

# PNX METALS LIMITED

ABN 67 127 446 271



## FINANCIAL REPORT For the Half-Year Ended 31 December 2020

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## DIRECTORS' REPORT

The directors of PNX Metals Limited (PNX, or Company) are pleased to present the financial report for the half-year ended 31 December 2020 in accordance with the Corporations Act 2001.

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

Graham Ascough (Chairman)

James Fox

Hans-Jörg Schmidt

Hansjoerg Plaggemars (Appointed on 28 November 2020 and continues in office at the date of this report)

Paul Dowd (Resigned on 5 March 2021)

Peter Watson (Resigned on 5 March 2021)

David Hillier (Resigned on 26 November 2020)

## REVIEW OF OPERATIONS

The total comprehensive loss for the half-year was \$501,908 (2019: total comprehensive loss of \$997,820). Net assets at 31 December 2020 were \$20.5 million, including \$5.4 million in cash.

On 30 November 2020, the Company announced a capital raising through the placement of 378,333,333 Ordinary Shares to professional and sophisticated investors and 570,950,076 Ordinary Shares through a non-renounceable rights issue (NRRI) to subscribing shareholders raising a total of \$5,437,701 (before costs). Subsequent to the half-year end the company completed the fundraising through the placement of 202,288,626 NRRI Shortfall Shares issued on 29 January 2021 raising a further \$1,213,731 (before costs). Total funds of \$6,651,432 (before costs) were raised under the capital raising to advance the Fountain Head Gold Project and PNX's NT Exploration Strategy.

The Company's current priority is completion of feasibility work and approvals processes relating to the rapid development of its Fountain Head Gold Project in parallel with regional exploration.

### Fountain Head Gold Project

Located approximately 170km south of Darwin in the Pine Creek region of the Northern Territory, Fountain Head hosts a Mineral Resource estimate of **2.94Mt at 1.7g/t Au for 156,000 oz gold**, reported in accordance with the JORC Code (2012) and is owned 100% by PNX, (Refer to ASX release 20 June 2020 for full details including JORC tables). In addition, up to 28koz of gold and 1.5Moz of silver contained in oxide/transitional mineralisation and stockpiled material at Mt Bonnie (part of the Company's nearby Hayes Creek zinc-gold-silver project) will be assessed in the feasibility along with the preferred processing route of a conventional gravity, milling and Carbon-in-Leach (CIL) plant.

An expanded feasibility aims to confirm the technical and economic viability of Fountain Head and any other oxide gold/silver mineralisation as Stage 1 of a multi-asset development, with the Hayes Creek zinc-gold-silver sulphides to follow as Stage 2. This study will highlight the potential for a mixed commodity, multi-asset, long-life, highly profitable development.

Both the Fountain Head and Hayes Creek Projects are located close to each other in a favourable mining jurisdiction where PNX's development scenario considers and utilises existing infrastructure that includes telecommunications, road, high voltage power lines and water, further enhancing project fundamentals and lowering development risks.

In November 2020 a comprehensive geological review of the areas surrounding the Fountain Head Gold Project was completed and identified new exploration targets with the potential to host additional 'near-mine' gold resources. This review identified the Glencoe tenement as an acquisition opportunity for PNX.

Banner and unexplored portions of the Glencoe – Tally Ho – Klondike Trend, including a potential new lode position at the NW Breccia, are key drill targets and a priority for follow-up in 2021 (see ASX release 23 November 2020).

## **Hayes Creek Zinc and Precious Metals Project**

Total contained gold in PNX's Projects is now close to 400Koz (excluding the newly acquired Glencoe gold deposit), and in the polymetallic ore at Hayes Creek is a further 16.2Moz of silver and 180Kt of zinc. All Mineral Resources have been reported in accordance with the JORC Code (2012) and are situated on 100% owned granted Mining Licenses.

A Preliminary-Feasibility Study was conducted over Hayes Creek, now envisaged as Stage 2 of PNX's development strategy, with results announced to the ASX on 12 July 2017 that confirmed the potential for the project to become a low-cost, high-margin Australian zinc and precious metals mine.

## **Permitting and Approvals**

The Fountain Head Gold Project Environmental Impact Assessment (EIS) has been completed with regard to heap leaching, however, with the proposed change in process route to milling and CIL, further technical work is underway to inform the EIS under the same Terms of Reference. It is expected that this work will be completed late in the March 2021 quarter with the EIS to be submitted early in the June 2021 quarter. A dewatering Mine Management Plan to reflect the potential change in processing route has been submitted for approval.

The Fountain Head Gold Project feasibility remains on schedule to be completed at or around the same time as the EIS is submitted.

## **Regional Exploration**

The Company is progressing evaluation of additional gold prospects that may have the potential to augment overall project returns. PNX holds a large tenement portfolio containing a unique mix of zinc, gold and silver potential less than 170km south of Darwin in the Pine Creek region of the Northern Territory. PNX is a successful explorer and is aiming to be a sustainable, profitable producer.

During the half-year, a number of high-priority gold exploration targets were identified at the Burnside Project and scheduled for immediate follow-up (refer to ASX release 9 October 2020). The Burnside Exploration Project (90% PNX) is a highly prospective and under-explored area which hosted a historic gold endowment in excess of 3Moz. The majority of regional exploration at Burnside took place in the period between the late 1980s and early 2000s when low gold prices prevailed.

Field work undertaken at Burnside during the half-year returned rock chip samples at new exploration targets (including Medusa and Western Arm North) of up to 7.21g/t gold from outcrops (refer ASX release 15 December 2020). A further regional exploration program will re-start in the current quarter with drilling of priority targets expected to commence after the wet season from mid-2021.

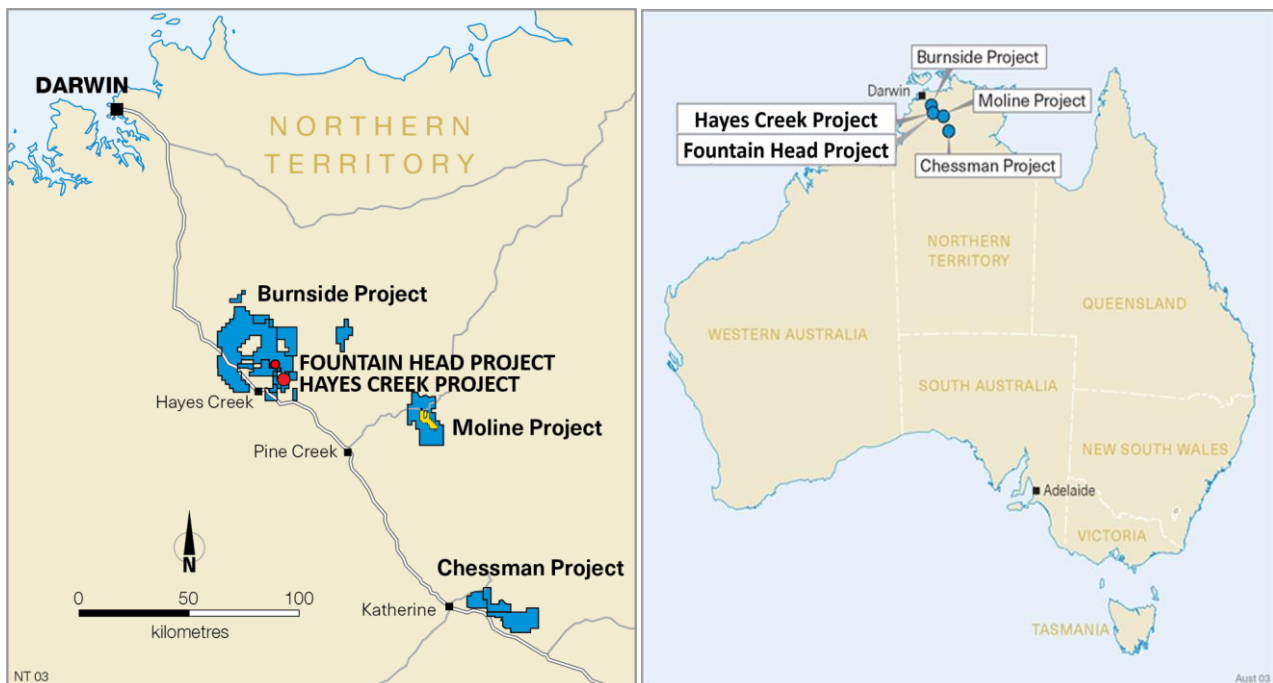
The Company has been systematically reviewing the broader Burnside area, along with other exploration areas, to identify targets with the potential to host significant "standalone" gold deposits, and to supplement and extend proposed gold processing operations at FH.

## **Acquisition of the Glencoe Gold Deposit**

On 10 December 2020, the Company announced the acquisition of the nearby Glencoe gold deposit located less than 3km from PNX's 100% owned Fountain Head Gold Project.

The acquisition represents an opportunity to acquire a 'bolt on' asset that has the potential to significantly expand the Fountain Head Gold Project.

Gold mineralisation at Glencoe (historic non-JORC mineral resource estimate of 0.7Mt @ 1.9g/t Au for 43Koz Au) has been defined within four main mineral lodes over an approximate 500m surface strike extent that remains open at depth and along strike (Refer to ASX Announcement dated 10 December 2020).



**Figure 1: NT Project locations**

## SUBSEQUENT EVENTS

During January 2021 and subsequent to the half-year end, the Company raised approximately ~\$1.2m (before costs) through the placement of the shortfall under a non-renounceable rights issue announced to the ASX on 30 November 2020. On 29 January 2021, the Company issued the 202,288,626 shares comprising that shortfall.

Subsequent to the half-year end, the Company issued 53,500,000 unquoted Performance Rights under the PNX Metal Limited Employee Performance Rights Plan. 25,000,000 Performance Rights, subject to performance conditions, were issued to the Managing Director on 27 January 2021 and a further 28,500,000 Performance Rights, subject to performance conditions, were also issued to employees and contracted personnel on 1 February 2021.

There were no other events occurring subsequent to 31 December 2020 requiring adjustment to, or disclosure in, the 31 December 2020 half-year financial statements.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration, as required under Section 307C of the Corporations Act 2001, is included on page 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, 9 March 2021

## 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 2020, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



I S Kemp  
Partner – Audit & Assurance

Adelaide, 09 March 2021

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**PNX METALS LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

		<b>Consolidated</b>	
		<b>Half-year</b>	<b>Half-year</b>
	<b>Note</b>	<b>ended</b>	<b>ended</b>
		<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
Interest income		2,405	20,364
Other income	<b>2</b>	102,500	20,000
Employee benefits		(146,358)	(153,638)
Exploration		2,751	(24,670)
Share registry and regulatory		(31,774)	(45,744)
Professional fees		(273,339)	(209,273)
Occupancy		(34,008)	(34,008)
Directors' fees		(117,555)	(103,043)
Equity based compensation	<b>8</b>	(15,230)	(16,912)
Audit fees		(10,768)	(10,828)
Insurance		(12,631)	(15,119)
Depreciation		(3,720)	(3,842)
Other expenses		(54,425)	(85,914)
<b>Loss before income tax expense</b>		<b>(592,152)</b>	<b>(662,627)</b>
Income tax benefit	<b>11</b>	-	-
<b>Loss for the period</b>		<b>(592,152)</b>	<b>(662,627)</b>
<b>Other comprehensive income/(loss):</b>			
Investments revalued to Fair Value OCI	<b>6</b>	90,244	(335,193)
<b>Total comprehensive loss for the period attributable to equity holders of the parent</b>		<b>(501,908)</b>	<b>(997,820)</b>
<b>Loss per share from continuing operations:</b>			
Basic (cents per share)	<b>12</b>	(0.02)	(0.03)
Diluted (cents per share)	<b>12</b>	(0.02)	(0.03)

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 2020

		Consolidated	
		31 Dec 2020	30 June 2020
	Note	\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		5,421,850	1,972,721
Trade and other receivables		76,383	93,582
Other assets	4	548,740	46,953
Other financial assets	6	180,488	90,244
<b>TOTAL CURRENT ASSETS</b>		<b>6,227,461</b>	<b>2,203,500</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation expenditure	5	15,960,610	16,364,563
Plant and equipment		9,343	14,768
Other assets	4	1,198,797	108,212
<b>TOTAL NON-CURRENT ASSETS</b>		<b>17,168,750</b>	<b>16,487,543</b>
<b>TOTAL ASSETS</b>		<b>23,396,211</b>	<b>18,691,043</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		286,250	479,920
Provisions		147,293	130,586
<b>TOTAL CURRENT LIABILITIES</b>		<b>433,543</b>	<b>610,506</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		23,813	19,258
Contract liabilities	7	2,400,000	2,400,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,423,813</b>	<b>2,419,258</b>
<b>TOTAL LIABILITIES</b>		<b>2,857,356</b>	<b>3,029,764</b>
<b>NET ASSETS</b>		<b>20,538,855</b>	<b>15,661,279</b>
<b>EQUITY</b>			
Issued capital	8	52,436,307	47,072,054
Reserves		86,177	(19,297)
Accumulated losses		(31,983,629)	(31,391,478)
<b>TOTAL EQUITY</b>		<b>20,538,855</b>	<b>15,661,279</b>

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 2020**

	Consolidated				
	Ordinary Issued Capital	Equity-based Payment Reserve	Fair Value OCI Reserve	Accumulated Losses	Total
Note	\$	\$	\$	\$	\$
Balance at 1 July 2019	45,469,675	50,015	335,193	(29,885,952)	15,968,931
Loss attributable to members of the parent entity	-	-	-	(662,627)	(662,627)
Other comprehensive income	-	-	(335,193)	-	(335,193)
Total comprehensive loss for the period	-	-	(335,193)	(662,627)	(997,820)
Fair value of equity-based payments	-	16,912	-	-	16,912
Balance at 31 December 2019	45,469,675	66,927	-	(30,548,579)	14,988,023
Balance at 1 July 2020	47,072,054	83,839	(103,136)	(31,391,477)	15,661,280
Loss attributable to members of the parent entity	-	-	-	(592,152)	(592,152)
Other comprehensive income	-	-	90,244	-	90,244
Total comprehensive loss for the period	-	-	90,244	(592,152)	(501,908)
Fair value of equity-based payments	-	15,230	-	-	15,230
Placement - shares issued	2,270,000	-	-	-	2,270,000
Rights Issue - shares issued	3,167,701	-	-	-	3,167,701
Services provided - shares issued	6,000	-	-	-	6,000
Share issue costs	(79,448)	-	-	-	(79,448)
Balance at 31 December 2020	52,436,307	99,069	(12,892)	(31,983,629)	20,538,855

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 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>Half-year ended 31 Dec 2020 \$</b>	<b>Half-year ended 31 Dec 2019 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Government grants received	<b>2</b>	102,500	-
Research & Development tax offset received		-	169,836
Payments to suppliers and employees		(646,086)	(689,243)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(543,586)</b>	<b>(519,407)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for exploration activities		(858,645)	(2,090,665)
Payments for MMP security bond	<b>4</b>	(18,092)	-
Deposit paid for acquisition of Glencoe tenement	<b>4</b>	(500,000)	
Interest received		5,199	16,323
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(1,371,538)</b>	<b>(2,074,342)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of shares, net of costs		5,364,253	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>5,364,253</b>	<b>-</b>
Net increase/(decrease) in cash & cash equivalents		3,449,129	(2,593,749)
Cash at the beginning of the reporting period		1,972,721	5,303,691
<b>CASH AT THE END OF THE REPORTING PERIOD</b>		<b>5,421,850</b>	<b>2,709,942</b>

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 interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020, except for the adoption of new standards effective as of 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

### **New standards, interpretations and amendments adopted by the Group**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group are:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

### **(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 2020, the Group made a total comprehensive loss of \$501,908 (2019: total comprehensive loss of \$997,820) and recorded a net cash outflow from operating and investing activities of \$1,915,124 (2019: net outflow \$2,593,749). At 31 December 2020, the Group had cash of \$5,421,850 (30 June 2020: \$1,972,721). The Group has net current assets of \$5,613,430 excluding the investment in Sunstone Metals Ltd of \$180,488 (30 June 2020: net current assets of \$1,502,750) and net assets of \$20,538,855 (30 June 2020: \$15,661,279).

The Directors believe that it is appropriate to prepare the financial statements on the going concern basis. The Group completed a capital raising during January 2021 to allow for planned exploration, feasibility studies and administrative activities to continue over at least the next 12 months. The Directors have the ability to review operational and exploration forecast activities in order to reduce costs if needed.

### **(b) Estimates**

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

The judgments, estimates and assumptions applied in the half-year financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2020.

## 2 OTHER INCOME

The details included in Other Income are as follows:

	31 Dec 2020 \$	31 Dec 2019 \$
Government grants #	102,500	-
Other income	-	20,000
<b>Total other income</b>	<b>102,500</b>	<b>20,000</b>

# The Group qualified for the Australian Government's Jobkeeper subsidy for certain qualifying employees and the COVID-19 Cash Boost stimulus.

## 3 SEGMENT INFORMATION

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

## 4 OTHER ASSETS

Details included under other assets are as follows:

	31 Dec 2020 \$	30 June 2020 \$
<b>Other Assets - Current</b>		
(a) Prepaid insurance	15,980	14,193
(b) Term Deposit – Office tenancy security bond	32,760	32,760
(c) Deposit paid – acquisition of Glencoe tenement *	500,000	-
<b>Total Other Assets - Current</b>	<b>548,740</b>	<b>46,953</b>
<b>Other Assets - Non-Current</b>		
(d) Security Bond – various Exploration MMP's	108,212	108,212
(e) Security Bond – Fountain Head project area #	784,055	-
(f) Security Bond – Moline project area #	306,530	-
<b>Total Other Assets - Non-current</b>	<b>1,198,797</b>	<b>108,212</b>

- (a) Prepaid insurance balance as at 31 December 2020
- (b) A bank Term Deposit has been provided as security in relation to the landlord's bond requirements for the Company's Adelaide office tenancy.
- (c) Deposit paid during December for the acquisition of the Glencoe tenement
- (d) Security bond held by the Company with NT Dept of Primary Industry and Resources (DPIR) in relation to approved exploration related mine management plans (MMP's).
- (e) Security bond held by the Company with DPIR in relation to an approved MMP relating to the Fountain Head project area.
- (f) Security bond held by the Company with DPIR in relation to an approved MMP relating to the Moline project area.

\* On 10 December 2020, the Company announced the acquisition of the Glencoe gold deposit located less than 3km from PNx's 100% owned Fountain Head Gold Project and paid a \$500,000 deposit as part of the terms of the acquisition.

# During the half-year, the formal transfer of the Fountain Head and Moline tenements to PNx was completed, pursuant to the acquisition agreement between Kirkland Lake Gold Australia ("Kirkland Lake") (formerly called Newmarket Gold) and the Company. The security bonds previously provided to the DPIR by Kirkland Lake, were transferred to the Company. The DPIR approved MMP's lodged by the Company for the Fountain Head and the Moline project areas. A security requirement determined

by the DPIR for the Fountain Head project area was \$784,055 and \$306,530 for the Moline area. These security bonds have been paid to the DPIR.

## 5 EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 2020 \$	30 June 2020 \$
<b>Costs brought forward</b>	<b>16,364,563</b>	<b>12,505,077</b>
(a) Expenditure incurred during the period	866,550	4,394,205
(b) Expenditure expensed to the P&L	2,751	(34,719)
(c) Impairment Losses	-	(500,000)
(d) Security Bonds transferred to PNX #	(1,273,254)	-
<b>Total Exploration and Evaluation Expenditure</b>	<b>15,960,610</b>	<b>16,364,563</b>

# During the half-year, the formal transfer of the Fountain Head and Moline tenements to PNX was completed, pursuant to the purchase and sale agreement between Kirkland Lake Gold Australia ("Kirkland Lake") (formerly called Newmarket Gold) and the Company. The security bonds previously provided to the DPIR by Kirkland Lake, totalling \$1,273,254, were transferred to the Company. \$1,273,254 was recorded and offset against the carrying costs for the Fountain Head and Moline projects.

## 6 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), and is carried at a fair value of \$180,488.

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 2020 to 31 December 2020 is \$90,244 and is recorded to a FV-OCI Reserve in shareholders' equity, and shown in Other Comprehensive Income in accordance with AASB 9.

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

## 7 CONTRACT LIABILITIES

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

The Company has received a total of \$2.4 million under these agreements, for the forward sale of a total of 336,000 oz of silver, to be delivered over a 3-year period once commissioning and ramp up of the Hayes Creek Project is complete. At the end of the three-year silver delivery period, each investor is to receive a 0.36% Net Smelter Return (NSR) royalty over gold and silver produced from the Hayes Creek Project, and will be paid for a 5-year period. PNX can buy back the NSR royalty from an investor prior to production commencing for \$0.4 million.

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

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

## 8 ISSUE OF SECURITIES

During the half-year, 907,283,409 ordinary shares were issued as follows:

- 378,333,333 ordinary shares were issued, at a price of \$0.006 (0.6 cents) per share, to professional and sophisticated investors on 2 December 2020 under a share placement as part of a capital raising announced on the ASX on 30 November 2020.
- 527,950,076 ordinary shares were issued, at a price of \$0.006 (0.6 cents) per share to subscribing shareholders, on 24 December 2020 under a non-renounceable rights issue as part of a capital raising announced on the ASX on 30 November 2020.
- 1,000,000 ordinary shares were issued at a price of \$0.006 (0.6 cents) per share, to a service provider on 24 December 2020 as part-payment for services rendered to the Company

20,000,000 unquoted options, exercisable at 1.47 cents, expired on 30 October 2020. As a result of the Rights Issue, the Company adjusted the exercise price of its remaining unlisted options to subscribe for PNX shares from the original exercise price of \$0.015 (1.5 cents) to an adjusted exercise price of \$0.01464 (1.464 cents) in accordance with the terms and conditions of issue of the options. The remaining unlisted options were originally issued to participants of a placement of shares completed on 2 October 2018 on the basis one free attaching unquoted option for each share subscribed for.

A share-based payment expense of \$15,230 was recorded (2019: \$16,912) for the half-year in relation to 10,000,000 performance rights issued under the Company's Employee Performance Rights Plan in a previous financial year.

As at 31 December 2020, the following securities were on issue:

- 3,449,904,885 ordinary shares;
- 359,125,000 unquoted options exercisable at 1.464 cents and expiring on 30 Sep 2021; and
- 10,800,000 performance rights.

## 9 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 2020.

## 10 INVESTMENT IN SUBSIDIARY

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

## 11 INCOME TAX

No income tax benefit was recorded for the half-year in relation to any R&D claim as the Company was unable to reliably measure the R&D claim at that time. For the year ended 30 June 2020 an estimated R&D claim of \$55,000 was recorded as at 30 June 2020 and has not been finalised as at 31 December 2020.

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 \$45.5 million at 31 December 2020.

## 12 LOSS PER SHARE

The weighted-average number of shares underlying the basic and diluted loss of \$0.02 cents per share disclosed in the Statement of Profit or Loss and Other Comprehensive Income is 2,627,304,088 (2019: 2,435,288,142).

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.

### **13 SUBSEQUENT EVENTS**

During January 2021 and subsequent to the half-year end, the Company raised approximately ~\$1.2m (before costs) through the placement of the shortfall under the non-renounceable rights issue announced to the ASX on 30 November 2020. On 29 January 2021, the Company issued the 202,288,626 shares comprising that shortfall.

Subsequent to the half-year end, the Company issued 53,500,000 unquoted Performance Rights under the PNX Metal Limited Employee Performance Rights Plan. 25,000,000 Performance Rights, subject to performance conditions, were issued to the Managing Director on 27 January 2021 and a further 28,500,000 Performance Rights, subject to performance conditions, were also issued to employees and contracted personnel on 1 February 2021.

There were no other events occurring subsequent to 31 December 2020 requiring adjustment to, or disclosure in, the 31 December 2020 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 2020 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 2021

# Independent Auditor's Report

To the Members of PNX Metals Limited

Report on the review of the half-year-financial report

## Conclusion

We have reviewed the accompanying half-year financial report of PNX Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- a giving a true and fair view of PNX Metals Limited's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## Basis for Conclusion

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

## Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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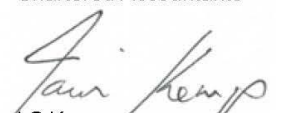
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### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

  
GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants  
I S Kemp  
Partner – Audit & Assurance

Adelaide, 09 March 2021