PNX METALS LIMITED

ABN 67 127 446 271

FINANCIAL REPORT
For the Half-Year Ended
31 December 2017

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 2017 in accordance with the Corporations Act 2001.

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.

REVIEW OF OPERATIONS

The loss for the half-year was $373,715 (2016: loss of $768,304). Net assets at 31 December 2017 were $8.8 million, including $1.9 million in cash and term deposits.

During the half-year, the Company raised $3.3 million ($3.1m after costs) via a share placement to sophisticated and institutional investors ($1.9 million), a Share Purchase Plan ($0.6m), and through the receipt of $0.8m from the forward sale of additional silver from the Hayes Creek Project ('Hayes Creek' or 'Project'). PNX also reached agreement with convertible note holders and a lender to settle both the notes ($0.6 million) and the loan ($1.2 million) via the issue of 24 million and 80 million shares respectively. The notes were converted in late November and the loan was converted subsequent to half-year end.

Expenditure during the half-year related primarily to the Definitive Feasibility Study ('DFS') which commenced in August at Hayes Creek. DFS activities included resource drilling, as well as ongoing technical study work.

Hayes Creek 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 ('NT'), 170km south of Darwin.

The DFS currently underway follows the successful completion of a Pre-Feasibility Study ('PFS') in July 2017[1] which confirmed Hayes Creek to be a promising future low-cost, high margin zinc and precious metal mine that could create significant value for the Company's shareholders. The DFS is expected to provide increased confidence in all aspects of the Project as well as investigate opportunities to improve overall Project economics thereby increasing the prospect of favourable development finance terms and structure. It is expected to be completed in 2018.

During the half-year, PNX successfully completed a 75 hole, 4,000 metre drill program at Hayes Creek for the purpose of providing technical information to inform the engineering and environmental studies. The program also identified new zinc, gold and silver mineralisation outside of the existing mineral resource envelope at Mt Bonnie and extended the known mineralisation by approximately 35 metres.

Metallurgical progress was made during the half-year, with locked-cycle flotation tests on Mt Bonnie material resulting in improved overall zinc recoveries and zinc-in-concentrate grades as well as a substantial decrease in penalty elements.

[1] Refer ASX announcement 12 July 2017 for full details. The material assumptions underpinning the production targets, and the forecast financial information derived from the production targets, continue to apply and have not materially changed.

Also during the half-year, GR Engineering Services (ASX: GNG) was engaged to provide process design and engineering expertise over the Project.

Subsequent to half-year end, PNX executed an agreement with Newmarket Gold NT Holdings Pty Ltd ('Newmarket', a subsidiary of Kirkland Lake Gold Ltd (ASX:KLA, TSX:KL)), for the acquisition of 4 Mineral Leases at Fountain Head, approximately 12 km north of the Iron Blow and Mt Bonnie deposits. The transaction is a key milestone as it secures the preferred location for the Project's proposed process plant and tailings facility.

As part of the agreement, PNX will also take 100% ownership of the Moline Exploration Project which is highly prospective for gold and base metals (currently owned 51%) and is located approximately 65km to the east of Hayes Creek.

In return, PNX agreed to carve out (and return to Newmarket its 100% ownership of) three exploration areas within the Burnside project area that are part of the farm-in agreement with Newmarket and provide a 2% royalty over gold and silver produced from the Moline and Fountain Head tenements. Completion of this transaction is expected by mid-2018.

Northern Territory Regional Exploration – Burnside, Moline and Chessman Projects

PNX currently holds a 51% interest in 19 Exploration Licenses and 4 Mineral Leases covering 1,700km^2 in the Pine Creek region of the Northern Territory and is progressing with the second stage of a farm-in under an agreement with Newmarket. PNX will increase its interest in these tenements to 90% with expenditure of $2 million by 15 December 2018, of which approximately $1.6 million had been spent by 31 December 2017.

These tenements together comprise the Burnside, Moline and Chessman projects and are located in a highly prospective geological region containing numerous historically mined deposits, unmined mineralisation and potential for new mineralisation discoveries. As noted previously, subsequent to half-year end PNX signed an agreement to acquire full ownership of the Moline tenements.

The aim of regional exploration is to discover and delineate additional high-value base metals and/or gold deposits to provide a pipeline of growth opportunities to complement the proposed development at Hayes Creek or feed into other existing free milling gold infrastructure in the region.

Regional exploration activities at Burnside and Moline occurred during the half-year. In July/August, a 16-hole reverse-circulation ('RC') drill program was completed, resulting in some very good gold and zinc sulphide intersections at the Swan and School prospects. This new mineralisation is particularly encouraging due to the similarities with the Hayes Creek Project and because very little of the mineralisation discovered has been closed off at depth.

Following the drill program, a number of new, high priority zinc targets were identified from their geochemical signatures which were subsequently refined through geophysical surveys. Due to a combination of equipment breakdown and wet season rains making some areas impassable, a planned RC drill program to test these targets was initiated but cancelled early on. The Company plans to recommence exploration drilling once weather permits.

South Australian Projects

In South Australia, PNX continues to hold 8 exploration licences in the Burra region and 3 exploration licences on the Yorke Peninsula.

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

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration, as required under Section 307C of the Corporations Act 2001, is included on page 5 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,8th March 2018

Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA 5000
Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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 2017. I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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, 8 March 2018

PNX METALS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Consolidated Half-year ended 31 Dec 2017	 Half-year ended 31 Dec 2016
Interest income		18,390	22,662
Other income		24,920	-
Employee benefits		(122,697)	(167,923)
Exploration		(52,629)	(47,112)
Share registry and regulatory		(67,893)	(73,539)
Professional fees		(225,703)	(164,278)
Occupancy		(33,170)	(33,179)
Directors' fees		(97,500)	(92,500)
Equity based compensation	**7**	(21,461)	(21,000)
Audit fees		(9,478)	(8,632)
Insurance		(13,840)	(17,004)
Interest	**5**	(50,000)	(50,000)
Depreciation		(2,409)	(3,807)
Other expenses		(66,245)	(73,457)
Loss before income tax expense		(719,715)	(729,769)
Income tax benefit	**10**	152,620	-
Loss for the period - continuing operations		(567,095)	(729,769)
Loss from discontinued operations, net of tax		-	(38,535)
Total Loss for the period		(567,095)	(768,304)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss - movement in fair value of investment (tax: nil)	**4**	193,380	-
Total other comprehensive income/(loss)		193,380	
Total comprehensive loss for the period attributable to equity holders of the parent		(373,715)	(768,304)
Loss per share from continuing operations:			
Basic (cents per share)	**11**	(0.06)	(0.13)
Diluted (cents per share)	**11**	(0.06)	(0.13)

Condensed notes to the consolidated financial statements are included on pages 10 to 14.

PNX METALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Consolidated 31 Dec 2017 $	Consolidated 30 June 2017 $
CURRENT ASSETS			
Cash and cash equivalents		1,861,744	1,430,630
Trade and other receivables		429,185	293,179
Prepayments/deposits		141,747	133,832
Other receivables	*2*	50,000	-
Other financial assets	4	386,760	193,380
TOTAL CURRENT ASSETS		2,869,436	2,051,021
NON-CURRENT ASSETS			
Other receivables	2	-	50,000
Exploration and evaluation expenditure		8,746,781	6,899,372
Plant and equipment		31,121	38,015
TOTAL NON-CURRENT ASSETS		8,777,902	6,987,387
TOTAL ASSETS		11,647,338	9,038,408
CURRENT LIABILITIES			
Trade and other payables		330,763	541,669
Provisions		103,540	95,095
TOTAL CURRENT LIABILITIES		434,303	636,764
NON-CURRENT LIABILITIES			
Provisions		58,099	50,950
Loan		-	1,200,000
Deferred Revenue	6	2,400,000	1,600,000
TOTAL NON-CURRENT LIABILITIES		2,458,099	2,850,950
TOTAL LIABILITIES		2,892,402	3,487,714
NET ASSETS		8,754,936	5,550,694
EQUITY			
Issued capital	7	35,696,389	32,665,302
Other equity	5	1,200,000	600,000
Reserves		230,937	90,687
Accumulated losses		(28,372,390)	(27,805,295)
TOTAL EQUITY		8,754,936	5,550,694

Condensed notes to the consolidated financial statements are included on pages 10 to 14.

PNX METALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Ordinary Issued Capital $	Other Equity $	Equity-based Payment Reserve $	Investment Fair Value Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2016		28,377,292	600,000	-	-	(25,100,291)	3,877,001
Loss attributable to members of the parent entity		-	-	-	-	(768,304)	(768,304)
Other comprehensive loss - reclassification to loss		-	-	-	-	-	-
Total comprehensive loss for the period		-	-	-	-	(768,304)	(768,304)
Shares issued		4,486,250	-	-	-	-	4,486,250
Share issue costs		(268,240)	-	-	-	-	(268,240)
Share issue costs - interest on convertible notes		(15,000)	-	-	-	-	(15,000)
Reclassification on expiry of options		-	-	-	-	-	-
Balance at 31 December 2016		32,580,302	600,000	-	-	(25,868,595)	7,311,707
Balance at 1 July 2017		32,665,302	600,000	90,687	-	(27,805,295)	5,550,694
Loss attributable to members of the parent entity		-	-	-	-	(567,095)	(567,095)
Other comprehensive income		-	-	-	193,380	-	193,380
Total comprehensive loss for the period		-	-	-	193,380	(567,095)	(373,715)
Fair value of equity-based payments		-	-	21,461	-	-	21,461
Shares issued - settlement of convertible notes	**5**	600,000	(600,000)	-	-	-	-
Shares issued	**7**	2,597,806	-	(74,591)	-	-	2,523,215
Share issue costs		(155,007)	-	-	-	-	(155,007)
Reclassification of loan to other equity		-	1,200,000	-	-	-	1,200,000
Share issue costs - interest on convertible notes		(11,712)	-	-	-	-	(11,712)
Balance at 31 December 2017		35,696,389	1,200,000	37,557	193,380	(28,372,390)	8,754,936

Condensed notes to the consolidated financial statements are included on pages 10 to 14.

PNX METALS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

		Consolidated	
	Note	Half-year ended 31 Dec 2017 $	Half-year ended 31 Dec 2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Research and Development tax refund		-	245,905
Payments to suppliers and employees		(597,348)	(691,078)
NET CASH USED IN OPERATING ACTIVITIES		(597,348)	(445,173)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration activities		(2,089,383)	(2,050,350)
Loan advanced	2	-	(50,000)
Payments for plant and equipment		(2,773)	(20,654)
Interest received		12,410	21,516
NET CASH USED IN INVESTING ACTIVITIES		(2,079,746)	(2,099,488)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from silver streaming option exercise		800,000	-
Issue of shares, net of costs		2,308,208	4,117,760
NET CASH PROVIDED BY FINANCING ACTIVITIES		3,108,208	4,117,760
Net increase in cash and cash equivalents		431,114	1,573,099
Cash at the beginning of the reporting period		1,430,630	1,643,632
CASH AT THE END OF THE REPORTING PERIOD		1,861,744	3,216,731

Condensed notes to the consolidated financial statements are included on pages 10 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 half-year financial report are consistent with those adopted and disclosed in the annual financial report for the year ended 30 June 2017.

None of the standards and amendments to standards published by the Australian Accounting Standards Board that are mandatory for the first time for the financial year beginning 1 July 2017 had any material effect on any amounts recognised or disclosed in the current or prior period and are not likely to affect future periods.

(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 2017, the Group made a total loss of $373,715 (2016: loss of $768,304) and recorded a net cash outflow from operating and investing activities of $2,677,094 (2016: $2,544,661). At 31 December 2017, the Group had cash of $1,861,744 (30 June 2017: $1,430,630), net current assets of $2,482,676 excluding the investment in Sunstone Metals Ltd of $386,760 (30 June 2017: net current assets of $1,200,877) and net assets of $8,754,936 (30 June 2017: $5,550,694).

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 2017.

2 OTHER RECEIVABLE

The Company continues to hold a $50,000 loan receivable from Resilience Mining Australia Limited ('RMA') related to RMA's 2016 acquisition of Leigh Creek Copper Mine Pty Ltd (LCCM).

The loan is secured by specified plant and equipment and bears interest at 6%, payable semi-annually. The loan is to be re-paid at the earliest of the following:

- 31 October 2018;
- The date that is 6 months after first production from any of the three mining leases held by LCCM;

- o Following an equity capital raise by RMA in excess of $1.5 million (cumulative from 31 October 2016); or
- o The date RMA sells or transfers any of the acquired tenements.

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

RMA is also required to pay the Company $100,000 if and when 3,000 tonnes of copper are produced from future operations of LCCM.

3 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 2017 $	**31 Dec 2016 $**	**31 Dec 2017 $**	**31 Dec 2016 $**
Exploration – Northern Territory	-	-	-	-
Exploration – South Australia	-	-	(51,598)	(47,112)
Mining – discontinued operation	-	-	-	(38,535)
Unallocated	-	-	(668,117)	(682,657)
Loss before tax			(719,715)	(768,304)
Income tax benefit			152,620	-
Consolidated segment loss for the period			**(567,095)**	**(768,304)**

All exploration costs in the Northern Territory have been capitalised to exploration assets. 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 2017 $	**30 June 2017 $**
Assets		
Exploration – Northern Territory	8,380,888	6,548,116
Exploration – South Australia	500,000	500,000
Unallocated assets	2,766,450	1,990,292
Total assets	**11,647,338**	**9,038,408**

Liabilities		
Exploration – Northern Territory	164,485	368,643
Exploration – South Australia	-	-
Unallocated liabilities	2,727,917	3,119,071
Total liabilities	**2,892,402**	**3,487,714**

4 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 $386,760.

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 increase in the fair value of the investment from 30 June 2017 to 31 December 2017 of $193,380 has been recorded to a reserve in shareholders' equity, and shown in Other Comprehensive Income in the Statement of Profit or Loss and Other Comprehensive Income.

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.

5 LOAN AND CONVERTIBLE NOTES

During the half-year, the Company reached agreement with Marilei International Limited and Sochrastem SA as follows:

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

24,000,000 shares were issued on 27 November 2017 to settle the convertible notes.

Subsequent to half-year end, and following receipt of the approval of Australia's Foreign Investment Review Board, 80 million shares were issued to Marilei to settle and extinguish the loan.

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, the same as in the prior half-year.

6 DEFERRED REVENUE

During the half-year, 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 now received a total of $2.4 million under these agreements, for the forward sale of a total of 336,000 oz of silver, to be delivered over a 3 year period once commissioning and ramp up of the Hayes Creek Project is complete. In the event the Project is not developed, the forward payments will be converted into shares.

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.

7 ISSUE OF SECURITIES

During the half-year ended 31 December 2017:

- 3,090,000 shares were issued to PNX personnel or their associates following the vesting of an equivalent number of performance rights upon the satisfaction of relevant performance conditions;

- 179,830,000 shares were issued under a placement to sophisticated and professional investors at 1.05 cents per share, raising a total of $1.89 million before costs;

- 54,761,886 shares were issued under a Share Purchase Plan at 1.05 cents per share, raising $0.6 million before costs;

- 24,000,000 shares were issued to settle $0.6 million of convertible notes (refer Note 5);

- 1,156,698 shares were issued at the Company's election to convertible note holders to settle 6-monthly interest of $15,000; and

- 3,599,194 shares were issued at the Company's election to settle 6-monthly interest on a $1.2 million loan of $45,000.

During the half-year, share-based payment expense of $21,461 (2016: $21,000) was recorded in relation to performance rights issued under the Company's Employee Performance Rights Plan in the prior financial year.

During the half-year, 20,000,000 unquoted options were issued to a subsidiary of a corporate advisor, with an exercise price of 1.47 cents per share and an expiry date of 30 Oct 2020.

As at 31 December 2017, there were 1,007,493,315 ordinary shares, 65,450,000 unquoted options exercisable at 5.0 cents and expiring on 31 May 2019, 20,000,000 unquoted options as noted above, and 8,320,000 performance rights (held by Company staff) on issue.

8 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 2017.

9 INVESTMENT IN SUBSIDIARY

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

10 INCOME TAX

The income tax benefit recorded for the half-year adjusts the estimated 2017 R&D claim that was recorded at 30 June 2017 ($250,000) to the actual claim that was lodged and received subsequent to half-year end of $402,620.

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 $35 million at 31 December 2017.

11 LOSS PER SHARE

The weighted-average number of shares underlying the basic and diluted loss of $0.06 cents per share disclosed in the Statement of Profit or Loss and Other Comprehensive Income is 880,090,777 (2016: 572,092,311).

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.

12 SUBSEQUENT EVENTS

Subsequent to half-year end, PNX executed an agreement with Newmarket Gold NT Holdings Pty Ltd ('Newmarket') for the acquisition of 4 mineral leases at Fountain Head in the Pine Creek region of the Northern Territory, thereby securing the preferred location for the proposed processing plant and tailings facility for the Hayes Creek Project. As part of the agreement, PNX will also take 100% ownership of the Moline Exploration Project (currently owned 51%).

In return, PNX agreed to carve out (and return to Newmarket its 100% ownership of) three exploration areas within the Burnside project area that are part of the farm-in agreement with Newmarket and provide a 2% royalty over gold and silver produced from the Moline and Fountain Head tenements. Completion of this transaction is expected by mid-2018.

As outlined in Note 5, in February 2018 PNX issued 80 million shares to settle a $1.2 million loan, under an agreement reached with the lender in September 2017.

Also in February 2018, PNX received its tax refund under the ATO's Research & Development Tax Incentive for the 2017 tax year of $0.4 million.

There were no other events occurring subsequent to 31 December 2017 requiring adjustment to, or disclosure in, the 31 December 2017 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 2017 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, 8th March 2018

Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA 5000
Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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), which comprises the consolidated statement of financial position as at 31 December 2017, 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, 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 Company as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) in the financial report, which indicates that the Company incurred a net loss of $373,715 during the half year ended 31 December 2017 and net cash outflow from operating and investing activities of $2,677,094. 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 Company'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.

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 Company's financial position as at 31 December 2017 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 8 March 2018