



## **CORPORATE GOVERNANCE STATEMENT – 2020**

**PNX METALS LIMITED  
CORPORATE GOVERNANCE STATEMENT**

The Board of Directors of PNX Metals Limited (PNX or the Company) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board is committed to achieving and demonstrating the highest standards of corporate governance which are consistent with the current size and stage of development of the Company.

**Compliance with ASX corporate governance guidelines and best practice recommendations**

This statement sets out the Company's main corporate governance policies and practices. All these practices, unless otherwise stated, were in place for the entire year ended 30 June 2020. This Corporate Governance statement explains how the Company followed the Corporate Governance Principles and Recommendations (third edition) ('Guidelines') during the financial year ended 30 June 2020. We note the release of the fourth edition of the ASX Corporate Governance Principles and Recommendations on 27 February 2019 which do not come into effect for the Company until the first full financial year commencing 1 July 2020. This Corporate Governance statement is accurate and is up to date as at 11 September 2020 and has been approved by the Board.

The Board has assessed the Company's current practice against the Guidelines and except where disclosed below, the best practice recommendations of the ASX Corporate Governance Council have been applied. This statement incorporates the disclosures required by the Guidelines under the headings of the eight core principles.

In addition to its Constitution and applicable laws and regulations, the operations and conduct of PNX are administered in accordance with a Corporate Governance Charter (Charter) which is approved by the Board, including but not limited to:

- Code of conduct;
- Securities dealing policy;
- Continuous disclosure policy;
- Shareholder communication policy;
- Audit committee charter
- Whistle-blower policy
- Remuneration; and
- Risk management.

Further information on the Company's corporate governance policies and practices can be found on the website at <https://pnxmetals.com.au/corporate-governance/>.

**Principle 1 – Lay solid foundations for management and oversight**

Recommendation detail	Comply Yes/No
1.1 A listed entity should disclose: a) the respective roles and responsibilities of its board and management; and b) those matters expressly reserved to the board and those delegated to management.	Yes
1.2 A listed entity should: a) undertake appropriate checks before appointing a director or senior executive, or putting someone forward for election, as a director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes
1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes
1.5 A listed entity should: a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; b) disclose that policy or a summary of it; and c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with	No

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	the entity's diversity policy and its progress towards achieving them, and either: 1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	
1.6	A listed entity should: a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes
1.7	A listed entity should: a) have and disclose a process for periodically evaluating the performance of its senior executives; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes

**Principle 1: Commentary**

***Functions and operation of the board***

The Board of Directors is responsible for the corporate governance of the Company and operates in accordance with the principles set out in its Charter which is available in the corporate governance section of PNX's website at <https://pnxmetals.com.au/corporate-governance/>. The Board's primary responsibility is to shareholders but it also has regard for the interests of other stakeholders and the broader community. The Board is comprised of an independent Chairman, independent non-executive Directors, and the Managing Director and Chief Executive Officer (MD & CEO). The most important responsibilities of the Board include:

- Providing oversight and strategic direction to the Company, including reviewing and approving business and project plans and monitoring the achievement of the Company's strategic goals and objectives;
- Identifying material business and legal risks, including sources of capital, regulatory, safety, and environmental risks. Ensuring Management maintains effective, appropriate and adequate processes and systems to manage those identified risks including ensuring a risk management system is in place to monitor material risks and opportunities and reviewing the effectiveness of the Company's internal controls to manage risks;
- Appointing, removing and monitoring the performance of the Chairman, MD & CEO, senior executives, consultants and the Company Secretary;
- Approving the remuneration of Directors within the limits approved by shareholders, and the remuneration of senior executives and consultants;
- Evaluating the Board's performance and recommending the appointment and removal of Directors;
- Reporting to and communicating with shareholders;
- Reviewing, approving and monitoring the progress of budgets, financial plans, acquisitions, divestments and major capital expenditure;
- Monitoring the financial performance of the Company and approving all external financial reporting including the annual and half-year reports; and
- Improving and protecting the reputation of the Company; and
- Overseeing the entity's process for making timely and balanced disclosure of all material information concerning the entity that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

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

***Appointment***

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

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

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

***Retirement and Removal***

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

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

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

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

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

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***Structure of the board, skills, qualifications, experience and diversity***

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

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

PNX does not currently have a formal diversity policy in place, however, the Board recognises the benefits of diversity in terms of the composition of the Board, senior executives and workforce of the Company. The Board does not have specific objectives in relation to the gender, age, cultural background or ethnicity of its Board, senior executives or employees. Candidates are appointed or employed based on their skills and experience and candidates are not discriminated against based on age, gender or background. While embracing the concept of diversity, the Board is of the view that at this time, taking into account the size of the Company, it is not practical to establish measurable diversity objectives or targets and to tie diversity objectives to the Key Performance Indicators for the Board, MD and senior executives.

The table below discloses the proportion of men and women employed across the Company during the Year Ended 30 June 2020:

<b><u>Year Ended 30 June 2020</u></b>	<b>Males</b>		<b>Females</b>		<b>Total</b>	
	Number	P'Ctge	Number	P'Ctge	Number	P'Ctge
Board (Non-Executive)	5		0		5	27.8%
Executives & Senior Management #	2		0		2	11.1%
Technical and Administrative #	8		3		11	61.1%
<b>TOTAL</b>	<b>15</b>	<b>83.3%</b>	<b>3</b>	<b>16.7%</b>	<b>18</b>	<b>100.00%</b>

# Includes casual, part-time and contract personnel employed during the year.

***Performance Evaluation***

The performance of the Board, Audit Committee and individual Directors is periodically reviewed by self-assessing whether or not the Company is achieving its strategic objectives, and by assessing the Company's exploration success, project development, financial performance and movement in its market capitalisation. The last formal board performance evaluation was completed in June 2019. No major deficiencies in Board or individual Director performance were noted, although some improvement areas were identified and actioned.

A performance appraisal process exists regarding the Company's senior executives, whereby the performance of executives is reviewed against previously set goals relating to both the Company and individual performance. The performance of the MD & CEO is monitored by the Board, and his performance is informally reviewed each year. The MD & CEO is responsible for the review and monitoring of the performance of senior executives.

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**Principle 2 – Structure the board to be effective and add value**

Recommendation detail	Comply Yes/No
<p>2.1 The board of a listed entity should:</p> <p>a) have a nomination committee which:</p> <ol style="list-style-type: none"> <li>1. has at least three members, a majority of whom are independent directors; and</li> <li>2. is chaired by an independent director, and disclose:</li> <li>3. the charter of the committee;</li> <li>4. the members of the committee; and</li> <li>5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b></li> </ol> <p>b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	No
<p>2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	Yes
<p>2.3 A listed entity should disclose:</p> <p>a) the names of the directors considered by the board to be independent directors;</p> <p>b) if a director has an interest, position, association or relationship of the type described in Box 2.3 (as included in the ASX Corporate Governance Principles and Recommendations) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>c) the length of service of each director</p>	Yes
<p>2.4 A majority of the board of a listed entity should be independent directors.</p>	Yes
<p>2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	Yes
<p>2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	Yes

**Principle 2: Commentary**

***Nomination Committee***

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the establishment of a nomination committee. All matters which might otherwise be delegated to a nomination committee are dealt with by the full Board. The Charter sets out the procedures adopted by the Board to satisfy itself of the matters which may otherwise be dealt with by Committees. The Charter may be viewed at the Company's website at <https://pnxmetals.com.au/corporate-governance/> in the Corporate Governance section.

***Board of Directors***

The names of the members of the Board as at the date of this statement and the length of service (in completed years and months) of each Director are as follows:

- Mr. Graham Ascough (Chairman) – Independent Non-Executive Director (7 years, 9 months)
- Mr. Peter Watson - Independent Non-Executive Director (13 years)
- Mr. David Hillier - Independent Non-Executive Director (9 years, 11 months)
- Mr. Paul Dowd – Independent Non-Executive Director (12 years, 11 months)
- Mr. Hans-Jörg Schmidt – Independent Non-Executive Director (10 months)
- Mr. James Fox – Managing Director & Chief Executive Officer (5 years, 9 months)

When determining whether a non-executive Director is independent, the Director must not fail any of the tests included in the ASX Corporate Governance Principles and Recommendations (refer to Box 2.3). The Board has considered the position of the Directors and considers that the non-executive Directors are “independent” as defined by the Guidelines.

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The skills and qualifications of each of the Directors are set out in the Directors' Report which accompanies the financial statements. All Directors have considerable Board experience and their skills involve the fields of geology, mineral exploration, minerals processing, engineering, capital project management, mining, finance, funding, investment banking and law. The Board believes that the level of skill and experience possessed by individual Directors is appropriate for the company's size and complexity.

Whilst the Board does not maintain a formal 'skills matrix' of current Directors; the Board considers that collectively the Directors have the appropriate range of skills and experience (outlined above) to guide and direct the Company toward achieving its business objectives.

New Directors undergo an induction process in which they are given a full briefing on the Company and its operations. Where possible, this includes meetings with key staff, tours of premises and projects, provision of a due diligence package and presentations from Management.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development.

***Role of the Chairman***

The Charter provides that the Chairman should be an independent Director and should not hold the role of Chief Executive Officer. Mr Graham Ascough has been the Chairman of the PNX board and a non-executive Director for over 7 years.

The Chairman is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function, for the briefing of all Directors in relation to issues arising at Board meetings and for shareholder communication.

***Independent Professional Advice and Access to Information***

Each Director has the right of access to all relevant information in the Company in addition to access to the Company's executives. Each Director has entered into a Deed of Access and Indemnity with the Company. Each Director also has the right to seek independent professional advice subject to prior consultation with, and approval from, the chairman. This advice will be provided at the Company's expense and will be made available to all members of the Board.

**Principle 3: A listed entity should act ethically and responsibly**

Recommendation detail	Comply Yes/No
3.1 A listed entity should: a) have a code of conduct for its directors, senior executives and employees; and b) disclose that code or a summary of it.	Yes

**Principle 3: Commentary**

***PNX's Vision:***

PNX's broad vision is through innovative and successful exploration and development to become a base/precious metals producer providing exceptional value for shareholders, and for the benefit of our employees and the communities in which we work.

***PNX's Values:***

**Safety** - PNX's Occupational Health Safety and Environment (OHS&E) vision is for safe exploration, safe operations and zero harm to our people and the communities in which we work.

**Environment and Welfare** - PNX will operate and manage so as to respect and minimise the impact upon the environment and to preserve, and where possible, enhance the specific features and values of our environment and heritage. PNX believes that a safe, skilled and healthy workforce as well as exceptional environmental performance contributes to our communities and to business success.

**Honesty, Ethics and Integrity** – PNX will lead by example through an honest, ethical and open framework to promote successful relationships to achieve strong and successful business outcomes. (PNX's Vision and Values are displayed on the Company's website in the Corporate Governance section and may be viewed at <https://pnxmetals.com.au/corporate-governance/>).

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**Code of Conduct**

The Company recognises the importance of establishing and maintaining high ethical standards and decision making in conducting its business and is committed to increasing shareholder value in conjunction with fulfilling its responsibilities as a good corporate citizen. All Directors, managers and employees are expected to act with the utmost integrity, honesty and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Company has established a Code of Conduct which is included in the Charter. New employees are introduced to the Code of Conduct as part of their induction training.

Identification of unethical practices, including fraud, legal and regulatory breaches, and policy breaches are required to be reported on a timely basis to Management. Reporting parties are able to do so without fear of reprisal or retribution as their identity and report are kept in the strictest confidence. A Whistleblower Policy (adopted on 4 December 2019) and Anti-bribery and Corruption Policy (adopted on 5 August 2020) are available on the PNX website and can be accessed at <https://pnxmetals.com.au/corporate-governance/> in the Corporate Governance section. Any material incidents or breaches must be reported to the Board in accordance with these policies.

**Securities Dealing Policy**

The Company has established a securities' dealing policy included in the Charter which governs the trading in the Company's securities and applies to all Directors and employees of the Company. The policy is available on the PNX's website and may be viewed in the Corporate Governance section at <https://pnxmetals.com.au/corporate-governance/>.

Under the securities dealing policy, an executive, employee or Director must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

No acquisitions or sales of Company securities may be made during Blackout Periods i.e. the time from the end of a quarter until 24 hours following the release of the quarterly cash flow report nor prior to any anticipated announcement to the ASX nor for a 24-hour period after the announcement. Trading of securities outside the trading windows can only occur in exceptional circumstances and with the written approval of the Chairman or Company Secretary.

As required by the ASX listing rules, the Company notifies the ASX of any transaction in the securities of the Company conducted by Directors.

**Principle 4: Safeguard integrity in corporate reporting**

Recommendation detail	Comply Yes/No
<p>4.1 The board of a listed entity should:</p> <p>a) have an audit committee which:</p> <ol style="list-style-type: none"> <li>1. has at least three members, all of whom are non-executive directors; and a majority of whom are independent directors; and</li> <li>2. is chaired by an independent director, who is not the chair of the board, and disclose:</li> <li>3. the charter of the committee;</li> <li>4. the relevant qualifications and experience of the members of the committee; and</li> <li>5. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b></li> </ol> <p>b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner</p>	Yes
<p>4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	Yes
<p>4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	Yes



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**Principle 4: Commentary**

**Audit Committee**

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

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

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

- establishing risk management controls and procedures and regularly testing the effectiveness of these controls and procedures;
- reviewing the Company's annual reports and half year reports to determine whether the Company's financial statements provide a true and fair view of its financial position;
- reviewing the independence and performance of the external auditors;
- evaluating the adequacy and effectiveness of the Company's accounting policies through ongoing communication with Management, the Company's accountants and external auditors;
- ensuring that the Company's financial reports comply with the accounting standards and the law;
- reviewing, at least annually, the Company's risk management controls and performance with the Company's external auditors and ensuring the review process and recommendations are recorded and signed by the chairman of the Audit Committee and the auditors;
- investigating any matters raised by the external auditors;
- reviewing any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor;
- reviewing the scope and adequacy of the external audit; and
- recommending the appointment or removal of the external auditor, including the rotation of the audit engagement partner and reviewing and approving the fees payable to the auditor for audit and non-audit work.

The Charter may be viewed at the Company's website <https://pnxmetals.com.au/corporate-governance/> in the Corporate Governance section.

The table below summarises the attendances at board meetings and audit committee meetings held during the year ended 30 June 2020:

<b>Year Ended 30 June 2020</b>	<b>Total meetings held during the year</b>	<b>Graham Ascough (Board Chairman)</b>	<b>David Hillier (Audit Committee Chairman)</b>	<b>Peter Watson</b>	<b>Paul Dowd <sup>2</sup></b>	<b>Hans-Jörg Schmidt <sup>1,2</sup></b>	<b>James Fox <sup>2</sup></b>
	Meetings attended	Meetings attended	Meetings attended	Meetings attended	Meetings attended	Meetings attended	Meetings attended
Board Meetings	9	9	9	9	9	6	9
Audit Committee Meetings	3	3	3	3	3	2	3

<sup>1</sup> Hans-Jörg Schmidt was appointed as a director on 11 November 2019 and was available for 6 Board meetings and 2 Audit Committee meetings

<sup>2</sup> Invited to attended Audit Committee meetings

**Certification of Financial Reports**

The Managing Director and Chief Executive Officer (MD & CEO) and Chief Financial Officer (CFO) state in writing to the Board each reporting period that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. The MD & CEO and CFO provide a declaration, in accordance with section 295A of the Corporations Act 2001, that is founded on a sound system of

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risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company's half-year and annual financial statements are reviewed by the Audit Committee and the external auditor is available to respond to any queries that may be raised by the Audit Committee. The Audit Committee provides its recommendation to the Board in relation to these reports.

The Company's quarterly reports are provided to Directors for review and comments prior to release to the ASX. The external auditors are subsequently provided with the internal worksheets for each of the quarterly reports for their review.

**Auditors**

The Company's external auditor, Grant Thornton, was appointed in accordance with section 327B of the Corporations Act 2001. Any subsequent appointment or rotation of external auditors occurs in accordance with the Corporations Act 2001. Grant Thornton has a policy, in accordance with the Corporations Act, of rotating the partner responsible for the PNX audit engagement every five years.

Grant Thornton has declared its independence to the Board through the provision of its Auditor's Independence Declaration to the Board, which states that there have been no contraventions of audit or independence requirements as set out in the Corporations Act or any auditors' professional code.

The external auditor attends the Annual General Meeting to answer any questions concerning the audit of the Company and the contents of the auditor's report.

**Principle 5: Make timely and balanced disclosure**

Recommendation detail	Comply Yes/No
5.1 A listed entity should: <ul style="list-style-type: none"> <li>a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</li> <li>b) disclose that policy or a summary of it.</li> </ul>	Yes

**Principle 5: Commentary**

PNX has a Continuous Disclosure Policy to ensure timely and balanced disclosure of all material matters concerning the Company, and to ensure that all investors have access to information on the Company's financial and operational performance. This ensures that the Company is compliant with the information disclosure requirements under the ASX Listing Rules.

The Continuous Disclosure Policy ensures that any information that may have a material effect on the price or value of the Company's securities is promptly released to the ASX and posted on the Company's website. Any new and substantive investor or analyst presentations are released on the ASX Market Announcements Platform ahead of such presentation.

All material announcements made to the market are provided to the Directors ahead of release to the ASX.

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

The Continuous Disclosure Policy is included in the Charter and may be viewed at the Company's website at <https://pnxmetals.com.au/corporate-governance/> in the Corporate Governance section.

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**Principle 6: Respect the rights of security holders**

Recommendation detail	Comply Yes/No
6.1 A listed entity should provide information about itself and its governance to investors via its website.	Yes
6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes
6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes

**Principle 6: Commentary**

Communication with the Company's shareholders occurs through ASX announcements, updates to the Company's website, in person at the Annual General Meeting and other general meetings (when held), through its share registry, and through other means as appropriate including the channels of investor relations consultants. PNX aims to promote effective communication with shareholders through an investor relations program which includes:

- The annual report, including relevant information about the operations of the Company during the year, key financial information, changes in the state of affairs and indications of future developments. The annual report can be accessed either through the ASX website or Annual Reports section of PNX's website <https://pnxmetals.com.au/annual-and-half-yearly-reports/>.
- All announcements made to the market and related information (including presentations to investors and information provided to analysts or the media during briefings), are made available to all shareholders under the investors section of PNX's website after they have been released to the ASX and can be accessed using the following URL link <https://pnxmetals.com.au/announcements/>.
- Detailed notices of shareholder meetings are sent to all shareholders in advance of the meeting.
- Shareholding details are available through the Company's share register, Computershare Investor Services Pty Ltd.
- Shareholders are provided the option of sending and receiving communications electronically.

The Board encourages full participation by shareholders at the Annual General Meeting to ensure a high level of Director accountability to shareholders and shareholder identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. Shareholders are requested to vote on matters such as the adoption of the Company's remuneration report, the granting of options and shares to Directors and changes to the Constitution.

**Principle 7: Recognise and manage risk**

Recommendation detail	Comply Yes/No
7.1 The board of a listed entity should: a) have a committee or committees to oversee risk, each of which: 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b> b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	Yes

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7.2	The board or a committee of the board should: a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and b) disclose, in relation to each reporting period, whether such a review has taken place.	Yes
7.3	A listed entity should disclose: a) if it has an internal audit function, how the function is structured and what role it performs; or b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	No
7.4	A listed entity should disclose whether it has any material exposure to environmental and social risks and, if it does, how it manages or intends to manage those risks.	Yes

**Principle 7: Commentary**

***Risk Management Framework***

Whilst the Board is ultimately responsible for identifying and managing areas of significant business risk, it has delegated the management of this function to the Audit Committee, as outlined above (see page 7 – under Principle 4 Commentary). The Audit Committee is responsible for maintaining effective risk management systems, identifying and managing key Company risks, establishing and maintaining effective controls, ensuring compliance with risk management policies and reporting of any non-compliance occurrences and makes recommendations to the Board for adoption. The Company has created a Corporate Risk Register, which lists and rates these risks in terms of likelihood and consequence, and documents the controls in place to manage these risks.

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

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

The Company is exposed to environmental and permitting risks as a mineral exploration company with a key project at Fountain Head progressing toward development. Environmental matters are identified and addressed by Management and communicated to the Board as part of normal business activities. External environmental consultants have been and continue to be used for feasibility, environmental and other studies in relation to the Fountain Head and Hayes Creek Projects.

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

Management ensures that the Risk Register is kept up-to-date so as to reflect changes in the Company's business activities and risks, the law and current best practice within the mining industry. A thorough review of the Corporate Risk Register is undertaken by Management and the Audit Committee each year to identify any further risks, evaluate existing controls and, if necessary, develop and implement further strategies and action plans for minimising and controlling the risks. A risk management review was most recently carried out by the Audit Committee on 3 June 2020.

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

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

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

**Internal Audit**

The Company does not, at this stage, have an Internal Audit function. The comprehensive risk review process is seen by the Board as an effective and appropriate substitute for the internal audit function and appropriate for the Company's size and scale. The Board from time to time may utilise external parties to undertake internal audit control reviews.

**Environmental and Social Risks**

The Company acknowledges that protection of the environment and sound environmental management strategies are essential to the continued expansion of the company. The Company and its employees:

- observe all environmental laws and conduct activities in compliance with applicable legislation, regulations and licence requirements;
- actively promote environmental awareness among Company personnel and contractors to increase the understanding of environmental matters; and
- incorporate environmental matters into risk management, planning and operational decisions and conduct regular audits of operations including those of contractors to ensure performance standards are maintained at the highest level

The Board does not believe the Company has any material exposure to economic, environmental and social sustainability risks at the present time.

**Principle 8: Remunerate fairly and responsibly**

Recommendation detail	Comply Yes/No
<p>8.1 The board of a listed entity should:</p> <p>a) have a remuneration committee which:</p> <ol style="list-style-type: none"> <li>1. has at least three members, a majority of whom are independent directors; and</li> <li>2. is chaired by an independent director, and disclose:</li> <li>3. the charter of the committee;</li> <li>4. the members of the committee; and</li> <li>5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b></li> </ol> <p>b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	No
<p>8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	Yes
<p>8.3 A listed entity which has an equity-based remuneration scheme should:</p> <p>a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>b) disclose that policy or a summary of it.</p>	No

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**Principle 8: Commentary**

***Remuneration Committee***

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

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

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

***Remuneration Framework***

The 'Remuneration Report' section of the Directors' Report sets out the structure of remuneration of non-executive Directors and of executives. The Report also details the nature and amount of each element of the remuneration of each non-executive Director and executive.

The current non-executive Directors' fee pool is \$500,000 (inclusive of statutory superannuation).

Shareholders are asked to adopt, as a non-binding vote, the Remuneration Report as contained in the Directors' Report for each financial year.

The Company does not currently have a policy on trading in derivatives that would limit exposure to losses resulting from share price decreases applicable to Directors and employees who receive part of their remuneration in securities of the Company. The Board is not aware of any member of the Company's Directors or key management personnel ever conducting such activity. The Securities Dealing Policy is located in the corporate governance section of the Company's website <https://pnxmetals.com.au/corporate-governance/>.

APPROVED by the Board on 11 September 2020.