PNX METALS LIMITED

ABN 67 127 446 271

FINANCIAL REPORT
For the Half-Year Ended
31 December 2015

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 2015. In accordance with the Corporations Act 2001, the directors report as follows:

The names of the directors of PNX currently in office are:

Graham Ascough (Chairman)
Paul Dowd
Peter Watson
David Hillier
James Fox

Each of the above named directors held office for the whole of and since the end of the half-year.

As approved by shareholders at the Company's November 2015 Annual General Meeting and effective December 2015, the Company's name was changed from Phoenix Copper Limited to PNX Metals Limited.

REVIEW OF OPERATIONS

The comprehensive loss for the half-year was $755,313 (2014: loss of $1,768,228). Exploration expenditure during the period was $1.0 million. Net assets at 31 December 2015 were $3.9 million, including $0.8 million in cash and term deposits.

During the half-year, the Company raised $1.5 million before costs via the placement of 115 million shares to sophisticated investors and Company directors at 1.3 cents per share.

Exploration

During the half-year, exploration activity was focused on the Company's projects in the Northern Territory. Highlights include:

- Completion of a 1560 metre diamond and reverse circulation drilling program at Mt Bonnie.
- Initial JORC (2012) Mineral Resource estimate completed at Mt Bonnie (announced in February 2016); the overall resource for the Hayes Creek Project (Mt Bonnie plus Iron Blow) is now approximately 178,000 tonnes of zinc, 257,000 ounces of gold, 16.3 million ounces of silver, and 40,000t lead.
- Successful results from metallurgical analysis on Iron Blow ore; a practical and economic flow sheet has been identified to maximise recoveries of the most valuable economic minerals in the resource, being zinc, gold and silver.
- Commencement of a scoping study on the Hayes Creek project, to be completed in the first quarter of 2016.

Northern Territory - Hayes Creek Project

The Iron Blow and Mt Bonnie deposits form part of the Company's 100% owned Hayes Creek Project within the Pine Creek region of the Northern Territory, 180km south of Darwin. The deposits are situated on granted Mineral Leases and are located close to infrastructure, including rail, road, high voltage powerlines and water.

The Iron Blow deposit was upgraded to a JORC (2012) compliant inferred mineral resource estimate by PNX in late 2014, and contains approximately 200,000oz of gold, 10.7Moz of silver and 125,000t of zinc at potentially mineable grades[1].

[1] see ASX release 3 November 2014

Mt Bonnie - Drilling

A 15 hole, 1,560m RC and diamond drill program was completed in October 2015. Better intersections included:

- **8.78m @ 7.16% Zn, 1.04g/t Au, 215g/t Ag, 0.34% Cu and 1.62% Pb** from 55m in MBDH033;
- **42.25m @ 2.96% Zn, 0.59g/t Au, 35g/t Ag and 0.33% Pb from 25.75m** in MBDH034, including:
    - **3.1m @ 10.77% Zn, 3.34g/t Au, 133g/t Au, 0.39% Cu and 1.21% Pb** from 63.9m.

Massive sulphide intersections continued to return consistent high-grade, multi-element mineralisation over a substantial area. Importantly, drilling to the south discovered a new thick zone of mineralisation where potential exists to link with a gossan outcropping approximately 150m to the south of the historical open pit, providing near-surface extensional upside.

The results also show excellent continuity and consistency of mineralisation, and indicate a simple tabular north-west dipping zone of massive sulphides. A halo of brecciated and carbonate altered rocks containing primarily gold-rich mineralisation was intersected directly below the massive sulphide zone, and a zone of silver-rich supergene mineralisation occurs in a flat-lying zone near surface. The lateral and vertical extents of this gold and silver mineralisation is currently undefined, but as it is outside of the massive sulphide envelope it was likely not identified by previous ground and downhole electromagnetic surveys and therefore provides considerable potential upside.

Mt Bonnie – Initial Resource Estimate

Results from the drill program noted above, in conjunction with previous drilling data, were used to estimate an initial JORC-compliant mineral resource at Mt Bonnie (announced subsequent to half-year end).[2] The mineral resource estimate, which was prepared by independent mining consultancy group CSA Global Pty Ltd, is **1.3 million tonnes @ 4.2% Zn, 1.3 g/t Au, 133 g/t Ag, 1.3% Pb, and 0.3% Cu**. Of note, 35% of the resource is in the higher confidence Indicated category. The Mineral Resource occurs from approximately 25 m to 150 m depth and is amenable to open pit mining methods.

The overall resource for the Hayes Creek project is now approximately **178,000 tonnes of zinc, 257,000 ounces of gold, 16.3 million ounces of silver, and 40,000t lead.**

Metallurgical Studies – Iron Blow Ore

Metallurgical optimisation test work conducted during the half year indicates that Iron Blow massive sulphide ore can produce a readily saleable zinc concentrate, and high-grade precious metals, copper and lead bulk concentrate.

A practical and economic flowsheet has been established to maximise recoveries of the most valuable economic minerals in the resource, being zinc, gold and silver. Ongoing test work continues to optimise these recoveries.

Hayes Creek Scoping Study

A Scoping Study on the Hayes Creek project commenced in November 2015. The Study incorporates the resource estimates and metallurgical analysis noted previously, and is due for completion in March 2016. The Scoping Study will demonstrate the potential viability of the Hayes Creek project and guide further drilling and other testing required for a pre-feasibility study.

Northern Territory Regional Exploration – Burnside, Moline and Chessman Projects

PNX is currently earning a 90% interest in 19 Exploration Licenses and 4 Mineral Leases covering 1,700km² from Newmarket Gold NT Holdings Pty Ltd (previously Crocodile Gold Australia Pty Ltd) in two stages through total expenditure of $4 million over four years. These leases, together comprising the Burnside, Moline and Chessman projects, are located in the Pine Creek region, one of the most prospective geological regions of Australia containing numerous historically mined deposits, unmined mineralisation and potential to discover new mineralisation. These projects contain exciting opportunities for brownfields discoveries and represent excellent growth potential beyond the Hayes Creek Project.

[2] Refer ASX release 1 February 2016

During the half-year, approximately $0.3 million was spent on regional exploration activities, and as at 31 December 2015, total expenditure for the purpose of the first stage of the farm-in was approximately $1.3 million. A further $0.7 million is required to be spent by December 2016 to achieve the 51% stage one earn-in.

Exploration during the half-year was aimed at identifying new gold and base metal targets in the vicinity of the Hayes Creek Project. Geological mapping, rock chip sampling and geochemical soil data were collected to complement the already significant datasets inherited from Newmarket.

A number of prospective areas have been identified, each providing excellent opportunity for economic mineralisation:

- **Thunderball North gold prospect** - defined as two distinct and highly auriferous geochemical and structural targets, each over 300m in strike length. Both are located close to Rocklands Resources' Thunderball uranium deposit, where RC hole TPCRC066 (drilled and reported in September 2010) intersected 12m @ 4.7 g/t gold in the western limb of an anticlinal structure - typical of many deposits in the region. A soil sampling program by the Company during the half-year returned elevated levels of gold.[3]

- **Maze prospects** - mapping and sampling less than 1km to the east of Mt Bonnie identified a 2km NNW/SSE trending mineralised structure containing three coherent zones of gold-arsenic anomalism. Gold and arsenic anomalism occurs together in several places along the contact of Zamu Dolerite within the Koolpin Formation and concentrated within the fold hinges of a prominent NNW trending anticlinal structure. This is consistent with the well-known strong association of gold deposits with anticlinal fold hinges in the Pine Creek region.[4]

- **Tramways and Scraper -** gold values up to 5.09g/t in soils, up to 3.14g/t in rock chips, and up to 3m at 30g/t from surface in historical RAB drilling.[4]

- **Mt Ellison North -** a strong Pb and Zn anomaly discovered by PNX soil sampling occurs northwest of the Mt Ellison copper workings. This anomaly occurs in the fold hinge of a northwest trending anticlinal axis, extends to over 250m in length, and is open to the north, south and west.[4]

Other significant results in the historical datasets are being assessed at prospects including Goodall, Santorini, Mt Paqualin and Moline. Mineralisation previously discovered in all of these areas appears to have been overlooked during times of low gold prices, and the Company sees this as an opportunity to define additional resources to complement the Hayes Creek project.

Each of these prospects will be evaluated and prioritised at desktop level in 2016 to formulate a focussed field program of testing new mineralisation and verifying quantities of previously identified mineralisation during the dry season.

South Australian Projects

No activity of significance occurred during the half-year at the Company's South Australian projects.

Resilience Mining Australia Limited (previously Hillsgold Resources Pty Ltd) continues to hold an option to acquire Leigh Creek Copper Mine Pty Ltd. A decision in this regard is expected in the first half of 2016.

The Company also continues to hold an investment in Avalon Minerals Limited (ASX: AVI), representing approximately 3.5% of AVI's issued capital.

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[3] ASX release 29/10/2015
[4] ASX release 16/12/2015

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, 9 March 2016

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 2015, 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

J L Humphrey
Partner – Audit & Assurance

Adelaide, 9 March 2016

PNX METALS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

		Consolidated	
	Note	**Half-year ended 31 Dec 2015**	**Half-year ended 31 Dec 2014**
Interest income		10,518	16,093
Other income		-	18,395
Employee benefits		(88,213)	(135,115)
Exploration - tenement maintenance		(58,177)	(32,544)
Share registry and regulatory		(45,774)	(39,920)
Professional fees		(131,708)	(206,441)
Occupancy		(32,076)	(32,899)
Directors' fees		(87,500)	(87,500)
Equity-based remuneration	**6**	-	(16,106)
Audit fees		(8,840)	(11,306)
Insurance		(17,878)	(22,941)
Interest charges	**5**	(50,000)	(50,000)
Depreciation		(183)	(24,707)
Impairment - financial assets		-	(1,229,448)
Other expenses		(40,751)	(33,637)
Loss before income tax expense		(550,582)	(1,888,076)
Income tax expense		-	-
Loss for the period - continuing operations		(550,582)	(1,888,076)
Loss from discontinued operations, net of tax	**2**	(75,811)	(207,159)
Total Loss for the period		(626,393)	(2,095,235)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss - movement in fair value of investment (tax: nil)	**4**	(128,920)	327,007
Total other comprehensive income/(loss)		(128,920)	327,007
Total comprehensive loss for the period attributable to equity holders of the parent		(755,313)	(1,768,228)
Loss per share from continuing operations:			
Basic (cents per share)		(0.13)	(0.70)
Diluted (cents per share)		(0.13)	(0.70)

Condensed notes to the consolidated financial statements are included on pages 11 to 16.

PNX METALS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	Consolidated 31 December 2015 $	Consolidated 30 June 2015 $
CURRENT ASSETS			
Cash and cash equivalents		839,386	868,865
Trade and other receivables		12,723	14,607
Prepayments/deposits		71,773	54,927
Other financial assets	**4**	257,840	386,761
Assets held for sale	**2**	-	-
TOTAL CURRENT ASSETS		1,181,722	1,325,160
NON-CURRENT ASSETS			
Exploration and evaluation expenditure		4,214,404	3,293,812
Plant and equipment		45,639	54,154
TOTAL NON-CURRENT ASSETS		4,260,043	3,347,966
TOTAL ASSETS		5,441,765	4,673,126
CURRENT LIABILITIES			
Trade and other payables		229,823	235,269
Loan	**5**	1,200,000	-
Provisions		47,762	45,606
TOTAL CURRENT LIABILITIES		1,477,585	280,875
NON-CURRENT LIABILITIES			
Provisions		16,949	9,932
Loan	**5**	-	1,200,000
TOTAL NON-CURRENT LIABILITIES		16,949	1,209,932
TOTAL LIABILITIES		1,494,534	1,490,807
NET ASSETS		3,947,231	3,182,319
EQUITY			
Issued capital	**6**	28,082,292	26,562,067
Other equity		600,000	600,000
Reserves		9,162	347,193
Accumulated losses		(24,744,223)	(24,326,941)
TOTAL EQUITY		3,947,231	3,182,319

Condensed notes to the consolidated financial statements are included on pages 11 to 16.

PNX METALS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

		Consolidated				
	Note	**Ordinary Issued Capital $**	**Other Equity $**	**Reserves $**	**Accumulated Losses $**	**Total $**
Balance at 1 July 2014		23,557,745	600,000	(91,555)	(19,995,642)	4,070,548
Loss attributable to members of the parent entity		-	-	-	(2,095,235)	(2,095,235)
Other comprehensive loss - reclassification to loss		-	-	327,007	-	327,007
Total comprehensive loss for the period		-	-	327,007	(2,095,235)	(1,768,228)
Shares issued		3,082,847	-	(27,976)	-	3,054,871
Share issue costs		(108,525)	-	-	-	(108,525)
Share issue costs - interest on convertible notes		(15,000)	-	-	-	(15,000)
Share based payments - employees		-	-	16,106	-	16,106
Balance at 31 December 2014		26,517,067	600,000	223,582	(22,090,877)	5,249,772
Balance at 1 July 2015		26,562,067	600,000	347,193	(24,326,941)	3,182,319
Loss attributable to members of the parent entity		-	-	-	(626,393)	(626,393)
Other comprehensive income - reclassification to profit or loss		-	-	(128,920)	-	(128,920)
Total comprehensive loss for the period		-	-	(128,920)	(626,393)	(755,313)
Shares issued	**6**	1,553,250	-	-	-	1,553,250
Share issue costs		(18,025)	-	-	-	(18,025)
Share issue costs - interest on convertible notes		(15,000)	-	-	-	(15,000)
Reclassification on expiry of optioins		-		(209,111)	209,111	-
Balance at 31 December 2015		28,082,292	600,000	9,162	(24,744,223)	3,947,231

Condensed notes to the consolidated financial statements are included on pages 11 to 16.

PNX METALS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Consolidated	
	Half year ended 31 Dec 2015 $	Half year ended 31 Dec 2014 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	-
Payments to suppliers and employees	(500,441)	(708,916)
NET CASH USED IN OPERATING ACTIVITIES	(500,441)	(708,916)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration activities	(1,016,307)	(485,571)
Proceeds from sale of plant and equipment	-	3,800
Payments for plant and equipment	-	(4,852)
Interest received	12,045	8,308
NET CASH USED IN INVESTING ACTIVITIES	(1,004,262)	(478,315)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares, net of costs	1,475,224	2,910,446
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,475,224	2,910,446
Net increase in cash and cash equivalents	(29,479)	1,723,215
Cash at the beginning of the reporting period	868,865	447,663
CASH AT THE END OF THE REPORTING PERIOD	839,386	2,170,878

Condensed notes to the consolidated financial statements are included on pages 11 to 16.

1 SUMMARY OF ACCOUNTING POLICIES

This half-year financial report of PNX Metals Limited ("Company") comprises the Company and its controlled entities ("Group") and is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The condensed 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 accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the annual financial report for the year ended 30 June 2015.

There are several new or revised Standards and Interpretations that have been issued since 30 June 2015 by the Australian Accounting Standards Board (the AASB), however none of these have had a material effect on the Group's financial statements and are not expected to materially impact the Group's financial statements in the future.

Effective December 2015, the Company's name was changed from Phoenix Copper Limited to PNX Metals Limited.

(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 2015, the Group made a comprehensive loss of $755,313 (2014: comprehensive loss of $1,768,228) and recorded a net cash outflow from operating and investing activities of $1,504,703 (2014: $1,187,231). At 31 December 2015, the Group had cash of $839,386 (30 June 2015: $868,865), a deficiency in net current assets of $295,863 (30 June 2015: net current assets of $1,044,285) and net assets of $3,947,231 (30 June 2015: $3,182,319).

The Directors believe that it is appropriate to prepare the financial statements on the going concern basis, as the Group has a range of options to raise sufficient funds in 2016 to allow planned exploration and administrative activities to continue over at least the next 12 months. If sufficient additional funding 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 2015.

2 ASSETS HELD FOR SALE

In 2014, the Company formally commenced a sale process for its three mining leases near Leigh Creek, and associated assets and liabilities. The preferred manner of sale is through a 100% disposition of the Company's subsidiary Leigh Creek Copper Mine Pty Ltd ('LCCM').

Mining and production operations at Leigh Creek have been on care and maintenance since January 2012, during which time the Company conducted studies into alternative leaching methods before formally putting the assets for sale.

In April 2015, the Company executed an Option and Sale Agreement with Hillsgold Resources Pty Ltd, now Resilience Mining Australia Limited (RMA), regarding LCCM. Under the Agreement, RMA has the option to acquire LCCM as well as two exploration licences held by the Company near LCCM's mining leases, in return for preparing and submitting to the State government updated environmental plans (PEPRs) for the three mining leases, and also preparing certain feasibility studies on the leases, within 9 months of the date of the Agreement. These obligations were fulfilled by RMA by January 2016.

RMA currently has until April 2016 to exercise the option.

Should RMA exercise the option, it will acquire LCCM, and the two exploration licences mentioned, from the Company for nil up-front consideration (other than the assumption of the rehabilitation obligations at Mountain of Light) and a contingent payment to the Company of $100,000 if and when 3,000 tonnes of copper are produced from future operations at the three mining leases.

As a formal sale process is ongoing, the disposal group has been classified as a single current asset in the Statement of Financial Position, and the loss incurred on these discontinued operations has been shown in the Statement of Comprehensive Income as a separate line, with re-stated comparatives for the prior year.

Detail of the loss from discontinued operations:

	31 Dec 2015	30 June 2015
	$	$
Employee benefits	-	-
Impairment - Assets held for Sale	-	150,000
Plant depreciation	-	-
Mine site maintenance	75,811	79,883
Income tax	-	-
Loss - discontinued operations	75,811	229,883
Loss per share (cents)		
basic and diluted	0.02	0.07
Cash outflows	75,811	79,883

Given the continuing lack of interest in small-scale mining projects both within the industry and in the wider investment community, the fair value of the Leigh Creek net asset disposal group was re-assessed at the prior half-year end. It was determined that based on estimated net disposal proceeds from an arm's length transaction of nil (ie disposal of assets and liabilities for a net nil sum), the fair value was zero and as such an impairment charge of $150,000 was recorded at 31 December 2014.

That fair value continues to be management's best estimate at 31 December 2015 of the overall recoverable amount, and is consistent with what would be received from RMA, should they acquire LCCM.

Detail of the assets and liabilities of the disposal group:

	31 Dec 2015	30 June 2015
	$	$
Assets		
Environmental deposit	150,000	150,000
Plant and equipment - cost	3,634,902	3,634,902
Plant and equipment - accum depr	(3,634,902)	(3,634,902)
Exploration assets	-	-
Mineral Rights	410,250	410,250
	560,250	560,250
Liabilities		
Rehabilitation	560,250	560,250
Net Assets	-	-

3 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, now in both the Northern Territory and South Australia. Exploration 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
- Mining and production of copper in Australia (now discontinued)

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 2015 $	31 Dec 2014 $	31 Dec 2015 $	31 Dec 2014 $
Exploration – Northern Territory	-	-	-	-
Exploration – South Australia	-	-	(58,177)	(32,544)
Mining – discontinued operation	-	-	(75,811)	(207,159)
Unallocated	-	-	(492,405)	(1,855,532)
Loss before tax			(626,393)	(2,095,235)
Income tax expense	-	-	-	-
Consolidated segment loss for the period	**-**	**-**	**(626,393)**	**(2,095,235)**

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 2015 $	30 June 2015 $
Assets		
Exploration – Northern Territory	2,246,071	1,330,479
Exploration – South Australia	2,000,000	2,000,000
Mining – Held for sale	-	-
Unallocated assets	1,195,694	1,342,647
Total assets	**5,441,765**	**4,673,126**
Liabilities		
Exploration – Northern Territory	97,733	101,965
Exploration – South Australia	-	-
Mining – Held for sale	-	-
Unallocated liabilities	1,396,801	1,388,842
Total liabilities	**1,494,534**	**1,490,807**

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/deposits, and corporate office equipment.

All liabilities are allocated to reportable segments other than employee liabilities, loan, and corporate/administrative payables.

4 OTHER FINANCIAL ASSETS – INVESTMENT IN AVALON MINERALS LTD

The Company continues to hold 12,892,013 shares in ASX listed Avalon Minerals Limited (Avalon), acquired at a cost of $1,487,288.

At each reporting period, the carrying value of the investment in Avalon is revalued to fair value, based on the market value of Avalon Minerals Limited's shares at that time. At 31 December 2015, the investment was revalued down $128,920 based on a 1.0 cent decrease in Avalon's share price on the ASX since 30 June 2015. As a result, a charge of $128,920 was recorded in Other Comprehensive Income/Loss, 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 at each reporting date.

5 LOAN FACILITY

The Company has a $1.2 million loan which was drawn in 2013 to acquire the shares in Avalon Minerals Limited described in Note 4. Key terms of the loan are as follows:

- Maturity date of 6 November 2016
- Unsecured
- 7.5% annual interest rate, payable 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 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 will 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 then in cash.

The loan has been classified as a current liability as the maturity date is within 12 months of 31 December 2015.

Interest of $50,000, including $5,000 of withholding tax paid to the Australian Tax Office, was incurred on the loan during the half-year.

6 ISSUE OF SECURITIES

During the half-year ended 31 December 2015:

- 114,480,773 ordinary shares were issued to sophisticated and professional investors in August and November at 1.3 cents raising $1,488,250 before costs;

- 384,615 ordinary shares were issued at 1.3 cents to settle a $5,000 fee associated with the August placements;

- 3,279,817 shares were issued in early November at the Company's 30 day volume weighted-average share price (VWAP) of 1.4 cents to settle $45,000 of 6-monthly interest on the Company's $1.2 million loan;

- 1,228,472 shares were issued in late November at the Company's 30 day VWAP of 1.2 cents to settle $15,000 of 6-monthly interest on convertible notes.

During the half-year, a share-based payment expense of $nil (2014: $16,106) was recorded in relation to Performance Rights.

At 31 December 2015, 187,500 performance rights held by the Company's Exploration Manager lapsed as the performance conditions were not met.

As at 31 December 2015, there were 476,630,134 ordinary shares and 1,312,500 performance rights issued and outstanding.

7 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 2015.

8 INVESTMENTS IN SUBSIDIARIES

The Company owns 100% of the shares of the following entities

- Leigh Creek Copper Mine Pty Ltd (holds three mining leases)
- Wellington Exploration Pty Ltd (holds one exploration licence)

The Group's 17 other exploration licences in South Australia and 14 mineral leases in the Northern Territory are held in the name of PNX Metals Limited.

9 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 $28 million at 31 December 2015.

10 SUBSEQUENT EVENTS

There were no events occurring subsequent to 31 December 2015 requiring adjustment to, or disclosure in, the 31 December 2015 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 2015 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, 9 March 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PNX METALS LIMITED

We have reviewed the accompanying half-year financial report of PNX Metals Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of PNX Metals Limited 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 controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the 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 PNX Metals Limited consolidated entity's financial position as at 31 December 2015 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 complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of PNX Metals Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

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

Material uncertainty regarding continuation as a going concern

Without qualifying our review conclusion, we draw attention to Note 1 in the half-year financial report which indicates that the company and consolidated entity incurred a total comprehensive loss of $755,313 during the half year ended 31 December 2015 and net cash outlay from operating and investing activities of $1,504,703. These conditions, along with other matter as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company and consolidated entity's ability to continue as a going concern and therefore, the company and consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the half-year financial report.

Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 9 March 2016