

PNX METALS LIMITED

ABN 67 127 446 271



FINANCIAL REPORT For the Half-Year Ended 31 December 2019

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DIRECTORS' REPORT

The directors of PNX Metals Limited (PNX, or Company) are pleased to present the financial report for the half-year ended 31 December 2019 in accordance with the Corporations Act 2001.

The names of the directors who held office for the whole of and since the end of the half-year (unless otherwise noted) are:

Graham Ascough (Chairman)

Paul Dowd

Peter Watson

David Hillier

James Fox

Hans-Jörg Schmidt (Appointed as a director on 11 November 2019 and continues in office at the date of this report)

REVIEW OF OPERATIONS

The total comprehensive loss for the half-year was \$997,820 (2018: total comprehensive loss of \$824,468). Net assets at 31 December 2019 were \$15.0 million, including \$2.7 million in cash and term deposits.

After careful and comprehensive consideration of various strategies, the Company made the significant decision during the half-year to focus its activities on near-term gold production from the Fountain Head Project, part of the broader Hayes Creek Project, situated in the Pine Creek region of the Northern Territory.

Heap leaching is currently being assessed as a low-cost, low-risk, scalable option for rapidly monetising, and generating early cashflow from existing gold resources at Fountain Head. This strategy may also provide an opportunity to enhance overall Hayes Creek economics and extend the project mine life with the mined-out Fountain Head pit available for use as tailings storage for subsequent sulphide flotation of ore from the Mt Bonnie and Iron Blow zinc-gold-silver deposits.

Near-term development of gold resources also capitalises on a supportive current and forecast high gold price environment and preserves the in-ground value of Mineral Resource at Hayes Creek in a low zinc price environment.

Fountain Head hosts a Mineral Resource estimate of **2.58Mt at 1.7g/t Au for 138,000 oz Au** reported in accordance with the JORC Code and is owned 100% by PNX, (*ASX release 11 July 2019 for full details including JORC tables*).

Fountain Head Gold Project

PNX has prioritised near-term gold production at Fountain Head with heap leach studies and development plans progressing on schedule. Significant activities and results during the period under review include:

- Approximately 5,500m of Reverse Circulation (RC) drilling completed up until end of February 2020 to improve resource confidence and assist with mine development planning (*ASX release 25 February 2020*)
- 27 of the 30 holes drilled intersected gold mineralisation above the anticipated 0.5 g/t Au mining cut-off grade, demonstrating good geological continuity and increasing the Company's confidence in the Mineral Resource model

- Importantly a number of holes intersected mineralisation outside of the proposed pit shell, including 3m at 8.54 g/t Au from 34m in FHRC0145 positioned approximately 100m from the northern boundary of the current Mineral Resource providing further opportunity for an increase in the mineralised envelope
- Diamond drilling to provide samples for metallurgical test-work was completed in February, with additional holes to be completed in March as part of a geotechnical study and open-pit mine design
- The Company appointed Medea Natural Resources as lead financial advisor in late 2019 to assist with developing a strategy, and ultimately securing financing for the capital development of the Fountain Head Project (*ASX release 19 December 2019*)
- The Project Notice of Intent was submitted to Northern Territory Environmental Protection Authority in December with draft Terms of Reference now provided

Drilling Activities at Fountain Head

In October, the Company completed a 16-hole RC drill program at Fountain Head that returned numerous mineralised intercepts confirming good high-grade continuity at depth and along strike, directly adjacent to the current Fountain Head resource envelope (*ASX release 21 November 2019*). This drilling increased confidence in the geological model and highlighted the potential for further resource growth.

From November to February approximately 5,500m of reverse circulation drilling was completed over 61 holes at Fountain Head. Most of these holes are located in the western and the northern parts of deposit and relate to the proposed early years of mining (Figure 1).

The aim of the drill program was to increase geological confidence and to test areas of open mineralisation adjacent to the current resource envelope and potential higher-grade 'trap sites' within the resource estimate. Interpretation of controls over the gold mineralisation suggests increased grades and thicker intercepts typically occur at the intersection between vertical feeder structures and the anticline fold axis.

Assay results from approximately half of the program have been reported (*ASX release 25 February 2020*) with high-grade gold intersections, including

- 2m at 14.57 g/t Au from 11m in FHRC127,
- 1m at 14.24 g/t Au from 53m in FHRC133,
- 3m at 8.54 g/t Au from 34m in FHRC145

Once the remaining assays have been received and assessed an update to the Fountain Head Mineral Resource will be completed.

Metallurgical Testwork

Excellent gold recoveries with low reagent consumption were achieved from metallurgical test work during the half-year (*ASX release 7 November 2019*).

The recoveries of gold and silver, along with low cyanide and lime consumption rates compare favourably with other global gold heap leach projects and are consistent with historical data from 1996, which also reported high cyanide soluble gold recoveries predominantly in excess of 90%.

Heap leach specific column tests for use in scaled-up modelling and materials handling tests are ongoing.

Permitting and Approvals

The Fountain Head Project Notice of Intent (NOI) was submitted to the Northern Territory Environmental Protection Authority (NT EPA) prior in December 2019. Draft terms of Reference for an Environmental Impact Statement (EIS) have been received for review. Studies relating to the EIS are ongoing and are expected to be completed during April. Mine Management Plans for pit dewatering are also progressing and are expected to be submitted after the EIS has been completed.

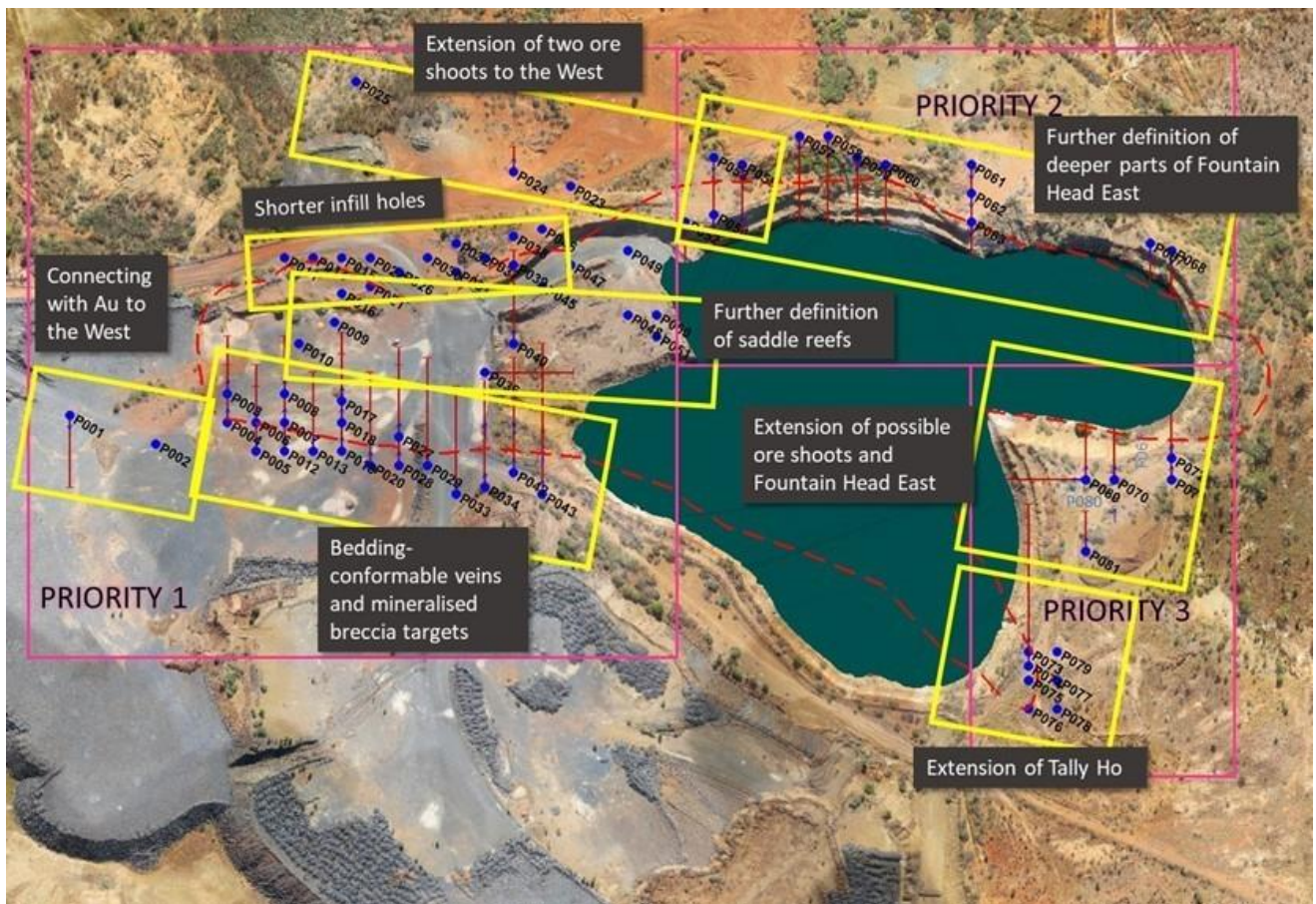


Figure 1: Drill plan at Fountain Head in relation to existing pit and resource (red outline shows current resource projected to surface) showing areas of priority and aim of drilling.

Hayes Creek Zinc and Precious Metals Project

The Hayes Creek Project is comprised of the Iron Blow and Mt Bonnie zinc-gold-silver deposits located less than 3km apart on wholly owned Mineral Leases within the Pine Creek region of the Northern Territory, 170km south of Darwin (Figure 2).

Funds have been re-allocated from the Hayes Creek Definitive Feasibility Study (DFS) to accelerate activities at Fountain Head. As such, the majority of DFS activities have been deferred until at least the completion of the Fountain Head studies (see ASX release 12 December 2019).

Cookies Corner prospect (Burnside project) and Moline Project

No significant activity took place on the Burnside and Moline projects during the half-year, with all resources directed to the Fountain Head and Hayes Creek Projects.

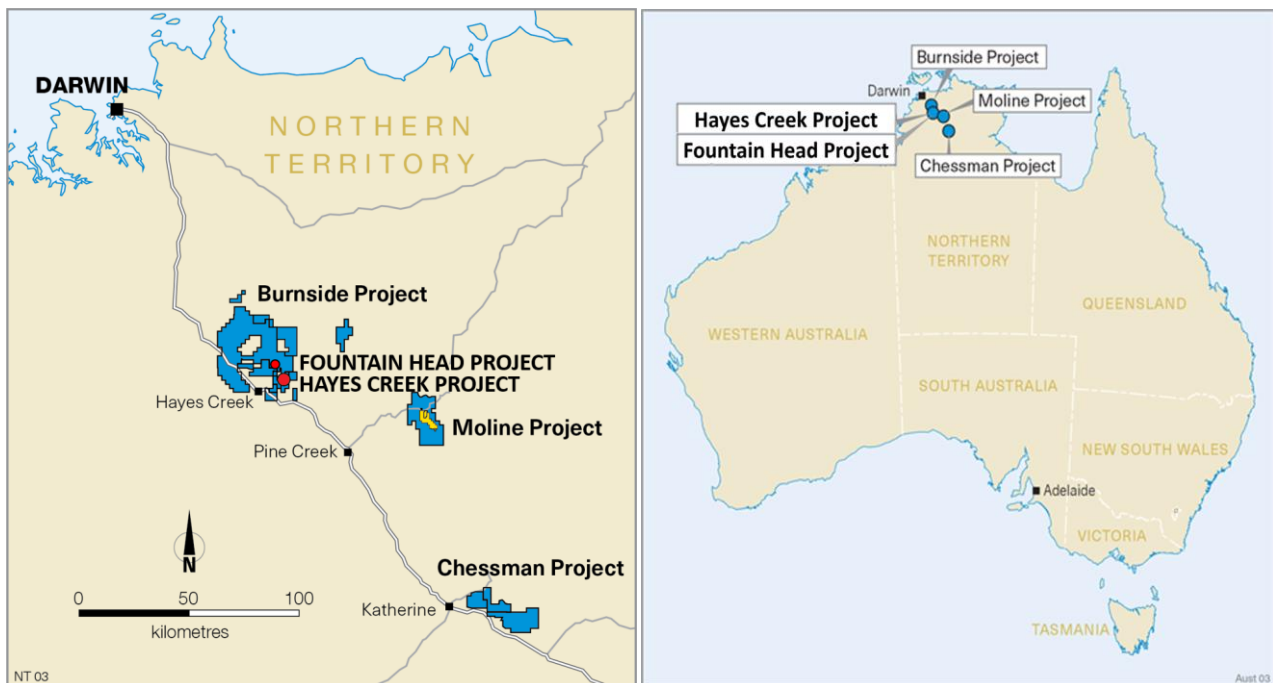


Figure 2: NT Project locations

South Australian Projects

In South Australia, PNx holds 8 exploration licences in the Burra region and 1 exploration licence on the Yorke Peninsula.

During the half-year, no on-ground exploration activities were undertaken on the Company's Yorke Peninsula or Adelaide Geosyncline exploration tenements by the Company.

Ausmex Mining Group Limited (ASX: AMG) is farming-in to PNx's eight exploration licences in the Burra area. Ausmex can earn up to a 90% interest over two stages (60% and 90%) by spending a minimum of \$300,000 in each stage on diamond drilling or other agreed exploratory work. The first stage of earn-in was completed by 31 December 2019, with PNx currently assessing the information and data provided by AMG. (See Ausmex Mining Group ASX releases for further information on work completed during the half-year).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration, as required under Section 307C of the Corporations Act 2001, is included on page 6 of the half-year financial report and forms part of this Directors' Report.

Signed in accordance with a resolution of the directors made pursuant to Section 306 (3) of the Corporations Act 2001.

On behalf of the directors

Graham Ascough
Chairman
Adelaide, 6 March 2020

Auditor's Independence Declaration

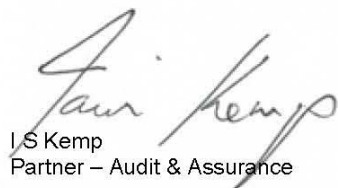
To the Directors of PNX Metals Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of PNX Metals Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I.S. Kemp
Partner – Audit & Assurance

Adelaide, 06 March 2020

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PNX METALS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

		Consolidated	
	Note	Half-year ended 31 Dec 2019	Half-year ended 31 Dec 2018
Interest income		20,364	18,857
Other income		20,000	30,000
Employee benefits		(153,638)	(170,102)
Exploration		(24,670)	(39,933)
Share registry and regulatory		(45,744)	(75,711)
Professional fees		(209,273)	(218,832)
Occupancy		(34,008)	(34,108)
Directors' fees		(103,043)	(97,500)
Equity based compensation	5	(16,912)	3,502
Audit fees		(10,828)	(1,112)
Insurance		(15,119)	(14,942)
Interest		-	-
Depreciation		(3,842)	(2,053)
Other expenses		(85,914)	(42,046)
Loss before income tax expense		(662,627)	(643,980)
Income tax benefit	8	-	-
Loss for the period		(662,627)	(643,980)
Other comprehensive income/(loss):			
Fair Value OCI	3	(335,193)	(180,488)
Total comprehensive loss for the period attributable to equity holders of the parent		(997,820)	(824,468)
Loss per share from continuing operations:			
Basic (cents per share)	9	(0.03)	(0.05)
Diluted (cents per share)	9	(0.03)	(0.05)

Condensed notes to the consolidated financial statements are included on pages 11 to 14.

PNX METALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		Consolidated	
		31 Dec 2019	30 June 2019
	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents		2,209,942	2,803,691
Financial Assets - Term Deposits		500,000	2,500,000
Trade and other receivables		218,205	356,443
Prepayments/deposits		175,671	150,682
Other financial assets	3	193,380	528,573
TOTAL CURRENT ASSETS		3,297,198	6,339,389
NON-CURRENT ASSETS			
Exploration and evaluation expenditure		14,512,908	12,505,077
Plant and equipment		20,213	25,760
TOTAL NON-CURRENT ASSETS		14,533,121	12,530,837
TOTAL ASSETS		17,830,319	18,870,226
CURRENT LIABILITIES			
Trade and other payables		274,996	352,394
Provisions		149,646	143,106
TOTAL CURRENT LIABILITIES		424,642	495,500
NON-CURRENT LIABILITIES			
Provisions		17,654	5,795
Contract liabilities	4	2,400,000	2,400,000
TOTAL NON-CURRENT LIABILITIES		2,417,654	2,405,795
TOTAL LIABILITIES		2,842,296	2,901,295
NET ASSETS		14,988,023	15,968,931
EQUITY			
Issued capital	5	45,469,675	45,469,675
Reserves		66,927	385,208
Accumulated losses		(30,548,579)	(29,885,952)
TOTAL EQUITY		14,988,023	15,968,931

Condensed notes to the consolidated financial statements are included on pages 11 to 14.

PNX METALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Consolidated				
	Ordinary Issued Capital	Equity-based Payment Reserve	Fair Value OCI Reserve	Accumulated Losses	Total
Note	\$	\$	\$	\$	\$
Balance at 1 July 2018	36,917,796	40,230	296,516	(28,805,740)	8,448,802
Loss attributable to members of the parent entity	-	-	-	(643,980)	(643,980)
Other comprehensive income	-	-	(180,488)	-	(180,488)
Total comprehensive loss for the period	-	-	(180,488)	(643,980)	(824,468)
Fair value of equity-based payments	-	(3,502)	-	-	(3,502)
Shares issued - Placement Tranche #1	2,110,000	-	-	-	2,110,000
Shares issued - Placement Tranche #2	1,355,000	-	-	-	1,355,000
Share issue costs	(30,000)	-	-	-	(30,000)
Balance at 31 December 2018	40,352,796	36,728	116,028	(29,449,720)	11,055,832
Balance at 1 July 2019	45,469,675	50,015	335,193	(29,885,952)	15,968,931
Loss attributable to members of the parent entity	-	-	-	(662,627)	(662,627)
Other comprehensive income	-	-	(335,193)	-	(335,193)
Total comprehensive loss for the period	-	-	(335,193)	(662,627)	(997,820)
Fair value of equity-based payments	-	16,912	-	-	16,912
Balance at 31 December 2019	45,469,675	66,927	-	(30,548,579)	14,988,023

Condensed notes to the consolidated financial statements are included on pages 11 to 14.

PNX METALS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

		Consolidated	
	Note	Half-year ended 31 Dec 2019 \$	Half-year ended 31 Dec 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Research & Development tax offset received		169,836	-
Payments to suppliers and employees		(689,243)	(721,377)
NET CASH USED IN OPERATING ACTIVITIES		(519,407)	(721,377)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration activities		(2,090,665)	(1,967,809)
Payments for plant and equipment		-	(20,255)
Interest received		16,323	15,541
NET CASH USED IN INVESTING ACTIVITIES		(2,074,342)	(1,972,523)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares, net of costs		-	3,435,000
NET CASH PROVIDED BY FINANCING ACTIVITIES		-	3,435,000
Net increase/(decrease) in cash & cash equivalents		(2,593,749)	741,100
Cash at the beginning of the reporting period		5,303,691	860,076
CASH AT THE END OF THE REPORTING PERIOD		2,709,942	1,601,176

Condensed notes to the consolidated financial statements are included on pages 11 to 14.

1 SUMMARY OF ACCOUNTING POLICIES

This half-year financial report of PNX Metals Limited ("Company") comprises the reports of the Company and its controlled entity ("Group") and is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

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

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

New standards, interpretations and amendments adopted by the Group

AASB 16 Leases

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

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under AASB 16 is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

Transition to AASB 16

The Group has elected to account for its short-term lease using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to this are recognised as an expense in profit or loss on a straight-line basis over the lease term.

At 31 December 2019 the Group was committed to a short-term lease and the total commitment at that date was \$40,400.

(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 half-year ended 31 December 2019, the Group made a total comprehensive loss of \$997,820 (2018: total comprehensive loss of \$824,468) and recorded a net cash outflow from operating and investing activities of \$2,593,749 (2018: net outflow \$2,693,900). At 31 December 2019, the Group had cash of \$2,209,942 (30 June 2019: \$2,803,691), plus a further \$500,000 in Term Deposits, with terms greater than 90 days (30 June 2019, plus \$2,500,000 in Term Deposits with terms greater than 90 days). The Group has net current assets of \$2,679,176 excluding the investment in Sunstone Metals Ltd of \$193,380 (30 June 2019: net current assets of \$5,315,315) and net assets of \$14,988,023 (30 June 2019: \$15,968,931).

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 exploration, feasibility studies and administrative activities to continue over at least the next 12 months.

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) Estimates

The preparation of the half-year financial statements requires a number of judgments, estimates and assumptions to be made in the recognition and measurement of assets, liabilities, income and expenses. Actual results may differ and will seldom equal the estimated results.

The judgments, estimates and assumptions applied in the half-year financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2019.

2 SEGMENT INFORMATION

The Group's reportable segments continue to be:

- 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		Segment profit/(loss)	
	Half-year ended		Half-year ended	
	31 Dec 2019 \$	31 Dec 2018 \$	31 Dec 2019 \$	31 Dec 2018 \$
Exploration – Northern Territory	-	-	(1,134)	-
Exploration – South Australia	-	-	(23,536)	(39,933)
Unallocated	-	-	(637,957)	(604,047)
Loss before tax	-	-	(662,627)	(643,980)
Income tax benefit	-	-	-	-
Consolidated segment loss for the period			(662,627)	(643,980)

Segment loss represents the loss incurred by each segment without allocation of central administration costs and directors' fees, interest income and income tax.

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

	31 Dec 2019 \$	30 June 2019 \$
Assets		
Exploration – Northern Territory	14,152,011	12,125,402
Exploration – South Australia	500,000	500,000
Unallocated assets	3,178,308	6,244,824
Total assets	17,830,319	18,870,226
Liabilities		
Exploration – Northern Territory	150,615	159,964
Exploration – South Australia	-	-
Unallocated liabilities	2,691,681	2,741,101
Total liabilities	2,842,296	2,901,065

3 OTHER FINANCIAL ASSETS – INVESTMENT IN SUNSTONE METALS LTD

The Company continues to hold 12,892,013 shares in ASX listed Sunstone Metals Limited ('Sunstone', previously Avalon Minerals Ltd), carried at a fair value of \$193,380.

At each reporting period, the carrying value of the investment in Sunstone is revalued to fair value, based on the market value of Sunstone's shares at that time. The decrease in the fair value of the investment from 30 June 2019 to 31 December 2019 is \$335,193 and is recorded to a FV-OCI Reserve in shareholders' equity, and shown in Other Comprehensive Income in accordance with AASB 9.

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

4 CONTRACT LIABILITIES

During the year ended 30 June 2018, the two parties to the silver streaming and royalty agreements with the Company each exercised their option to acquire an additional 56,000 troy ounces of silver, for a forward payment of \$400,000 each (total \$0.8 million).

The Company has received a total of \$2.4 million under these agreements, for the forward sale of a total of 336,000 oz of silver, to be delivered over a 3-year period once commissioning and ramp up of the Hayes Creek Project is completed. In the event the Project is not developed, the forward payments will be converted into shares subject to any required approvals.

The \$2.4 million of cash received is 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.

5 ISSUE OF SECURITIES

During the half-year there were no issues of securities. The vesting conditions were not met for 1,640,000 performance rights which expired on 31 December 2019 and as such have lapsed.

A share-based payment expense of \$16,912 was recorded (2018: -\$3,502) for the half-year in relation to 10,000,000 performance rights issued under the Company's Employee Performance Rights Plan in a previous financial year.

As at 31 December 2019, there were 2,435,288,142 ordinary shares, 453,125,000 unquoted options (20,000,000 unquoted options exercisable at 1.47 cents and expiring on 30 Oct 2020, and 433,125,000 unquoted options exercisable at 1.50 cents and expiring on 30 Sep 2021) and 10,800,000 performance rights on issue.

6 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets from those disclosed in the annual report for the year ended 30 June 2019.

7 INVESTMENT IN SUBSIDIARY

The Company owns 100% of the shares of Wellington Exploration Pty Ltd, which holds one exploration licence in South Australia.

8 INCOME TAX

No income tax benefit was recorded for the half-year in relation to any R&D claim as the Company was unable to reliably measure the R&D claim at that time. For year ended 30 June 2019 an estimated R&D claim of \$150,000 was recorded as at 30 June 2019 and has not been finalised as at 31 December 2019.

Otherwise, and consistent with prior periods, an income tax benefit on the loss for the half-year has not been recognised in the Statement of Profit or Loss and Comprehensive Income, as the likelihood of utilising the loss against future taxable income is not considered probable at this time.

The PNX Metals Limited tax consolidated group has carried forward losses of approximately \$42 million at 31 December 2019.

9 LOSS PER SHARE

The weighted-average number of shares underlying the basic and diluted loss of \$0.03 cents per share disclosed in the Statement of Profit or Loss and Other Comprehensive Income is 2,435,288,142 (2018: 1,401,623,634).

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

10 SUBSEQUENT EVENTS

There were no events occurring subsequent to 31 December 2019 requiring adjustment to, or disclosure in, the 31 December 2019 half-year financial statements.

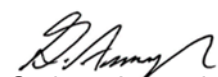
DIRECTORS DECLARATION

In the opinion of the Directors:

- (a) 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
- (b) The attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including complying with AASB 134 *Interim Financial Reporting* and giving a true and fair view of the financial position of the Group as at 31 December 2019 and of its performance for the half-year ended on that date.

Signed in accordance with a resolution of the directors made pursuant to Section 303 (5) of the Corporations Act 2001.

On behalf of the Directors



Graham Ascough
Chairman

Adelaide, 6 March 2019

Independent Auditor's Report

To the Members of PNX Metals Limited

Report on the review of the half year financial report

Opinion

We have reviewed the accompanying half year financial report of PNX Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated condensed statement of financial position as at 31 December 2019, and the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of PNX Metals Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance.

Material uncertainty related to going concern

We draw attention to Note 1(a) in the financial report, which indicates that the Group incurred a net loss of \$997,820 during the half year ended 31 December 2019 and, as of that date, recorded a net cash outflow from operating and investing activities of \$2,593,749. As stated in Note 1(a), these events or conditions, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PNX Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

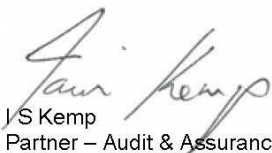
A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J S Kemp
Partner – Audit & Assurance

Adelaide, 06 March 2020