# PNX METALS LIMITED

ABN 67 127 446 271

# FINANCIAL REPORT
# For the Half-Year Ended
# 31 December 2022

## Index

# 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 2022 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)
James Fox
Hans-Jörg Schmidt
Hansjoerg Plaggemars
Richard Willson
Frank Bierlein

## REVIEW OF OPERATIONS

The total comprehensive loss for the half-year was $773,735 (2021: total comprehensive profit of $507,246). Net assets at 31 December 2022 were $24.4 million, including $1.5 million in cash.

As at the date of this report, the following securities were on issue:

- 5,380,624,719 ordinary shares; and
- 141,800,000 performance rights.

### Project Developments

During the half-year ended 31 December 2022, PNX continued to advance its program for the sequential development of the Company's 100% owned Fountain Head gold and Hayes Creek gold-silver-zinc Projects (**Project**) in order for an investment decision to be made once Government and Environmental approvals and Project financing have been achieved.

There were no reportable safety or environmental incidents during the half-year ended 31 December 2022.

The Company had earned a 100% interest in five tenements and also earned an 80% interest in two tenements for the Hardrock Rights under a farm-in agreement with Rockland Resources Pty Ltd and Oz Uranium Pty Ltd Holdings Pty Ltd. The formal title transfers were finalised during the half-year period.

All tenements remain in good standing with statutory reporting up to date.

### Government and Environmental Approvals

Subsequent to the half-year end PNX received notice that environmental approval had been granted for its the Fountain Head Gold Project.

The decision to grant the environmental approval under the NT Environment Protection Act 2019 (EP Act) was made by the Hon Lauren Moss; Northern Territory Minister for Environment, Climate Change and Water Security; Minister for Equality and Inclusion; Minister for Mental Health and Suicide Prevention; Minister for Seniors; Minister for Youth.

The grant of the environmental approval, completes the EIS process for Fountain Head and will now enable the Company to submit a Mining Management Plan (MMP) to the Department of Industry, Tourism & Trade (DITT) for assessment. This submission is expected to occur during March 2023.

A successful review of the MMP by DITT could result in a Mining Authorisation being provided in the third quarter of 2023. Approval of the MMP is the last step in the approvals process for the Fountain Head Gold Project.

### Plant and Infrastructure Engineering and Design

PNX's Project engineering partner, Como Engineering (Como), completed a draft Preliminary Feasibility level report on the proposed Fountain Head process plant. A detailed options analysis was completed on various aspects of the Project's plant and infrastructure design that included a review of filtration equipment, tailings storage, and mill optimisation. The process flowsheet has been simplified and updated along with equipment lists, production schedules and more accurate cost estimates. Due to the simplification of the flow-sheet, total plant capital costs are expected to remain in-line with previous estimates. Operating costs however, particularly power, labour, and consumables (reagents etc), have all increased.

Como also commenced a parallel development synergies study for the Fountain Head and Hayes Creek integration with the outcome expected Q1'2023.

The aim of this study work is to assess opportunities identified through the integrated flowsheet to improve capital efficiency; overall resource utilisation; recoveries and payment terms for metals produced; tailings quality; and profit margins.

The Project construction schedule is yet to be finalised but is expected to be up to 12 months from the decision to proceed.

### Geology and Mineral Resources

In August 2022, the Company announced an updated Mineral Resource Estimate (MRE) over the Glencoe gold deposit, located approximately 4 km north of Fountain Head. The updated MRE resulted in a significantly improved geological classification, with 77.4% of the MRE now reporting to the higher-confidence Measured and Indicated categories (refer ASX release 30 August 2022 for full details including JORC Tables).

A Reverse Circulation (RC) drill program was also completed at Glencoe with 18 holes drilled for 1,740 metres. The program successfully confirmed extensions to known mineral lodes (refer ASX release 16 December 2022).

Continuity was able to be demonstrated to the east of the Central Zone by approximately 200 metres, and that the gold-bearing quartz veins previously reported at surface (refer ASX release 20 March 2022) extend at depth and to the south, oblique to the main gold mineralisation.

Drill results included:

- 4 m at 1.52 g/t Au from 50 m, and
    - 2 m at 2.50 g/t Au from 86 m in GLRC056
- 2 m at 2.81 g/t Au from 28 m in GLRC063
- 4 m at 2.35 g/t Au from 13 m, and
    - 4 m at 1.29 g/t Au from 87 m in GLRC065
- 8 m at 1.52 g/t Au from 75 m, including
    - 3 m at 2.92 g/t Au from 78 m in GLRC054

The reported drill results, in conjunction with interpretation of the drone magnetic survey (refer below), provides the Company with new gold targets which will be part of further drilling planned to commence after the NT wet season (expected from April 2023). Follow-up shallow drilling to obtain broad-spaced geochemical information is planned for the area between Glencoe and Fountain Head to test for gold-rich sheeted quartz veins similar to Tally Ho and gold-rich stratigraphic units similar to Cosmo

.

Field mapping of the discrete magnetic anomalies between Mount Bonnie and Iron Blow is also planned as the known zinc-gold-silver-rich massive sulphide deposits have a discernible magnetic response.

In November 2022, the Company announced that a NT Government co-funded (refer ASX release 2 June 2022) detailed drone-based magnetic survey had identified new gold targets between the Glencoe and Fountain Head gold deposits (refer ASX release 17 November 2022).

The prospective new targets have the same orientation as gold-rich sheeted-quartz veins in the Tally Ho deposit and occur within the same prospective stratigraphy that hosts the nearby >1.2 Moz Cosmo Howley gold mine. Several discrete magnetic anomalies of interest were also identified between the Mt Bonnie and Iron Blow VMS deposits, which together comprise Hayes Creek.

A follow-up work program comprising shallow drilling and geochemistry is planned to test the newly delineated sub-surface magnetic stratigraphy and lineament corridor from April 2023.

**Mt Porter Acquisition**

PNX executed a sale and purchase agreement with private Company Ausgold Trading Pty Ltd to acquire the Mt Porter gold deposit for consideration of $1.05 million (incorporating PNX shares with a deemed value of 0.04c and $250,000 cash). Further staged payments are required subject to certain resource scale and development hurdles being met (refer ASX release 28 September 2022 for further information including Key Terms).

The Mt Porter Mineral Lease (ML23839) is situated approximately 50 km southeast of the proposed plant and infrastructure at Fountain Head via the existing Mt Wells Road. A JORC 2012 compliant Mineral Resource Estimate (MRE) exists at Mt Porter of 681,000 tonnes at 2.2 g/t Au for 48,200 oz Au, with 84% reporting to the high-confidence Indicated category (refer original ASX release 28 September 2022 for full details including JORC Tables).

Completion is subject to the satisfaction of Conditions Precedent typical of an agreement of this nature by 31 March 2023, unless agreed otherwise by the Parties.

The acquisition is consistent with PNX's strategy to consolidate nearby existing gold, silver or base metals mineral resources to support its proposed Project development, and provides significant exploration upside.

## SUBSEQUENT EVENTS

On 30 January 2023 and subsequent to the half-year end, the Company announced a capital raising via a non-renounceable rights issue (NRRI) of one (1) share for every three (3) shares held at a price of $0.003 (0.3 cents) per share to raise up to ~$4.4m (before costs).

Subscriptions were received from eligible shareholders for 936,566,912 shares raising $2,809,701, representing an approximate 63.2% take-up (including oversubscriptions). A shortfall of 544,786,267 shares was notified to the ASX on 23 February 2022. The Company issued 936,566,912 shares on 27 February 2023 and the directors of PNX may consider the placement of the shortfall within 3 months of the close of the NRRI.

There were no other events occurring subsequent to 31 December 2022 requiring adjustment to, or disclosure in, the 31 December 2022 half-year financial statements.

## 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, 8 March 2023

Grant Thornton

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# Auditor's Independence Declaration

## To the Directors of PNX Metals Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of PNX Metals Limited for the half-year ended 31 December 2022. 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Ian Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 8 March 2023

**PNX METALS LIMITED**
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

| | Note | Consolidated Half-year ended 31 Dec 2022 | Half-year ended 31 Dec 2021 |
|---|---|---|---|
| Interest income | | 26,597 | 698 |
| Other income | **2** | - | 100,000 |
| Employee benefits | | (151,396) | (50,706) |
| Exploration | | 1,129 | - |
| Share registry and regulatory | | (45,815) | (49,245) |
| Professional fees | | (234,988) | (236,208) |
| Occupancy | | - | (30,939) |
| Directors' fees | | (117,500) | (117,500) |
| Equity based compensation | **9** | (72,252) | (71,272) |
| Audit fees | | (15,294) | (12,430) |
| Insurance | | (18,954) | (14,774) |
| Finance charges | | (4,706) | (2,844) |
| Depreciation | | (44,886) | (15,498) |
| Other expenses | | (47,670) | (57,357) |
| **Loss before income tax expense** | | (725,735) | (558,075) |
| **Loss for the period** | | (725,735) | (558,075) |
| **Other comprehensive income/(loss):** | | | |
| Investments revalued to Fair Value OCI | **6** | (48,000) | 1,065,321 |
| **Total comprehensive profit/(loss) for the period attributable to equity holders of the parent** | | (773,735) | 507,246 |
| **Profit/(loss) per share from continuing operations:** | | | |
| Basic (cents per share) | **13** | (0.02) | (0.02) |
| Diluted (cents per share) | **13** | (0.02) | (0.02) |

Condensed notes to the consolidated financial statements are included on pages 11 to 17.

**PNX METALS LIMITED**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2022**

| | Note | Consolidated 31 Dec 2022 $ | 30 June 2022 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | 1,466,719 | 3,701,939 |
| Trade and other receivables | | 36,943 | 37,589 |
| Prepayments and deposits | 4 | 223,475 | 184,004 |
| Other receivables | *15* | 1,810,624 | - |
| Other financial assets | 6 | 222,000 | 270,000 |
| **TOTAL CURRENT ASSETS** | | 3,759,761 | 4,193,532 |
| **NON-CURRENT ASSETS** | | | |
| Other receivables | 15 | - | 1,810,624 |
| Exploration and evaluation expenditure | 5 | 22,746,297 | 21,519,844 |
| Plant and equipment | | 165,213 | 205,499 |
| Environmental bonds | 4 | 784,055 | 784,055 |
| **TOTAL NON-CURRENT ASSETS** | | 23,695,565 | 24,320,022 |
| **TOTAL ASSETS** | | 27,455,326 | 28,513,554 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | | 251,647 | 568,151 |
| Provisions | | 200,983 | 203,161 |
| Lease Liabilities | 7 | 73,075 | 90,152 |
| **TOTAL CURRENT LIABILITIES** | | 525,705 | 861,464 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease Liabilities | 7 | 94,724 | 115,709 |
| Financial liabilities | 8 | 2,400,000 | 2,400,000 |
| **TOTAL NON-CURRENT LIABILITIES** | | 2,494,724 | 2,515,709 |
| **TOTAL LIABILITIES** | | 3,020,429 | 3,377,173 |
| **NET ASSETS** | | 24,434,897 | 25,136,381 |
| **EQUITY** | | | |
| Issued capital | 9 | 57,458,856 | 57,458,856 |
| Reserves | | 429,328 | 413,316 |
| Accumulated losses | | (33,453,287) | (32,735,791) |
| **TOTAL EQUITY** | | 24,434,897 | 25,136,381 |

Condensed notes to the consolidated financial statements are included on pages 11 to 17
.

**PNX METALS LIMITED**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

| | | Consolidated | | | | |
|---|---|---|---|---|---|---|
| | **Note** | **Ordinary Issued Capital $** | **Equity-based Payment Reserve $** | **Fair Value OCI Reserve $** | **Accumulated Losses $** | **Total $** |
| **Balance at 1 July 2021** | | 53,545,287 | 127,143 | - | (32,587,459) | 21,084,971 |
| Loss attributable to members of the parent entity | | - | - | - | (558,075) | (558,075) |
| Other comprehensive income | | - | - | 1,065,321 | - | 1,065,321 |
| Total comprehensive income for the period | | - | - | 1,065,321 | (558,075) | 507,246 |
| Fair value of equity-based payments | | - | 71,272 | - | - | 71,272 |
| Lapsed Performance Rights transferred to accumulated losses | | - | (36,371) | - | 36,371 | - |
| Fair Value OCI Reserve adjust transferred to accumulated losses | | - | - | (579,321) | 579,321 | - |
| Services provided - shares issued | | - | - | - | - | - |
| Share issue costs | | (5,000) | - | - | - | (5,000) |
| **Balance at 31 December 2021** | | 53,540,287 | 162,044 | 486,000 | (32,529,842) | 21,658,489 |
| **Balance at 1 July 2022** | | 57,458,856 | 233,316 | 180,000 | (32,735,792) | 25,136,380 |
| Loss attributable to members of the parent entity | | - | - | - | (725,735) | (725,735) |
| Other comprehensive loss | | - | - | (48,000) | - | (48,000) |
| Total comprehensive loss for the period | | - | - | (48,000) | (725,735) | (773,735) |
| Fair value of equity-based payments | | - | 72,252 | - | - | 72,252 |
| Lapsed Performance Rights transferred to accumulated losses | | - | (8,240) | - | 8,240 | - |
| **Balance at 31 December 2022** | | 57,458,856 | 297,328 | 132,000 | (33,453,287) | 24,434,897 |

Condensed notes to the consolidated financial statements are included on pages 11 to 17
.

**PNX METALS LIMITED**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

| | | Consolidated | |
|---|---|---|---|
| | Note | Half-year ended 31 Dec 2022 $ | Half-year ended 31 Dec 2021 $ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Exclusivity fee received | 2 | - | 100,000 |
| Payments to suppliers and employees | | (632,050) | (483,701) |
| **NET CASH USED IN OPERATING ACTIVITIES** | | (632,050) | (383,701) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for exploration activities | | (1,552,654) | (2,184,826) |
| Payments for Acquisition of Plant & Equipment | | (2,272) | (8,980) |
| Payments for MMP security bond | 4 | (33,093) | (2,756) |
| Proceeds from sale of Investment (STM Shares) | | - | 682,701 |
| Interest received | | 26,556 | 632 |
| **NET CASH USED IN INVESTING ACTIVITIES** | | (1,561,463) | (1,513,229) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Issue of shares, net of costs | | - | (5,000) |
| Payments for Lease Liabilities | | (41,707) | (31,530) |
| **NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES** | | (41,707) | (36,530) |
| Net increase/(decrease) in cash & cash equivalents | | (2,235,220) | (1,933,460) |
| Cash at the beginning of the reporting period | | 3,701,939 | 3,632,252 |
| **CASH AT THE END OF THE REPORTING PERIOD** | | 1,466,719 | 1,698,792 |

Condensed notes to the consolidated financial statements are included on pages 11 to 17.

## 1 SIGNIFICANT ACCOUNTING POLICIES

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

### New or amended Accounting Standards and interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.
Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### (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 2022, the Group made a total comprehensive loss of $773,735 (2021: total comprehensive profit of $507,246) and recorded a net cash outflow from operating and investing activities of $2,193,513 (2021: net outflow $1,896,930). At 31 December 2022, the Group had cash of $1,466,719 (30 June 2022: $3,701,939). The Group has net current assets of $3,012,056 excluding the investment in Sunstone Metals Ltd of $222,000 (30 June 2022: net current assets of $3,927,068) and net assets of $24,434,897 (30 June 2022: $25,136,380).

The Directors believe that it is appropriate to prepare the financial statements on the going concern basis. The Group completed a capital raising during February 2023 and raised $2.8m which provides the comfort and confidence for forecast exploration and activities to progress towards the development of the Fountain Head Gold and the Hayes Creek zinc-gold-silver projects and administrative activities to continue over at least the next 12 months. The Directors have the ability to review operational and exploration forecast activities in order to reduce costs if needed.

### (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 2022.

## 2 OTHER INCOME

The details included in Other Income are as follows:

| | 31 Dec 2022 $ | 31 Dec 2021 $ |
|---|---|---|
| Exclusivity fee # | - | 100,000 |
| **Total other income** | **-** | **100,000** |

*# Non-refundable exclusivity fee from an unrelated party to undertake due diligence in relation to project tenements.*

## 3 SEGMENT INFORMATION

The Group has considered its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group operates in a single operating segment being mineral exploration in the Northern Territory.

## 4 PREPAYMENT AND DEPOSITS

Details included under other assets are as follows:

| | 31 Dec 2022 $ | 30 June 2022 $ |
|---|---|---|
| **Prepayments and deposits - Current** | | |
| (a) Prepaid insurance | 26,838 | 20,460 |
| (b) Term Deposit – Office tenancy security bond | 32,760 | 32,760 |
| (c) Security Bond – various Exploration MMP's | 167,971 | 130,784 |
| **Total Other Assets - Current** | **227,569** | **184,004** |
| **Other Assets - Non-Current** | | |
| (d) Security Bond – Fountain Head project area | 784,055 | 784,055 |
| **Total Other Assets - Non-current** | **784,055** | **784,055** |

(a) Prepaid insurance balance as at 31 December 2022
(b) A bank Term Deposit has been provided as security in relation to the landlord's bond requirements for the Company's Adelaide office tenancy.
(c) Security bond held by the Company with NT Dept of Primary Industry and Resources (DPIR) in relation to approved exploration related mine management plans (MMP's).
(d) Security bond held by the Company with DPIR in relation to Care and Maintenance Conditions of the Fountain Head mineral lease in the Northern Territory.

## 5 EXPLORATION AND EVALUATION EXPENDITURE

| | 31 Dec 2022 $ | 30 June 2022 $ |
|---|---|---|
| **Costs brought forward** | **21,519,844** | **19,573,034** |
| (a) Expenditure incurred during the period | 1,226,453 | 3,662,265 |
| (b) Sale of Moline assets | - | (1,715,455) |
| **Total Exploration and Evaluation Expenditure** | **22,746,297** | **21,519,844** |

## 6 OTHER FINANCIAL ASSETS – INVESTMENT IN SUNSTONE METALS LTD

During the half-year period, the Company continued to hold 6,000,000 shares held in ASX listed Sunstone Metals Limited ('Sunstone' or 'STM', previously Avalon Minerals Ltd). As at 31 December 2021, the Company held a balance of 6,000,000 shares carried at a fair value of $222,000.

At each reporting period, the carrying value of the investment in Sunstone is revalued to fair value, based on the market value of STM shares held at that time. The decrease in the fair value of the investment from 30 June 2022 to 31 December 2022 is $48,000 and is recorded to a FV-OCI Reserve in shareholders' equity, and shown in Other Comprehensive Income in accordance with AASB 9. The decrease in fair value reflects the decrease in Sunstone's share price from 4.5 cents at 30 June 2022 to 3.7 cents at 31 December 2022. At 31 December 2022 the balance of $222,000 in the FV-OCI Reserve represents the fair value movement in the remaining 6,000,000 shares held.

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.

## 7 LEASE LIABILITIES

Included under Current and Non-Current Liabilities as follows:

| | 31 Dec 2022<br>$ | 30 June 2022<br>$ |
|---|---|---|
| **Current Lease Liabilities** | | |
| (a) Motor vehicle (ROU) leases | 30,729 | 29,552 |
| (b) Office tenancy (ROU) lease | 42,346 | 60,600 |
| **Total Current Lease Liabilities** | **73,075** | **90,152** |
| **Non-Current Lease Liabilities** | | |
| (c) Motor vehicle (ROU) leases | 94,724 | 107,346 |
| (d) Office tenancy (ROU) lease | - | 8,363 |
| **Total Non-current Lease Liabilities** | **94,724** | **115,709** |

## 8 FINANCIAL LIABILITIES

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

The Company has previously 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 Fountain Head Project is complete. At the end of the three-year silver delivery period, each investor is to receive a 0.36% Net Smelter Return (NSR) royalty over gold and silver produced from the Fountain Head Project, and will be paid for a 5-year period. PNX can buy back the NSR royalty from an investor prior to the commencement of production for $0.4 million.

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

Cash previously received from the forward sale of silver has been accounted for as a financial liability, classified in the Statement of Financial Position as a long-term liability. Revenue will be recognised as the silver or gold is delivered in the future. In the event the Fountain Head Gold Project is not developed, the forward payments may be converted to shares in the Company.

## 9 ISSUE OF SECURITIES

95,000,000 Performance Rights were issued to personnel on 20 December 2022, under the Company's Employee Performance Rights Plan.

30,000,000 Performance Rights were issued to the Managing Director and 65,000,000 Performance Rights were issued to certain employees and contracted personnel.

All of the Performance Rights are subject to a minimum vesting period of 12 months and are subject to the following performance conditions:

1) Under condition 1, 25% will vest if the Company's share price increases by at least 100% based on a 12-month VWAP for a financial year under review during the term of the performance rights when compared to 12-month VWAP for the previous financial year;

2) Under condition 2, for the Managing Director ONLY, 25% will vest if the Company substantially increases its resources by more than 200,000 oz gold in a Mineral Resource Estimate(s) reported in accordance with the JORC Code 2012 with a cut-off grade above 0.7g/t gold, either through discovery, acquisition or increase of existing Mineral Resource Estimates.
Under condition 2, for ALL other holders except the Managing Director, 25% will vest if the Company substantially increases its resources by (at least 200,000koz AuEq) in resources either through discovery, acquisition or increase of existing Mineral Resource Estimates.

3) Under condition 3, 25% will vest upon the securing of a project financing package to fund the development of the Fountain Head and/or Hayes Creek Projects.

4) Under condition 4, 25% will vest if the Company secures all key requirements including financing package, permits and contracts to enable a development decision to proceed with construction of the Fountain Head and/or Hayes Creek Project.

5) Expiry - If a Performance Condition is not met by the third anniversary of the allotment of the Performance Rights, the Performance Rights, which are subject to that Performance Condition, will lapse.

A share-based payment expense of $72,252 was recorded (2021: $71,272) for the half-year period in relation to the balance of 141,800,000 performance rights. All performance rights are unvested as at 31 December 2022.

As at 31 December 2022, the following securities were on issue:

- 4,444,057,807 ordinary shares; and
- 141,800,000 performance rights.

## 10 COMMITMENTS FOR EXPENDITURE AND CONTINGENCIES

### (a) Expenditure Commitments

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

Total expenditure commitments at 31 December 2022 in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

| | 31/12/22<br>$ | 30/06/22<br>$ |
|---|---|---|
| Minimum exploration expenditure on exploration licences | 490,656 | 472,056 |

## 10 COMMITMENTS FOR EXPENDITURE AND CONTINGENCIES (continued)

### (b) Royalty Agreements

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

- Newmarket Gold NT Holdings Pty Ltd (Newmarket) - 2% royalty on the market value of any future production of gold and silver from the 14 mineral leases in the Northern Territory comprising the Hayes Creek Project.
- Newmarket - 2% net smelter return royalty on precious metals produced from the Moline and Fountain Head tenements.
- Ausgold Trading Pty Ltd – 1% gold and silver and 2% other metals net smelter return royalty for product produced from the Glencoe tenement.
- Oz Uranium Pty Ltd – 1% hard rock mineral net smelter royalty for production from 2 mineral leases, 1 mineral lease application and 5 exploration leases in the Northern Territory.

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

Newmarket can re-acquire 90% of any gold or silver deposits when a JORC compliant resource is defined on certain exploration licences subject to PNX's farm-in agreement with Newmarket, by paying PNX three times the Group's accumulated expenditure on the deposit(s). For clarity, this does not apply to any existing Mining Leases.

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

### (d) Mt Porter acquisition

As announced on 28 September 2022, the Company has entered into an agreement with Ausgold Trading Pty Ltd (**Ausgold**) to acquire the Mt Porter Project, comprising Northern Territory mining lease ML 23839 (**Agreement**).

Under the Agreement, the Company will purchase the Mt Porter Project in consideration for:

1) The issue by the Company of 200 million Shares (**Consideration Shares**) to Ausgold (or its nominee) (pre completion of the sale and purchase of the Mt Porter Project (**Completion**));
2) The payment to Ausgold of $250,000 in cash at Completion;
3) The following conditional post Completion payments to Ausgold (in cash or Shares, at the election of the Company):
    a. $1 million, on completion of a Mineral Resource Estimate on the Mt Porter Project within 5 years of the date of Completion, with a minimum of 100,000 ounces of gold at a 1.0g/t cut off, of which at least 50,000 ounces of gold reports to be in the Indicated Category under the JORC Code 2012, to be signed off by an appropriate independent Competent Period as agreed by the parties; and
    b. $1 million, on the production of 10,000 ounces of gold (recovered) from the Mt Porter Project within 5 years of the date of Completion, through the Company's proposed Fountain Head Processing Plant, or other processing infrastructure as agreed by the Company and Ausgold.

As part of the transaction, the Company will also take on the following royalty obligations:

- the obligation to pay a 1% net smelter return royalty to existing royalty holders, up to a cap of $1million; and
- the obligation to pay a 1.25% net smelter return royalty to an existing royalty holder (uncapped).

## 10 COMMITMENTS FOR EXPENDITURE AND CONTINGENCIES (continued)

### (d) Mt Porter acquisition (continued)

The Agreement is conditional on:

1) the Foreign Investment Review Board advising it has no objection to the acquisition by the Company of the Mt Porter Project (which has been satisfied);
2) approval from the Department of Industry, Tourism and Trade (NT) to the transfer of the Mt Porter Project to the Company;
3) certain existing royalty holders having delivered to the Company original counterparts of a replacement royalty deed duly executed by each of the royalty holders;
4) Ausgold having delivered to the Company a copy of a release deed duly executed by Ausgold and certain royalty holders;
5) all documents being delivered to, and consents being obtained from, third parties necessary for the assignment of contractual rights and transfer of the Mt Porter Project to the Company (including from native title parties);
6) there being an authorised and valid Mine Management Plan in place that approves and authorises mining operations on the Mt Porter Project on terms satisfactory to the Company.

Management and the Directors concluded that the acquisition has not completed as at half-year end.

## 11 INVESTMENT IN SUBSIDIARY

The Company owns 100% of the shares of Wellington Exploration Pty Ltd, which previously held exploration licences in South Australia and currently undertakes very little or no activity.

## 12 INCOME TAX

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 $53.0 million at 31 December 2022.

## 13 LOSS PER SHARE

The weighted-average number of shares underlying the basic and diluted loss of 0.02 cents per share disclosed in the Statement of Profit or Loss and Other Comprehensive Income is 4,444,057,807 (2021: 3,652,193,511).

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.

## 14 SUBSEQUENT EVENTS

On 30 January 2023 and subsequent to the half-year end, the Company announced a capital raising pursuant to a non-renounceable rights issue (NRRI) of one (1) share for every three (3) shares held at a price of $0.003 (0.3 cents) per share to raise up to ~$4.4m (before costs).

Subscriptions were received from eligible shareholders for 936,566,912 shares raising $2,809,701, representing an approximate 63.2% take-up (including oversubscriptions). A shortfall of 544,786,267 shares was notified to the ASX on 23 February 2023. The Company issued 936,566,912 shares on 27 February 2023 and the directors of PNX may consider the placement of the shortfall within 3 months of the close of the NRRI.

As at the date of this report, the following securities were on issue:

- 5,380,624,719 ordinary shares; and
- 141,800,000 performance rights.

There were no other events occurring subsequent to 31 December 2022 requiring adjustment to, or disclosure in, the 31 December 2022 half-year financial statements.

## 15 OTHER RECEIVABLES

The details included in Other Receivables are as follows:

| | 31 Dec 2022<br>$ | 30 Jun 2022<br>$ |
|---|---|---|
| Tranche 2 payment due at completion | 1,500,000 | 1,500,000 |
| Return of environmental bonds | 310,624 | 310,624 |
| **Total other Receivables** | **1,810,624** | **1,810,624** |

On 28 February 2022, PNX Metals Limited agreed to divest the Moline project (tenements ML24173, MLN1059, MLN41 & EL28616) in the Northern Territory to Sovereign Metallurgical Pty Ltd. As settlement for Tranche 2 of the agreement, PNX at its election can receive cash of $1,500,000, or shares in any listing transaction, of up to a further $2.25 million upon transfer of Moline title.

Environmental bonds totalling $4,094 that relate to the Moline project are held by the DITT as security in relation to exploration activities in the Northern Territory are to be refunded by Sovereign Metallurgical Pty Ltd on completion of the transaction.

Environmental bonds totalling $306,530 relating to the care and maintenance conditions for the Moline mineral leases are expected to be returned to the Company pursuant to the Sale Agreement for the sale of the Moline tenements.

The total amount receivable at 31 December 2022 of $1,810,624 consists of the $1,500,000 Tranche 2 payment due on completion, and the return of environmental bonds noted above for $310,624.

## 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 2022 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, 8 March 2023

Grant Thornton

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# Independent Auditor's Review Report

## To the Members of PNX Metals Limited

### Report on the half year financial report

#### Conclusion

We have reviewed the accompanying half year financial report of PNX Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and 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 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, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of PNX Metals Limited does not comply with the *Corporations Act 2001* including:

a giving a true and fair view of the PNX Metals Limited financial position as at 31 December 2022 and of its performance for the half year ended on that date; and

b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001.*

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES *110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### 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.

### 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 2022 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*.

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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Iain Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 8 March 2023