor of the South Australian Chamber of Mines and Energy and Chair of its Exploration Committee from 2006 - 2012 and has strong ties to the South Australian resources industry. 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 2017, Graham Ascough held the following directorships of other listed companies for the following periods:

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

PAUL J DOWD

Non-Executive Director
Appointed 27 September 2007

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

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

PETER WATSON

Non-executive Director
Appointed 7 September 2007

Peter Watson, a founder of PNX, studied Law at Melbourne University and graduated with honours. He has practiced law for over 45 years, specialising in commercial, corporate, resources and trade practices law. He is admitted to practice in South Australia, New South Wales, Victoria and Western Australia as well as the High Court of Australia. For over 20 years, Mr Watson was a partner in the national law firm now known as Norton Rose Fulbright. During that time he established, and for 4 years managed, its Perth office. He also managed its Melbourne office for 2 years. In 1996 Mr Watson joined Andersen Legal as its first Melbourne partner and in 1999 was recruited by Normandy Mining Limited as its group legal counsel and a group executive. Following the takeover of Normandy by Newmont Mining Corporation, he returned to private legal practice and founded the boutique law firm Watsons Lawyers in Adelaide which on 1 July 2016 merged with Piper Alderman. Mr Watson is a director of BGRF Company Ltd, the trustee of the Bethlehem Griffiths Research Foundation (a medical research charitable foundation), non-executive director of Felton Grimwade & Bosisto's Pty Ltd (a manufacturer and supplier of eucalyptus products and over-the-counter therapeutic products) and a trustee of a perpetual charitable trust. In the 3 years immediately prior to 30 June 2017, Peter Watson held no other directorships of other listed companies.

DAVID HILLIER

Non-executive Director
Appointed 17 September 2010

David Hillier is a Chartered Accountant and has more than 40 years' experience in commercial aspects of the resources industry. He has served as Chairman and as a director of a number of public companies in the mining and exploration field, including Lawson Gold Limited and Buka Gold Limited. Throughout 2008 he was Chief Financial Officer and an executive director of AIM listed Minerals Securities Limited, based in London. Between 1989 and 2002, Mr Hillier held a range of senior executive positions in the Normandy Mining Limited Group of companies and was Chief Financial Officer of Normandy for six of these years. In the 3 years immediately prior to 30 June 2017, David Hillier held no other directorships of other listed companies.

JAMES FOX

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

James Fox has been CEO of the Company since May 2012. He has 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 2017, James Fox held no other directorships of other listed companies.

COMPANY SECRETARY

Tim Moran

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

INTERESTS IN SHARES AND PERFORMANCE RIGHTS OF THE COMPANY

As at the date of this report, the interests of the Directors in the shares and performance rights of PNX are as follows:

Graham Ascough,
Non-Executive Chairman

Graham Ascough has an indirect interest in 2,363,010 Shares.

Paul Dowd,
Non-Executive Director

Paul Dowd has a direct interest in 500,000 Shares, and an indirect interest in 5,668,077 Shares.

Peter Watson,
Non-Executive Director

Peter Watson has a direct interest in 1,767,231 Shares and an indirect interest in 7,000,000 Shares. Related parties of Mr Watson hold a further 1,354,165 Shares.

David Hillier,
Non-executive Director

David Hillier has an indirect interest in 2,000,000 Shares.

James Fox,
Managing Director & CEO

James Fox holds 4,450,000 Performance Rights, and a related party of Mr Fox holds 5,625,000 Shares.

DIVIDENDS AND DISTRIBUTIONS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company and its wholly owned subsidiaries ('Group') during the financial year was the advancement of its zinc-gold-silver Hayes Creek Project through to the completion of a Pre-Feasibility Study ('PFS'), as well as conducting mineral exploration in the Pine Creek area of the Northern Territory ('NT').

Refer to the Overview and Exploration Report sections of this Annual Report for detail on the Hayes Creek Project PFS as well as regional exploration activities conducted during the year in the NT. There were no activities of significance on the Company's South Australian exploration tenements during the year; however, subsequent to year end an 'Option to Farm-In' agreement was signed with Ausmex Mining Group Limited – refer to 'Subsequent Events' below for details.

REVIEW OF OPERATIONS

The Group reported an overall loss for the year after tax of $2.7 million (2016: $1.1 million), which included a $1.5 million impairment charge related to the Group's South Australian exploration and evaluation assets. The loss for the year was net of a $0.4 million income tax benefit from the Company's research and development claims.

The pre-tax loss from continuing operations, excluding the impairment charge noted above, was $1.6 million compared to $1.1 million in the prior year. The greater loss was due primarily to an increase in non-cash equity-based compensation (up $0.1 million) from shares and performance rights issued during the year, as well as higher professional fees (also up $0.1 million, noting that $0.05 million of these costs were settled by issuing shares) related to company promotion and corporate advisory services. An impairment charge on the Group's investment in Avalon Minerals Limited (now Sunstone Metals Limited) of $0.06 million was also taken in 2017, adjusting the carrying value of PNX's 12.9 million shares in line with Avalon's closing share price on the ASX at 30 June 2017.

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

Net operating cash outflows of $1.3 million for the year reflect the pre-tax loss from continuing operations after excluding non-cash impairment charges and equity-based payments. Exploration cash outflows of $3.4 million consisted of $2.6 million Hayes Creek PFS costs including resource drilling at Iron Blow and Mt Bonnie, and NT regional exploration $0.8 million.

In the first half of the 2017 financial year (September and December 2016), the Company raised a total of $4.4 million before costs via share placements to sophisticated and institutional investors. 65,450,000 unquoted options exercisable at 5.0 cents each and expiring on 31 May 2019 were issued in March 2017 to participants in the December placement.

At 30 June 2017, the Group had cash holdings of $1.4 million and net working capital of $1.2 million excluding the investment in Avalon. As discussed below under 'Subsequent Events', in September 2017 the Company received $2.6 million from a share placement ($1.8 million after costs) and additional forward sale of silver ($0.8 million), and initiated a Share Purchase Plan to raise a further $0.6 million.

LEIGH CREEK DISPOSAL

During the year, the Company completed the sale of its wholly owned subsidiary Leigh Creek Copper Mine Pty Ltd ('LCCM') to Resilience Mining Australia Limited ('RMA', formerly Hillsgold Resources Pty Ltd). RMA exercised the option to acquire LCCM it had held since April 2015 on 31 October 2016, and the transaction was completed on 21 November 2016.

LCCM holds three mining leases in the Leigh Creek area including Mountain of Light. The sale included two exploration licences held by the Company in the vicinity of Leigh Creek.

There was no up-front cash consideration; however, RMA assumes all rehabilitation obligations and is required to pay the Company $100,000 if and when 3,000 tonnes of copper are produced from future operations at the three mining leases.

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

In September 2017, PNX received $0.8 million from the forward sale of an additional 112,000oz of silver from the Hayes Creek Project, to be delivered if and when production commences. This occurred following the exercise of the option held by each party to the Silver Streaming & Royalty Agreements to acquire additional silver.

Also in September 2017, the Company completed a placement of 179.8 million shares to sophisticated and institutional investors at 1.05 cents per share, for a total of $1.8 million after costs. The Company also launched a Share Purchase Plan ('SPP'), offering eligible shareholders the opportunity to acquire up to $15,000 of shares in PNX at the same price as the share placement, being 1.05 cents per share. The SPP is capped at $0.6 million and closes on 25 September 2017.

In conjunction with the share placement and SPP, the Company reached agreement with Marilei International Limited and Sochrastem SA as follows:

- $1.2 million loan held by Marilei will be converted into 80,000,000 PNX shares (1.5 cents per share);
- $0.3 million convertible notes held by Marilei will be converted into 12,000,000 shares (2.5 cents per share); and
- $0.3 million convertible notes held by Sochrastem will be converted into 12,000,000 shares.

The average price at which the loan and convertible notes are to convert is 1.73 cents per share, representing a premium of 65% to the placement & SPP issue price. Formal documentation to amend and terminate the loan and convertible note agreements is now being prepared.

The proposed issue of shares to Marilei and Sochrastem is subject to PNX shareholder approval at the Annual General Meeting in October 2017 as well as any regulatory approvals that may be required, including the Foreign Investment Review Board.

Also subsequent to year-end:

- The Company entered into an agreement with Ausmex Mining Group Limited ('Ausmex') whereby PNX granted Ausmex an option to farm-in to the Company's tenement holdings in the Burra area of South Australia in return for Ausmex conducting $50,000 of geophysical survey work over the area. Should Ausmex exercise its option, it can earn up to a 90% interest in the eight exploration licences held by PNX in the Burra region. The proposed farm-in has two stages (60% and 90%), each requiring Ausmex to spend a minimum of $300,000 on diamond drilling or other agreed exploratory work;

- 3,090,000 shares were issued to PNX staff following the vesting of an equivalent number of performance rights at 30 June 2017; and
- Under an engagement letter executed with Hartleys Limited, a component of the fee arrangements require the issue of 20,000,000 unquoted options to Hartleys' wholly owned subsidiary Zenix Nominees Pty Ltd, with the following key terms:
- 10,000,000 options will vest upon the completion of a capital raise, managed by Hartleys, of $2 million or more
- 10,000,000 options will vest upon the completion, in aggregate, of a capital raise managed by Hartleys of $6 million or more
- Exercise price is 140% of the issue price of the capital raising under which the first 10,000,000 Options vest
- Expiry Date – 3 years after the date of issue;

The issue of these options is subject to shareholder approval at the 2017 AGM.

It is expected that 10,000,000 Options will vest once the SPP is completed and the exercise price for all Options will be established as 1.47 cents, being 140% of the September 2017 share placement and SPP issue price of 1.05 cents per share.

There has not otherwise been any matter or circumstance that has occurred subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS

PNX's aim is to be a sustainable, profitable gold and base metals producer and successful minerals explorer by establishing an economic mining project at Hayes Creek and to make new mineral discoveries in the Pine Creek region of the Northern Territory.

In 2017-18, the Group will proceed with a Definitive Feasibility Study (**DFS**) over the Hayes Creek Project as well as continue mineral exploration in the NT. Key priorities for the DFS include advancement of the environmental, metallurgical, and engineering aspects of the project. The Company will also continue near-mine and regional exploration targeting gold and base metals mineralisation that could supplement the established mineral resources at Hayes Creek or be developed as stand-alone projects. PNX holds a 51% interest in the Burnside, Moline and Chessman projects in the Pine Creek region and is working toward increasing its interest in these projects to 90% under the farm-in agreement with Newmarket Gold NT Holdings Pty Ltd.

ENVIRONMENT REGULATION AND PERFORMANCE

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

OPTIONS AND PERFORMANCE RIGHTS

During the year, 11,410,000 Performance Rights were issued under the Company's Performance Rights Plan, of which 3,090,000 vested on 30 June 2017 and the related shares were issued in August 2017. At the date of this report, 8,320,000 Performance Rights are on issue.

Following receipt of shareholder approval, in March 2017 the Company issued 65,450,000 unlisted options to participants in the December 2016 share placement that raised $2.6 million. The options have an exercise price of 5.0 cents and expire on 31 May 2019.

As noted previously under Subsequent Events, the Company has agreed, subject to shareholder approval, to issue a subsidiary of Hartleys Limited 20,000,000 unquoted options under the terms of a service agreement.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

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

DIRECTORS' ATTENDANCE AT MEETINGS

Eight Board meetings were held during the financial year. Graham Ascough, Paul Dowd, Peter Watson, David Hillier, and James Fox attended all eight.

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

AUDITOR'S INDEPENDENCE DECLARATION

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

NON-AUDIT SERVICES

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

REMUNERATION REPORT – AUDITED

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

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

DIRECTORS AND KEY MANAGEMENT PERSONNEL DETAILS

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

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

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

- Tim Moran (Company Secretary & Chief Financial Officer)
- Andy Bennett (Exploration Manager)

RELATIONSHIP BETWEEN REMUNERATION POLICY AND GROUP PERFORMANCE

There is no direct link between the Group's financial performance and the setting of remuneration except as discussed below in relation to 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 financial 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 have a policy regarding trading in derivatives that would limit exposure to losses resulting from share price decreases applicable to Directors and employees who receive part of their remuneration in securities of the Company. The Board is not aware of any member of the Company's directors or key management personnel ever conducting such activity.

REMUNERATION POLICY

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

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

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

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

NON-EXECUTIVE DIRECTOR REMUNERATION

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

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

As noted in the remuneration table on page 36, certain non-executive directors elected to forego part of their fees for one quarter of the year to assist the Company to minimise corporate costs.

Summary details of remuneration for non-executive Directors are given in the tables on page 36. 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 presently set at $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 (effective 1 January 2017, previous salary was $250,000) plus mandated superannuation contributions as well as 20 days annual leave and 10 days sick leave per annum.

At 30 June 2017 and as of the date of this report, Mr Fox held no Shares in the Company. At the date of this report, a related party of Mr Fox holds 5,625,000 Shares in the Company (4,825,000 at 30 June 2017).

During the year, the Board resolved to issue 1,000,000 Shares to James Fox or his nominee and grant him 1,250,000 Performance Rights, with both awards approved by shareholders at the Company's 2016 AGM. The share issuance was considered by the Directors to be an appropriate bonus for Mr Fox's performance as the Company's Managing Director & CEO, and in particular for his leadership regarding the Hayes Creek Project.

The 1,250,000 Performance Rights granted to Mr Fox have the following performance conditions:

- The Company's share price performance for the year ended 30 June 2017 must exceed that of at least 50% of 10 companies identified by the Directors as the Company's peers; and
- The Company's closing price on the ASX is 6.0 cents or more for 15 consecutive trading days prior to 30 June 2018.

These Performance Rights have not yet vested.

In February 2017, a further 4,000,000 Performance Rights were issued to Mr Fox, in conjunction with an issuance of Performance Rights to all staff. The Performance Rights have conditions related to key Company objectives, including development of the Hayes Creek project, exploration discoveries and Company share price performance. Performance conditions are required to be achieved within specified time periods (extending to 31 December 2019) in order for the rights to vest.

At 30 June 2017, 800,000 of these Performance Rights vested and the related 800,000 shares were issued in August 2017. At 30 June 2017 Mr Fox held 5,250,000 Performance Rights and as at the date of this report, he holds 4,450,000.

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

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

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY REMUNERATION

Tim Moran has been Chief Financial Officer and Company Secretary since January 2012. In June 2013, Mr Moran ceased as an employee of the Company and from July 2013 has provided CFO and Company Secretary services on a contract basis. During the 2017 financial year, Mr Moran's fees were $162,225 inclusive of superannuation.

In February 2017, Mr Moran was granted 1,200,000 Performance Rights, with similar performance conditions to those noted above for James Fox. At 30 June 2017, 300,000 of these Performance Rights vested and the related 300,000 shares were issued in August 2017. At 30 June 2017, Mr Moran held no Shares and 1,200,000 Performance Rights and as at the date of this report, he holds 300,000 Shares and 900,000 Performance Rights.

EXPLORATION MANAGER REMUNERATION

Andy Bennett commenced as Exploration Manger on 1 January 2015. Mr Bennett is entitled to an annual salary of $195,000 plus mandated superannuation contributions, as well as 20 days annual leave and 10 days sick leave each year.

In February 2017, Mr Bennett was granted 3,000,000 Performance Rights under the Plan, with similar performance conditions to those noted previously for James Fox. At 30 June 2017, 750,000 of these Performance Rights vested and the related 750,000 shares were issued in August 2017. At 30 June 2017, Mr Bennett held no Shares and

REMUNERATION REPORT – AUDITED

3,000,000 Performance Rights and as at the date of this report, he holds 750,000 Shares and 2,250,000 Performance Rights.

Andy Bennett's employment with the Company may be terminated on 4 weeks written notice or on summary notice if he:

- commits any act of misconduct or acts in a way which in the reasonable opinion of the Company may injure or be likely to injure the business or reputation of the Company or other employees of the Company;
- is convicted of any criminal offence or is guilty of any other conduct which, in the opinion of the Company, may bring the Company into disrepute or affect his ability to perform his duties;
- commits a serious, persistent or material breach of the terms and conditions of his employment contract;
- refuses to carry out a lawful and reasonable instruction by the Company;
- is negligent in the performance of his duties;
- becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under laws relating to mental health;
- becomes incapacitated by illness or injury which prevents him from performing his duties as Exploration Manager for a period of 3 consecutive months or any periods aggregating 3 months in any 12 month period of employment; or
- 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.

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 2017:

	Short term employment benefits	Post-employment	Equity		
	Salary & fees	Superannuation	Shares and performance rights	Total	% of total remuneration consisting of equity
Directors					
Graham Ascough	$75,000	-	-	$75,000	0%
Paul Dowd[1]	$18,265	$19,235	-	$37,500	0%
Peter Watson[1]	$34,247	$3,253	-	$37,500	0%
David Hillier	$40,000	-	-	$40,000	0%
James Fox	$262,500	$24,938	$46,447[2,3]	$333,885	14%
Chief Financial Officer & Company Secretary					
Tim Moran	$148,151	$14,074	$9,370[3]	$171,595	5%
Other Key Management Personnel					
Andy Bennett	$195,000	$18,525	$23,773[3]	$237,298	10%
TOTALS	**$773,163**	**$80,025**	**$79,590**	**$932,778**	

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

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

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

Directors', Company Secretary and key management personnel remuneration (all amounts are paid or payable) for the year ended 30 June 2016:

	Short term employment benefits	Post-employment	Equity		
	Salary & fees	Superannuation	Shares and performance rights	Total	% of total remuneration consisting of equity
Directors					
Graham Ascough	$75,000	-	-	$75,000	0%
Paul Dowd[1]	-	$30,000	-	$30,000	0%
Peter Watson[1]	$27,397	$2,603	-	$30,000	0%
David Hillier	$40,000	-	-	$40,000	0%
James Fox	$250,000	$23,750	($5,542)[2]	$268,208	0%
Company Secretary & Chief Financial Officer					
Tim Moran	$152,700	-	-	$152,700	0%
Other Key Management Personnel					
Andy Bennett	$195,000	$18,525	($3,620)[2]	$209,905	0%
TOTALS	**$740,097**	**$74,878**	**($9,162)**	**$805,813**	

1 *Mr Dowd and Mr Watson waived 25% of their fees for each quarter of the financial year (total $10,000 waived each).*

2 *Reflects the reversal of previously recorded equity-based compensation related to Performance Rights that ultimately did not vest.*

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

EQUITY HOLDINGS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

	Balance 01/07/16	Net Changes	Balance 30/06/17
Directors			
Graham Ascough	2,363,010	-	2,363,010
Paul Dowd	6,168,077	-	6,168,077
Peter Watson[1]	8,767,231	-	8,767,231
David Hillier	1,430,000	570,000	2,000,000
James Fox[2]	-	-	-
Key Management Personnel			
Tim Moran	-	-	-
Andy Bennett	-	-	-

1 *Additional shares held by related parties: 1,354,165 (2016: 1,354,165)*

2 *Shares held by related party at 30 June 2017: 4,825,000 (2016: 3,825,000)*

ii) Performance rights issued by PNX Metals Limited:

2015	Balance 1/07/16	Granted	Vested	Lapsed	Balance 30/06/17	
					Vested	Unvested
James Fox	-	5,250,000	800,000	-	800,000	4,450,000
Tim Moran	-	1,200,000	300,000	-	300,000	900,000
Andy Bennett	-	3,000,000	750,000	-	750,000	2,250,000

OTHER RELATED PARTY TRANSACTIONS

During the financial year the Group engaged Piper Alderman, an entity in which a Director (Peter Watson) is a senior consultant, to advise on legal matters. The amount paid in the financial year for these services inclusive of GST was $24,518. In the prior year, $46,833 was paid to Watsons Lawyers for legal services, an entity in which Mr Watson was a partner.

END OF REMUNERATION REPORT

Signed on 19th September 2017 in accordance with a resolution of the Board made pursuant to section 298(2) of the Corporations Act 2001.

GRAHAM ASCOUGH
CHAIRMAN

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Auditor's Independence Declaration
To the Directors of PNX Metals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of PNX Metals Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 19 September 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

CORPORATE GOVERNANCE STATEMENT

The Board has adopted a Corporate Governance Charter (Charter), which includes a code of conduct, an audit committee charter, a shareholder communication policy, a continuous disclosure policy and a securities dealing policy. The Charter is available on the Company's website. The Company's corporate governance principles and policies and this corporate governance statement are structured with reference to the ASX Corporate Governance Principles and Recommendations, 3rd Edition (**Principles and Recommendations**). This Corporate Governance statement is current as of 19 September 2017 and has been approved by the Board.

FUNCTIONS AND OPERATION OF THE BOARD

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

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

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

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

Appointment

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

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

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

Retirement and removal

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

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

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

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

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

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

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

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

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

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

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

PERFORMANCE EVALUATION AND REMUNERATION

The performance of the Board, Audit Committee and individual Directors is periodically reviewed by self-assessing whether or not the Company is achieving its strategic objectives, and by assessing the Company's exploration success, project development, financial performance and movement in its market capitalisation. In December 2016 the Board conducted a formal evaluation of the performance of the Board. No major deficiencies in Board or individual director performance were noted, although some improvement areas were identified and have been actioned.

A performance appraisal process exists regarding the Company's senior executives, whereby the performance of executives is formally reviewed once per year against previously set goals relating to both Company and individual performance. The performance of the MD & CEO is monitored by the Board. A formal performance review of the MD & CEO has not occurred since his appointment to the Board on 26 November 2014, although an informal review has occurred.

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

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

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

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

COMMUNICATION

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

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

AUDIT COMMITTEE

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

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

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

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

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

Two Audit Committee meetings were held during the year and each was attended by David Hillier, Peter Watson and Graham Ascough as well as by James Fox and Paul Dowd on an invitation basis.

The Company's auditor Grant Thornton was appointed at the 2014 Annual General Meeting in accordance with section 327B of the Corporations Act 2001. Any subsequent appointment or rotation of external auditors will occur in accordance with the Corporations Act 2001. The auditor is available at each annual general meeting of the Company to answer questions related to the audit from shareholders.

RISK MANAGEMENT

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

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

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

The Company has no material exposure at present to economic, social, or sustainability risks. The Company is exposed to environmental risks as a mineral exploration company with its key project at Hayes Creek progressing toward development. Environmental matters are identified and addressed by management and communicated to the Board as part of normal business activities. External environmental consultants were utilised during the Hayes Creek Pre-Feasibility Study and these advisors are continuing to provide services for the Definitive Feasibility Study at Hayes Creek which has commenced.

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

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

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

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

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

ONGOING MONITORING AND IMPROVEMENT

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2017

	Note	Year ended 30/06/17 $	Year ended 30/06/16 $
Interest income	4(a)	50,605	17,733
Employee benefits		(306,551)	(217,826)
Professional fees		(413,512)	(298,462)
Directors' fees		(190,000)	(175,000)
Exploration – tenement maintenance	11	(86,964)	(101,310)
Occupancy	4(c)	(66,294)	(63,919)
Insurance		(31,522)	(34,649)
Share registry and regulatory		(102,775)	(61,219)
Communication		(11,607)	(11,183)
Audit fees	23	(30,882)	(28,340)
Equity-based remuneration	21	(111,687)	9,162
Other expenses		(98,173)	(69,942)
Depreciation	4(b)	(7,605)	(3,351)
Impairment – exploration and evaluation assets	4(d), 11	(1,500,000)	-
Impairment – financial assets	10	(64,460)	-
Interest charges	14	(100,000)	(100,000)
Loss before income tax – continuing operations		(3,071,427)	(1,138,306)
Income tax benefit	5	404,958	245,905
Loss for the year – continuing operations		(2,666,469)	(892,401)
Loss from discontinued operations, net of tax	6	(38,535)	(90,060)
Total loss for the year		(2,705,004)	(982,461)
Other comprehensive loss:			
Change in fair value of investment (tax: nil)	10	-	(128,920)
Total comprehensive loss for the year, attributable to equity holders of the parent		(2,705,004)	(1,111,381)
Loss per share – continuing operations			
Basic and Diluted (cents per share)	28	(0.4)	(0.2)
Loss per share – total			
Basic and diluted (cents per share)	28	(0.4)	(0.2)

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 2017

	Note	30/06/17 $	30/06/16 $
CURRENT ASSETS			
Cash and cash equivalents	7	1,430,630	1,643,632
Trade and other receivables	8	293,179	260,880
Prepayments and deposits	9	133,832	77,913
Other financial assets	10	193,380	257,840
Total current assets		2,051,021	2,240,265
NON-CURRENT ASSETS			
Other receivables	6	50,000	-
Exploration and evaluation expenditure	11	6,899,372	4,688,184
Plant and equipment	12	38,015	37,470
Total non-current assets		6,987,387	4,725,654
Total assets		9,038,408	6,965,919
CURRENT LIABILITIES			
Trade and other payables	13	541,669	194,683
Provisions	15	95,095	66,149
Total current liabilities		636,764	260,832
NON-CURRENT LIABILITIES			
Provisions	15	50,950	28,086
Loan	14	1,200,000	1,200,000
Deferred Revenue	16	1,600,000	1,600,000
Total non-current liabilities		2,850,950	2,828,086
Total liabilities		3,487,714	3,088,918
Net assets		5,550,694	3,877,001
EQUITY			
Issued capital	17	32,665,302	28,377,292
Other contributed equity	18	600,000	600,000
Reserves	19	90,687	-
Accumulated losses	20	(27,805,295)	(25,100,291)
Total equity		5,550,694	3,877,001

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 2017

	Issued capital $	Other equity $	Reserves $	Accumulated losses $	Total $
Balance at 30 June 2015	26,562,067	600,000	347,193	(24,326,941)	3,182,319
Total loss for the year	-	-		(982,461)	(982,461)
Other comprehensive income	-	-	(128,920)	-	(128,920)
Total comprehensive loss for the year	-	-	(128,920)	(982,461)	(1,111,381)
Shares issued	1,863,250	-	-	-	1,863,250
Share issue costs	(18,025)	-	-	-	(18,025)
Shares issued for interest on convertible notes	(30,000)	-	-	-	(30,000)
Fair value of equity settled payments	-	-	(9,162)	-	(9,162)
Reclassification on expiry of options	-	-	(209,111)	209,111	-
Balance at 30 June 2016	28,377,292	600,000	-	(25,100,291)	3,877,001
Total comprehensive loss for the year	-	-	-	(2,705,004)	(2,705,004)
Shares issued	4,586,250	-	-	-	4,586,250
Share issue costs	(268,240)	-	-	-	(268,240)
Shares issued for interest on convertible notes	(30,000)	-	-	-	(30,000)
Fair value of equity settled payments	-	-	90,687	-	90,687
Balance at 30 June 2017	32,665,302	600,000	90,687	(27,805,295)	5,550,694

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 2017

	Inflows/(outflows) Year ended 30/06/17 $	Inflows/(outflows) Year ended 30/06/16 $
Cash flows relating to operating activities		
Receipt of Research and Development tax refunds	400,863	-
Payments to suppliers and employees	(1,267,271)	(1,093,243)
Net operating cash flows	(866,408)	(1,093,243)
Cash flows relating to investing activities		
Interest received	51,897	19,127
Loan advanced – refer Note 6	(50,000)	-
Payments for exploration activities	(3,435,597)	(1,476,342)
Payments for plant and equipment	(20,654)	-
Net investing cash flows	(3,454,354)	(1,457,215)
Cash flows relating to financing activities		
Proceeds from metal streaming transactions	-	1,600,000
Proceeds from share issues	4,354,000	1,738,250
Payments for capital raising costs	(246,240)	(13,025)
Net financing cash flows	4,107,760	3,325,225
Net increase/(decrease) in cash	(213,002)	774,767
Cash at beginning of financial year	1,643,632	868,865
Cash at end of financial year	1,430,630	1,643,632
Loss for the year	(2,705,004)	(982,461)
Interest income	(50,605)	(17,733)
Equity-based remuneration	111,687	(9,162)
Interest expense – equity settled	90,000	90,000
Depreciation and amortisation	7,605	3,351
Equity-settled marketing services	50,250	-
Impairment charges – exploration and evaluation assets	1,500,000	-
Impairment charges – investment (other financial asset)	64,460	-
(Increase)/decrease in receivables - operating	(10,585)	(246,798)
(Increase)/decrease in other current assets - operating	3,530	1,216
Increase/(decrease) in payables - operating	20,444	29,647
Increase/(decrease) in employee provisions	51,810	38,697
Net operating cash flows	(866,408)	(1,093,243)

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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 entities ("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 19th September 2017.

2 NEW AND REVISED ACCOUNTING STANDARDS

None of the standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2016 had any material effect on any amounts recognised or disclosed in the current or prior period and are not likely to affect future periods.

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

Year ending 30 June 2018:

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

When these standards are first adopted for the year ending 30 June 2018, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

Year ended 30 June 2019:

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

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

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

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

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

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

Year ending 30 June 2019:

AASB 9: Financial Instruments

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

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

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

- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted by presenting changes in credit risk in other comprehensive income (**OCI**) and the remaining change in the statement of profit or loss.

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

Year ending 30 June 2019:

AASB 15 Revenue from Contracts with Customers

This standard replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations. The new standard:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

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

Year ended 30 June 2020: AASB 16 Leases

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

- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

a) Going concern basis

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

For the year ended 30 June 2017, the Group made a total comprehensive loss of $2,705,004 (2016: total comprehensive loss of $1,111,381) and recorded a net cash outflow from operating and investing activities of $4,320,762 (2016: net cash outflow of $2,550,458). At 30 June 2017, the Group had cash of $1,430,630 (2016: $1,643,632), net current assets excluding the investment in Avalon Minerals Ltd of $1,200,877 (2016: $1,721,593) and net assets of $5,550,694 (2016: $3,877,001).

The Directors believe that it is appropriate to prepare the financial statements on the going concern basis, as the Group plans to raise sufficient capital in the future to allow planned feasibility studies, mineral exploration and administrative activities to continue over at least the next 12 months. Subsequent to year-end, the Company raised $1.8 million after costs via the placement of 179.8 million shares at 1.05 cents per share to sophisticated and institutional investors, and commenced a Share Purchase Plan to raise a further $0.6 million. Also subsequent to year-end, the Company received $0.8 million from the additional forward sale of silver from the Hayes Creek Project to the parties to the Silver Streaming & Royalty agreements. Notwithstanding these fund raising initiatives, additional capital will be required in 2018 to complete the Definitive Feasibility Study on the Hayes Creek Project and allow mineral exploration and administrative activities to continue at planned levels.

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

b) Principles of consolidation

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

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

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

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

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

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

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

c) Business combinations

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

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

¬ Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income taxes and AASB 119 Employee Benefits respectively;

¬ Liabilities or equity instruments related to share-based payment arrangements of the acquired entity, or share-based payment arrangements of the Group that are entered into to replace share-based payment arrangements of the acquired entity, are measured in accordance with AASB 2 Share-based Payment at the acquisition date; and

¬ Assets (or disposals groups) classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

d) Discontinued operations & assets held for sale

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

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

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

e) Revenue

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

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

¬ the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

¬ the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

¬ the amount of revenue can be measured reliably;

¬ it is probable that the economic benefits associated with the transaction will flow to the Group; and

¬ the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Royalties based on revenue from the sale of goods are accrued as payables in the same period as the related revenue is recognised.

Deferred Revenue

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

Interest

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

f) Government grants

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

g) Cash and cash equivalents

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

h) Financial assets

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

Other financial assets – available for sale

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

Loans and receivables

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

Interest is recognised by applying the effective interest rate.

Effective interest method

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

Impairment of financial assets

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

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

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

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

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

i) Exploration and evaluation expenditure

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

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

ii. at least one of the following conditions is also met:

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

 or

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

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

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

136 Impairment of Assets, being the higher of fair value less costs to sell and value in use. If the recoverable amount as determined is less than the carrying amount, an impairment loss is recognised.

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

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

j) Plant and equipment

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

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

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

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

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

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

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

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

l) Trade and other payables

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

m) Debt and equity Instruments

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

n) Employee benefits

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

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

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

Contributions to accumulated benefit superannuation plans are expensed when incurred.

o) Site restoration and environmental rehabilitation

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

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

p) Share-based payments

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

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

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

q) Leases

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

r) Income tax

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

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax recognition

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

Tax consolidation

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

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

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

s) Goods and service tax

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

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

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

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

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

t) Earnings per share

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

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

- the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

u) Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Impairment

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

During the year an impairment loss of $1,500,000 was recognised in relation to Exploration and Evaluation Assets and an impairment charge of $64,460 was also recorded in relation to Other Financial Assets. Details of these impairment loss calculations are provided in Notes 11 and 10 respectively.

Equity-based payments

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

4 LOSS FROM CONTINUING OPERATIONS

	Year ended 30/06/17 $	Year ended 30/06/16 $
a) Interest income		
Interest on bank deposits	49,105	17,733
Interest on loan receivable	1,500	-
	50,605	17,733
b) Depreciation		
Depreciation of plant and equipment	7,605	3,351
c) Occupancy		
Operating lease rental expenses	66,294	63,919
d) Impairment		
Exploration and evaluation assets	1,500,000	-

5 INCOME TAX

	Year ended 30/06/17 $	Year ended 30/06/16 $
a) Income tax recognised in profit or loss		
Current tax expense/(benefit)	(250,000)	-
Deferred tax expense/(benefit)	(154,958)	(245,905)
Total tax expense/(benefit)	(404,958)	(245,905)
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	(3,109,962)	(1,228,366)
Income tax benefit calculated at 27.5% (2016: 30%)	(855,240)	(368,510)
Equity-based remuneration – performance rights	24,938	(2,749)
Current year tax losses and movements in temporary differences not recognised	692,801	371,259
Recognition of estimated research and development tax refund related to the 2016-17 tax year	(830,302)	-
Recognition of actual research and development tax refund related to the previous tax year	(154,958)	(245,905)
Tax expense (benefit)	(404,958)	(245,905)

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% payable by Australian small business entities on taxable profits under Australian tax law. The corporate tax rate applicable to small business entities (those entities with less than $10 million of revenue) was amended in May 2017 from 30% applicable in the 2016 financial year to 27.5%.

b) Recognised tax assets and liabilities		
Deferred tax assets and (liabilities) are attributable to the following:		
Exploration and evaluation expenditure	(2,033,098)	(1,372,829)
Plant and equipment	(11,404)	(11,241)
Mineral Rights*	-	(123,075)
Trade and other payables	35,998	13,717
Employee benefits	43,814	28,271
Restoration and rehabilitation provision*	-	168,075
Share issue costs	75,344	25,015
Net deferred tax liabilities	(1,889,346)	(1,272,067)
Tax losses recognised	1,889,346	1,272,067
Net deferred tax assets / (liabilities)	-	-

* *prior year: part of assets held for sale*

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

c) Unrecognised tax losses:

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

	30/06/17 $	30/06/16 $
Tax Losses – operating (tax effected)	8,004,469	7,284,639
Tax Losses – capital (tax effected)	115,307	115,307

Of the total operating tax losses of approximately $33 million in the Group at 30 June 2017, $26.7 million are unrecognised as shown above as a $8.0 million potential tax benefit. A deferred tax asset has not been recognised in respect of these losses because it is not considered probable at this time that future taxable profit will be available against which to utilise the losses.

6 DISPOSAL OF SUBSIDIARY

In the first half of the year, the Company completed the sale of its wholly owned subsidiary Leigh Creek Copper Mine Pty Ltd ('LCCM') to Resilience Mining Australia Limited ('RMA', formerly Hillsgold Resources Pty Ltd). RMA exercised the option to acquire LCCM it had held since April 2015 on 31 October 2016, and the transaction was completed on 21 November 2016.

LCCM holds three mining leases in the Leigh Creek area including Mountain of Light. The sale included two exploration licences held by the Company in the vicinity of Leigh Creek.

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

To assist RMA with its costs of transitioning to ownership of LCCM, the Company provided RMA with a loan of $50,000, which was drawn on 16 December 2016. The loan is secured by specified plant and equipment at Mountain of Light and bears interest at 6% per annum, payable semi-annually. The loan is to be re-paid at the earliest of the following:

» 31 October 2018;

» The date that is 6 months after first production from any of the three mining leases held by LCCM;

» Following an equity capital raise by RMA in excess of $1.5 million (cumulative from 31 October 2016); or

» The date RMA sells or transfers any of the acquired tenements.

The loan has been classified as a non-current other receivable in the Statement of Financial Position.

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

	21/11/2016 $	30/06/16 $
Mine site maintenance	38,535	90,060
Loss – discontinued operations	38,535	90,060
Loss per share (cents) basic and diluted	0.01	0.02
Cash outflows	38,535	90,060

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

	21/11/2016 $	30/06/16 $
Assets		
Environmental deposit	150,000	150,000
Plant & equipment - cost	3,634,902	3,634,902
Plant & equipment – accumulated depreciation	(3,634,902)	(3,634,902)
Mineral rights	410,250	410,250
Total Assets	560,250	560,250
Liabilities		
Rehabilitation	(560,250)	(560,250)
Net assets	-	-
Fair Value of Consideration	-	
Net Gain or Loss on Sale	-	

7 CASH AND CASH EQUIVALENTS

	30/06/17 $	30/06/16 $
Cash at bank	780,630	493,632
Term deposits	650,000	1,150,000
	1,430,630	1,643,632

At year end, term deposits were invested for 90 days earning 2.5% annual interest, with all amounts set to mature in less than 90 days.

8 TRADE AND OTHER RECEIVABLES

	30/06/17 $	30/06/16 $
Interest	1,519	1,918
Research & Development Tax Incentive	250,000	245,905
Goods & Services Tax	41,544	12,046
Other	116	1,011
	293,179	260,880

The Research & Development claim for the 2016-17 year has not yet been lodged, and the estimated receivable of $250,000 is based on a preliminary estimate of qualifying expenditure.

9 PREPAYMENTS AND DEPOSITS

	30/06/17 $	30/06/16 $
Prepayments	16,988	19,018
Environmental Deposits – Northern Territory	84,084	26,135
Deposit – office bond	32,760	32,760
	133,832	77,913

Environmental deposits are required to be lodged with the Department of Mines and Energy in the Northern Territory prior to the commencement of exploration activities on mineral leases and exploration licences.

The office bond is invested in a 365 day term deposit maturing February 2018 and earning 2.7% interest.

10 OTHER FINANCIAL ASSETS

	30/06/17 $	30/06/16 $
Investment in Avalon Minerals Ltd	193,380	257,840

The Company continues to hold 12,892,013 shares in ASX listed Avalon Minerals Limited (Avalon), which was renamed Sunstone Metals Limited in September 2017.

At each reporting date, the carrying value of the investment in Avalon is revalued to fair value, based on the market value of Avalon's shares at that time. At 30 June 2017, an impairment charge of $64,460 was recorded to reduce the carrying value of the investment in Avalon to fair value, based on the market value of Avalon's shares at that time. The impairment was recorded in profit or loss in accordance with AASB 139 Financial Instruments: Recognition and Measurement, due to the significant and prolonged decline in Avalon's share price in comparison to the carrying value per share of the investment.

In the prior year, the investment was revalued down $128,920 through Other Comprehensive Income/Loss (**OCI**), reducing the fair value movements reserve in Equity to zero.

In accordance with the requirements of AASB 13 Fair Value Measurement, and consistent with prior periods, the fair value of the investment in Avalon is determined with reference to its quoted market price (a 'Level 1' measurement standard per AASB 13) on the ASX.

11 EXPLORATION AND EVALUATION EXPENDITURE

	30/06/17 $	30/06/16 $
Costs brought forward	4,688,184	3,293,812
Expenditure incurred during the year	3,798,152	1,495,682
Recognised as an expense (tenements previously impaired)	(86,964)	(101,310)
Impairment charges	(1,500,000)	-
	6,899,372	4,688,184

Virtually all expenditure during the year related to Hayes Creek Project (100% owned) mineral resource drilling and Pre-Feasibility Study costs as well as mineral exploration activity on the Group's Northern Territory tenements (51% owned progressing toward 90% under a farm-in agreement).

At 30 June 2017, an impairment charge of $1,500,000 was recognised in relation to the Group's Burra and Yorke Peninsula exploration tenements in South Australia. The fair value less costs to sell of these projects was assessed as $0.5 million, based on their estimated value in an arms-length sale transaction in current market conditions. The carrying value prior to the impairment charge was $2 million and hence a $1.5 million impairment charge was recorded.

12 PLANT AND EQUIPMENT

Cost	$
Balance at 30 June 2015	440,235
Additions	-
Disposals	-
Balance at 30 June 2016	440,235
Additions	20,654
Disposals	-
Balance at 30 June 2017	460,889
Accumulated Depreciation	
Balance at 30 June 2015	386,081
Depreciation Expense	3,351
Depreciation capitalised to exploration assets	13,333
Disposals	-
Balance at 30 June 2016	402,765
Depreciation Expense	7,605
Depreciation capitalised to exploration assets	12,504
Disposals	-
Balance at 30 June 2017	422,874
Net book value – Plant and Equipment	
Balance at 30 June 2016	37,470
Balance at 30 June 2017	38,015

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

13 TRADE AND OTHER PAYABLES

	30/06/17 $	30/06/16 $
Trade payables	363,455	87,525
Accrued expenses	153,942	82,072
Other payables	24,272	25,086
	541,669	194,683

Average credit period on trade payables is 30 days.

14 LOAN

	30/06/17 $	30/06/16 $
Loan	1,200,000	1,200,000

The key terms of the Company's $1.2 million unsecured loan are as follows:

» Maturity date of 6 November 2019

» 7.5% annual interest rate, payable semi-annually in cash or ordinary shares of the Company, at the option of the Company

» Principal is to be repaid via the remittance of net proceeds from the sale of any of the shares in Avalon Minerals Limited (now Sunstone Metals Limited) acquired using the loan proceeds, up to the $1.2m loan principal. If the cash proceeds available to the Company through the sale of Avalon shares are insufficient to repay the loan principal amount by the maturity date, any shortfall may be repaid via the issue of shares in the Company. If the shares in Avalon have not been disposed of by the maturity date, the loan is repayable in cash.

Interest charges of $100,000 (2016: $100,000) were incurred on the loan during the year, of which $10,000 (2016: $10,000) consisted of withholding tax remitted to the Australian Taxation Office. Interest payable on a 6-monthly basis was settled on both occasions by issuing shares; refer to Note 17(b) for further detail.

Subsequent to year-end, the Company agreed with the lender to convert the loan into 80,000,000 PNX shares, subject to shareholder and any regulatory approvals required. Refer to Note 31 Subsequent Events for further detail.

15 PROVISIONS

	30/06/17 $	30/06/16 $
Current		
Employee benefits	95,095	66,149
Non-current		
Employee benefits	50,950	28,086

16 DEFERRED REVENUE

	30/06/17 $	30/06/16 $
Silver streaming receipts	1,600,000	1,600,000

On 7 June 2016, the Company entered into identical metal streaming and royalty agreements with two investors. The key terms of the agreements are as follows:

» $800,000 received from each investor for the forward sale of 112,000 troy ounces of silver ($7.14/oz), to be delivered over a 2 year period once commissioning and ramp up of the Hayes Creek Project is complete.

» At the end of the two year silver delivery period, each investor receives a 0.24% 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 $0.27 million.

» Each investor has an option ('Quantity Option'), to be exercised within 3 months of completion of the pre-feasibility study over the Hayes Creek Project, to purchase an additional 56,000 oz of silver for $0.4 million.

  Subsequent to year-end, each investor exercised the Quantity Option and PNX received payment of $0.4 million from each party. PNX is now required to deliver a total of 168,000 troy ounces of silver over a 3 year period to each investor. The NSR royalty held by each investor has now increased to 0.36% and the royalty buy-back amount has increased to $0.4 million.

» If production at the Hayes Creek Project has not commenced by 7 June 2021 and PNX or an investor elects to terminate the agreement, the forward payment made by that investor (now $1.2 million) converts to PNX shares based on a 30 day VWAP. The NSR royalty will also apply in these circumstances for 5 years from when production commences on any of the mineral leases making up the Hayes Creek project

Cash received from the forward sale of silver has been accounted for as deferred revenue, classified in the Statement of Financial Position as a long-term liability. Revenue will be recognised as the silver is delivered in the future.

17 ISSUED CAPITAL

	30/06/17 $	30/06/16 $
741,055,537 fully paid ordinary shares (2016: 507,783,980)	32,665,302	28,377,292

Movement in ordinary shares for the year:

		No.	30/06/17 $	No.	30/06/16 $
Ref	**Balance at beginning of year**	507,783,980	28,377,292	357,256,457	26,562,067
a)	Shares issued to settle interest on convertible notes	1,551,938	30,000	2,382,318	30,000
b)	Shares issued to settle interest on loan	4,153,830	90,000	7,029,817	90,000
c)	Shares issued to acquire tenements	1,000,000	19,000	-	-
d)	Shares issued as remuneration	1,000,000	21,000	-	-
e)	Shares issued at 1.9 cents	93,065,789	1,768,250	-	-
f)	Shares issued at 2.0 cents	130,900,000	2,618,000	-	-
g)	Shares issued for services	1,600,000	40,000	-	-
h)	Shares issued at 1.3 cents	-	-	114,865,388	1,493,250
h)	Shares issued at 0.95 cents	-	-	26,250,000	250,000
i)	Interest on convertible notes – reduction in share capital	-	(30,000)	-	(30,000)
	Share issue costs	-	(268,240)	-	(18,025)
	Balance at end of year	741,055,537	32,665,302	507,783,980	28,377,292

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

a) Shares were issued in November 2016 and May 2017 at the Company's preceding 30 day volume-weighted average share price (VWAP) of 2.3 and 1.7 cents respectively (2016: 1.2 cents and 1.3 cents) to settle a total of $30,000 of interest payable on convertible notes.

b) Shares were issued in November 2016 and May 2017 at the Company's 30 day VWAP of 2.7 cents and 1.8 cents respectively (2016: 1.4 cents and 1.2 cents) to settle a total of $90,000 of interest payable on the Company's $1.2 million loan.

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

d) Shares were issued in November 2016 to a nominee of the Company's Managing Director as a performance bonus.

e) Shares were issued as a placement to sophisticated and institutional investors, including 750,000 shares to settle fees associated with the placement, in September 2016 and (following shareholder approval) in November 2016 at 1.9 cents per share raising $1.75 million before costs.

f) Shares were issued as a placement to sophisticated and institutional investors, including 900,000 shares to settle fees associated with the placement, in December 2016 at 2.0 cents per share raising $2.6 million before costs. A total of 65,450,000 attaching unquoted options (one-for-two basis) were issued in March 2017 to participants in the placement – refer Note 21 for details.

g) Shares were issued in return for investor relations services, at an agreed value of 2.5 cents per share. At 30 June 2017, 800,000 of these shares were still subject to a voluntary escrow period expiring 15 September 2017.

h) Prior year: Shares were issued to sophisticated investors and company directors at 1.3 cents (September and November 2015, 114,865,388 shares) raising $1.49 million before costs and to sophisticated investors at 0.95 cents (April 2016, 26,250,000 shares), raising $250,000.

i) Interest paid by issuing shares on convertible notes has been accounted for as a reduction in share capital, consistent with the treatment of the convertible notes as an equity item (refer Note 18 for further detail).

18 OTHER CONTRIBUTED EQUITY

	30/06/17 $	30/06/16 $
Convertible notes – equity settled	600,000	600,000

The Group has on issue 600,000 unsecured convertible notes at a price of $1 per note. The key terms of the notes are as follows:

- Convertible at the option of either the Company or the note holders, for 20 ordinary fully paid shares per note
- Interest accrues at 5% per annum, payable semi-annually in cash or ordinary shares (based on the Company's 30 day VWAP preceding the end of each interest period) at the option of the Company
- Any unconverted notes automatically convert into ordinary shares, at the rate of 20 ordinary shares per note, on the maturity date of 22 May 2019

Semi-annual interest payable of $15,000 was settled in November 2016 and in May 2017 by issuing shares as outlined in Note 17(a).

As the notes will be settled by way of the issue of a fixed number of shares in the Company (unless the Company elects to settle in cash as noted above), the notes have been accounted for as a separate component of shareholders' equity.

Subsequent to year-end, the Company agreed with the noteholders to convert the notes into 24,000,000 PNX shares (40 shares per note), subject to shareholder and any regulatory approvals required. Refer to Note 31 Subsequent Events for further detail.

19 RESERVES

	30/06/17 $	30/06/16 $
Equity-settled benefits reserve	90,687	-

The equity-settled benefits reserve arises on the vesting of performance rights granted to employees, consultants and executives under the PNX Metals Limited Employee Performance Rights Plan (**Plan**).

Amounts are transferred out of the reserve and into issued capital when the rights are converted into shares, or to accumulated losses when rights lapse. Further information on share based payments is disclosed in Note 21.

The increase in the equity settled benefits reserve for the year reflects that portion of the value of performance rights granted during the year that is applicable to the 2017 financial year, and the $90,687 forms part of total equity-based compensation in the Statement of Profit or Loss (along with the $21,000 detailed in Note 17(d)).

20 ACCUMULATED LOSSES

	30/06/17 $	30/06/16 $
Balance at beginning of year	25,100,291	24,326,941
Loss for the year	2,705,004	982,461
Transfer from equity settled benefits reserve regarding options that expired unexercised	-	(209,111)
Balance at end of year	27,805,295	25,100,291

21 SHARE OPTIONS AND PERFORMANCE RIGHTS

PNX Metals Limited has established an Employee Performance Rights Plan (**Plan**). Under the Plan, the 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.

There were no Performance Rights on issue at the beginning of the year. During the year, a total of 11,410,000 Performance Rights were issued to PNX personnel under the Plan, as described below.

November 2016

Following receipt of shareholder approval at the November 2016 Annual General Meeting, 1,250,000 Performance Rights were issued to the Company's Managing Director & CEO James Fox, with the following performance conditions:

» The Company's share price performance for the year ended 30 June 2017 must exceed that of at least 50% of 10 companies identified by the Directors as the Company's peers; and

» The Company's closing price on the ASX is 6.0 cents or more for 15 consecutive trading days prior to 30 June 2018.

These Performance Rights have not yet vested.

February 2017

In February 2017, a total of 10,160,000 Performance Rights were issued to PNX personnel under the Plan, including 4,000,000 Performance Rights to James Fox following receipt of shareholder approval. The Performance Rights have conditions related to key Company objectives, including development of the Hayes Creek project, exploration discoveries and Company share price performance. Performance conditions are required to be achieved within specified time periods (extending to 31 December 2019) in order for the rights to vest.

At 30 June 2017, 3,090,000 of these Performance Rights vested and the related 3,090,000 shares were issued in August 2017.

In total, at 30 June 2017 11,410,000 Performance Rights were on issue, of which 3,090,000 had vested as noted above.

Share-based payment expense recorded during the year was $90,687 (2016: negative $9,162) in relation to the Performance Rights described above, which reflects the value of performance rights granted during the year that is applicable to the 2017 financial year. The value at grant date of Performance Rights reflects the current market value of the Company's publicly traded shares, and the expense recognised at each reporting date reflects the number of Performance Rights estimated to ultimately vest.

Options

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

Following receipt of shareholder approval, in March 2017 the Company issued 65,450,000 unlisted options to participants in the December 2016 share placement that raised $2.6 million. The options have an exercise price of 5.0 cents and expire on 31 May 2019.

The following table reconciles outstanding options from the beginning to the end of the financial year:

Options	30/06/17 Number of options	30/06/17 Weighted average exercise price $	30/06/16 Number of options	30/06/16 Weighted average exercise price $
Balance at beginning of the year	-	-	1,250,000	0.27
Options granted	65,450,000	0.05	-	-
Options exercised or lapsed	-	-	(1,250,000)	(0.27)
Balance at end of the year	65,450,000	0.05	-	-

22. KEY MANAGEMENT PERSONNEL DISCLOSURE

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

- Graham Ascough (Non-Executive Chairman)
- Paul Dowd (Non-Executive Director)
- Peter Watson (Non-Executive Director)
- David Hillier (Non-Executive Director)
- James Fox (Managing Director & Chief Executive Officer)
- Tim Moran (Chief Financial Officer and Company Secretary)
- Andy Bennett (Exploration Manager)

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

	Year ended 30/06/17 $	Year ended 30/06/16 $
Short-term employee benefits	773,163	740,097
Post-employment benefits	80,025	74,878
Share-based payments	79,590	(9,162)
	932,778	805,813

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

23 REMUNERATION OF AUDITOR

	30/06/17 $	30/06/16 $
Paid or payable for the following services:		
Audit and review of the financial reports	30,882	28,340

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

24 RELATED PARTY DISCLOSURES

a) Subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 29.

b) Other related party transactions

During the year the Company engaged Piper Alderman, an entity in which a Director (Peter Watson) is a senior consultant, to advise on legal matters. The amount paid in the financial year for these services inclusive of GST was $24,518. In the prior year, $46,833 was paid for legal services to Watsons Lawyers, and entity in which Mr Watson was a partner. $1,997 inclusive of GST was owed to Piper Alderman at 30 June 2017, which was paid subsequent to year end.

25 COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

a) Expenditure commitments

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

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

Total expenditure commitments at 30 June 2017 in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	30/06/17 $	30/06/16 $
Minimum exploration expenditure on SA tenements	1,000,000	900,000

The Group's office lease in Rose Park, South Australia, with annual lease payments of $66,900 exclusive of GST, extends to August 2018 with a one-year renewal right.

b) Reilly Tenement Acquisition Agreement

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

Contingent consideration pursuant to this agreement:

- the issue and allotment to Mr Reilly of 800,000 Shares and 800,000 Options upon grant of an Exploration Licence over some or all of the area within EL 3161 (now EL5382) 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 3161 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 3161 of at least 15,000 tonnes of contained copper.

c) Royalty agreements

The Company has granted the following royalties:

- to Mr Matthew Reilly – 6% of the aggregate net revenue in respect of all metals derived from EL 3161 (now EL 5382).
- to Avanti Resources Pty Ltd – 2.5% of the net smelter return on all metals derived from EL 3604, EL 3716 and EL 3686 (now ELs 5874, 4970, and 5910 respectively).
- to Marathon Resources Limited – 2.5% net smelter return on all metals derived from EL 3164 (now EL 5411).
- to Copper Range (SA) Pty Limited – 1.5% net smelter return on all metals derived from EL 3459 (now EL 5918).
- to Copper Range (SA) Pty Limited – 2.0% net smelter return on all metals derived from EL 3971 and EL 3451 (now ELs 5169 and 4626 respectively).
- to Copper Range (SA) Pty Limited – 50% of a 1.5% net smelter return on all metals derived from EL 4370 (now EL 5557).
- to Flinders Mines Limited – 50% of a 1.5% net smelter return on all metals derived from EL 4370 (now 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 2017 financial year.

e) Newmarket Gold NT Holdings Pty Ltd

Newmarket is entitled to a 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. A payment of $500,000, either in cash or shares at the Company's election, is also due to Newmarket if a bankable feasibility study is completed over the Hayes Creek Project or on any of the 23 farm-in tenements that are subject to a farm-in agreement between the two companies.

Newmarket also holds a 30% claw-back right over the Hayes Creek tenements which may be exercised by paying PNX three times the Company's accumulated expenditure on the tenements, and can also re-acquire 90% of any gold or silver deposits with a JORC compliant resource on the farm-in tenements by paying PNX three times the Company's accumulated expenditure on the deposit(s).

26 FINANCIAL INSTRUMENTS & FINANCIAL RISK MANAGEMENT

Categories of financial instruments	30/06/17 $	30/06/16 $
Financial assets		
Cash and cash equivalents	1,430,630	1,643,632
Deposits	116,844	58,895
Trade and other receivables	293,179	260,880
Other receivable	50,000	-
Other financial assets – Investment in Avalon	193,380	257,840
Financial liabilities		
Trade and other payables	541,669	194,683
Loan	1,200,000	1,200,000

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

Market risk

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

The Group is exposed to movements in the share price of Avalon Minerals Ltd (now Sunstone Metals Limited), as the Company's investment of 12,892,013 shares is carried at fair value, and price movements are reflected through profit or loss or other comprehensive income/loss. Each one cent change in the market value of Sunstone's shares changes the fair value of the Company's investment by $128,920. Movement in the fair value of the investment, as an indicator of its realisable value, also affects the number of shares the Company may have to issue to settle any shortfall in the Company's $1.2 million loan before it matures in November 2019 (refer Note 14, including agreement reached subsequent to year end).

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 $11,000 (2016: increase or decrease by approximately $3,000).

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 manages 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 $
2017					
Non-interest bearing	-	521,281	17,100	3,288	-
Fixed Interest bearing*	7.5%	-	-	90,000	1,365,000
2016					
Non-interest bearing	-	158,333	19,500	16,850	-
Fixed Interest bearing	7.5	-	-	90,000	1,425,000

* *refer subsequent events note regarding agreement reached with the lender in September 2017 to convert the loan into shares, subject to shareholder and any required regulatory approvals.*

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 while maximising the return to shareholders 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 $1.2 million loan (which funded the acquisition of shares in Avalon Minerals Ltd) and the silver streaming transactions (Note 16) has been equity based.

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

27 SEGMENT INFORMATION

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

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

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

» Exploration in the Northern Territory

» Exploration in South Australia

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

	Revenue Year ended 30/06/17 $	Revenue Year ended 30/06/16 $	Segment loss Year ended 30/06/17 $	Segment loss Year ended 30/06/16 $
Exploration – NT	-	-	-	-
Exploration – SA[1]	-	-	(1,586,964)	(101,310)
Mining - discontinued operation	-	-	(38,535)	(90,060)
Unallocated/corporate	-	-	(1,484,463)	(1,036,996)
Total loss before tax			(3,109,962)	(1,228,366)
Income tax benefit			404,958	245,905
Total loss for the year			(2,705,004)	(982,461)

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

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

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

	30/06/17 $	30/06/16 $
Assets		
Exploration - NT	6,548,116	2,739,486
Exploration - SA	1,000,000	2,000,000
Unallocated assets	1,990,292	2,226,433
Total assets	9,538,408	6,965,919
Liabilities		
Exploration - NT	368,643	42,400
Exploration - SA	-	-
Unallocated liabilities	3,119,071	3,046,518
Total liabilities	3,487,714	3,088,918

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, loan, deferred revenue and corporate/administrative payables.

28. EARNINGS PER SHARE

	Year ended 30/06/17 Cents per share	Year ended 30/06/16 Cents per share
Basic and Diluted loss per share- continuing operations	(0.4)	(0.2)
Basic and Diluted loss per share – discontinued operations	(0.0)	(0.0)
Total loss per share	(0.4)	(0.2)

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 $	(2,666,469)	(892,401)
Loss after tax – discontinued operations $	(38,535)	(90,060)
Weighted average number of ordinary shares	654,172,546	451,064,157

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

29. CONTROLLED ENTITIES

Name of entity		Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
Parent entity				
PNX Metals Limited	(i)	Australia		
Subsidiaries				
Wellington Exploration Pty Ltd	(ii)	Australia	100%	100%
Leigh Creek Copper Mine Pty Ltd*	(ii)	Australia	0%	100%

* *sold in November 2016 – refer Note 6.*

(i) Head entity in tax consolidated group.

(ii) Members 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 entities and advanced interest free loans. Tax losses have been transferred to PNX Metals Limited by way of inter-company loans.

30 PARENT ENTITY DISCLOSURES

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

Commitments for expenditure and contingent liabilities of the parent entity

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

31 SUBSEQUENT EVENTS

In September 2017, PNX received $0.8 million from the forward sale of an additional 112,000oz of silver from the Hayes Creek Project, to be delivered if and when production commences. This occurred following the exercise of the option held by each party to the Silver Streaming & Royalty Agreements to acquire additional silver.

Also in September 2017, the Company completed a placement of 179.8 million shares to sophisticated and institutional investors at 1.05 cents per share, for a total of $1.8 million after costs. The Company also launched a Share Purchase Plan ('SPP'), offering eligible shareholders the opportunity to acquire up to $15,000 of shares in PNX at the same price as the share placement, being 1.05 cents per share. The SPP is capped at $0.6 million and closes on 25 September 2017.

In conjunction with the share placement and SPP, the Company reached agreement with Marilei International Limited and Sochrastem SA as follows:

- $1.2 million loan held by Marilei will be converted into 80,000,000 PNX shares (1.5 cents per share);
- $0.3 million convertible notes held by Marilei will be converted into 12,000,000 shares (2.5 cents per share); and
- $0.3 million convertible notes held by Sochrastem will be converted into 12,000,000 shares.

The average price at which the loan and convertible notes are to convert is 1.73 cents per share, representing a premium of 65% to the placement & SPP issue price. Formal documentation to amend and terminate the loan and convertible note agreements is now being prepared.

The proposed issue of shares to Marilei and Sochrastem is subject to PNX shareholder approval at the Annual General Meeting in October 2017 as well as any regulatory approvals that may be required, including the Foreign Investment Review Board.

Also subsequent to year-end:

- The Company entered into an agreement with Ausmex Mining Group Limited ('Ausmex') whereby PNX granted Ausmex an option to farm-in to the Company's tenement holdings in the Burra area of South Australia in return for Ausmex conducting $50,000 of geophysical survey work over the area. Should Ausmex exercise its option, it can earn up to a 90% interest in the 8 exploration licences held by PNX in the Burra region. The proposed farm-in has 2 stages (60% and 90%), each requiring Ausmex to spend a minimum of $300,000 on diamond drilling or other agreed exploratory work;
- 3,090,000 shares were issued to PNX staff following the vesting of an equivalent number of performance rights at 30 June 2017; and
- Under an engagement letter executed with Hartleys Limited, a component of the fee arrangements require the issue of 20,000,000 unquoted options to Hartleys' wholly owned subsidiary Zenix Nominees Pty Ltd, with the following key terms:
  - 10,000,000 options will vest upon the completion of a capital raise, managed by Hartleys, of $2 million or more
  - 10,000,000 options will vest upon the completion, in aggregate, of a capital raise managed by Hartleys of $6 million or more
  - Exercise price is 140% of the issue price of the capital raising under which the first 10,000,000 Options vest
  - Expiry Date – 3 years after the date of issue

The issue of these options is subject to shareholder approval at the 2017 AGM.

There are no other matters or circumstances that have arisen since 30 June 2017 that have significantly affected or may significantly affect:

- the Group's operations in future financial years;
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years

DIRECTORS' DECLARATION

In the Directors' opinion:

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

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

   ii) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;

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

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

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

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

19th September 2017

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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 2017, 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 2017 and of its performance for the year ended on that date; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the 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.

Grant Thornton

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 $2,705,004 during the year ended 30 June 2017, and cash outflows from operating and investing activities of $4,320,762. As stated in Note 3 (a), these events or conditions, along with other matters as set forth in Note 3 (a), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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
Valuation of Exploration and Evaluation Assets Note 11	

At 30 June 2017 the carrying value of Exploration and Evaluation Assets was $6,899,372.
 	
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 valuation of exploration and evaluation assets being a significant risk.
	Our procedures included, amongst others:
	
	• Obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;
	• Reviewing management's area of interest considerations against AASB 6;
	• Assessing the accuracy of impairment recorded for the year as it pertained to exploration interests;
	• Conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including;
	  – Tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed;
	  – Enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of managements' 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; and
	• Reviewing the appropriateness of the related disclosures within the financial statements.

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 2017, 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.

Grant Thornton

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.

Responsibilities of the Directors' for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of PNX Metals Ltd, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner - Audit & Assurance

Adelaide, 19 September 2017

SHARES

The total number of shares issued as at 19 September 2017 was 925,975,537 held by 1038 registered shareholders.

371 shareholders hold less than a marketable parcel, based on the market price of a share as at 19 September 2017.

Each share carries one vote.

PERFORMANCE RIGHTS/OPTIONS

As at 19 September 2017, the Company had 8,320,000 Performance Rights and 65,450,000 unquoted options (5.0 cent exercise price expiring 31 May 2019) on issue.

TWENTY LARGEST SHAREHOLDERS

As at 19 September 2017, the twenty largest Shareholders were as shown in the following table and held 54.2% of the Shares.

Rank	Name	Shares	% of shares
1.	BNP PARIBAS NOMS PTY LTD <DRP>	71,449,200	7.73
2.	MARILEI INTERNATIONAL LIMITED	59,151,847	6.40
3.	POTEZNA GROMADKA LTD	58,957,053	6.38
4.	SOCHRASTEM SA	50,574,890	5.47
5.	ASIA IMAGE LIMITED	43,802,204	4.74
6.	TALIS SA	37,891,032	4.10
7.	LIDO TRADING LTD	28,530,000	3.09
8.	LONG FORTUNE LIMITED	27,075,000	2.93
9.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,614,278	1.91
10.	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	13,638,179	1.48
11.	MELBARD NOMINEES PTY LIMITED	12,000,000	1.30
12.	KOMON NOMINEES PTY LTD <OWEN SUPER FUND A/C>	10,250,385	1.11
13.	MR PAUL DOSTAL	10,000,000	1.08
14.	BORG GEOSCIENCE PTY LTD	9,523,810	1.03
15.	MCNEIL NOMINEES PTY LIMITED	9,250,000	1.00
16.	MR ROGER DOUGLAS STABLES <THE CELLAR A/C>	9,131,578	0.99
17.	MR BIN LIU	8,400,000	0.91
18.	ESM LIMITED	8,000,000	0.87
19.	MR SIMON WILLIAM TRITTON <INVESTMENT A/C>	8,000,000	0.87
20.	LITTLEJOHN EMBREY ENGINEERING PTY LTD	7,777,473	0.84
Total top 20 holders of ordinary shares		**501,016,929**	**54.22**
Total remaining holders balance		422,958,608	45.78

SUBSTANTIAL SHAREHOLDERS

As at 19 September 2017, the substantial Shareholders as disclosed in substantial holding notices given to the Company are:

	Holding	%
Asia Image Limited	80,302,204	13.64%
Marilei International Limited	54,222,048	9.21%
Sochrastem SA	49,798,921	8.46%
Talis SA	37,891,032	6.44%
Long Fortune Limited	35,075,000	5.96%
Potezna Gromadka Limited	30,799,159	5.23%

DISTRIBUTION SCHEDULES

A distribution schedule of the number of Shareholders, by size of holding, as at 31 August 2017 is set out below:

Size of holdings	Number of Shareholders
1 – 1000	43
1,001 – 10,000	106
10,001 – 100,000	418
100,001 and over	403
Total	970

There is no current on-market buy-back.

A distribution schedule of the number of Optionholders, by size of holding, as at 31 August 2017 is set out below:

Size of holdings	Number of Optionholders
1 – 1000	0
1,001 – 10,000	0
10,001 – 100,000	2
100,001 and over	67
Total	69

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.